

J R Smart (Builders) Limited

**Directors' report and financial
statements**

Registered number 1148586

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 4. Turnover was £7,492,285 (2001: £2,243,031) and resulted in a profit before taxation of £3,444,107 (2001: profit before taxation £105,710).

Proposed dividend

The directors propose a final dividend of £59,327 (2001: £59,678).

Directors and directors' interests

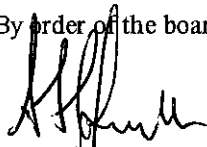
The directors who held office during the financial year had the following interests in the shares of the company as recorded in the register of directors' share and debenture interests throughout the year:

	Ordinary shares of £1 each
J R Smart (Chairman)	751
J E Smart	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 as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


A J T Smith
Secretary

7/8 Park Place
Cardiff
CF10 3DP

14 May 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 JR Smart (Builders) Limited

We have audited the financial statements on pages 4 to 12.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

15 May 2003

Profit and loss account
for the year ended 31 December 2002

	Note	2002	2001
		£	£
Turnover			
Company and share of joint venture		7,492,285	2,243,031
Less: share of joint venture		-	(24,113)
		<hr/>	<hr/>
Company turnover	1	7,492,285	2,218,918
Cost of sales		(4,164,853)	(1,255,878)
		<hr/>	<hr/>
Gross profit		3,327,432	963,040
Administrative expenses		(389,063)	(1,409,442)
Rent receivable		853,676	875,698
		<hr/>	<hr/>
Company operating profit		3,792,045	429,296
Share of operating profit in joint venture		-	22,145
Profit on disposal of joint venture		-	71,978
		<hr/>	<hr/>
		3,792,045	523,419
Interest receivable and similar income			
Company		483	810
Share of joint venture		-	358
		<hr/>	<hr/>
		483	1,168
Interest payable and similar charges	5	(348,421)	(418,877)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-4	3,444,107	105,710
Tax on profit on ordinary activities	6	(968,384)	(110,185)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		2,475,723	(4,475)
Dividend		(59,327)	(59,678)
		<hr/>	<hr/>
Profit/(loss) for the financial year		2,416,396	(64,153)
Retained profit brought forward		2,123,382	2,187,535
		<hr/>	<hr/>
Retained profit carried forward		4,539,778	2,123,382
		<hr/>	<hr/>

The above represents all the recognised gains and losses in both financial years.

Balance sheet
at 31 December 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	7		108,847		89,101
Investments	8		9,100		9,100
			<u>117,947</u>		<u>98,201</u>
Current assets					
Stocks	9	9,583,047		8,512,024	
Debtors	10	199,191		202,966	
Cash at bank and in hand		49		12	
		<u>9,782,287</u>		<u>8,715,002</u>	
Creditors: amounts falling due within one year	11	<u>(5,358,956)</u>		<u>(6,688,321)</u>	
Net current assets			<u>4,423,331</u>		<u>2,026,681</u>
Net assets			<u>4,541,278</u>		<u>2,124,882</u>
Capital and reserves					
Called up share capital	13		1,500		1,500
Profit and loss account			4,539,778		2,123,382
Equity shareholders' funds	14		<u>4,541,278</u>		<u>2,124,882</u>

These financial statements were approved by the board of directors on 14 May 2003 and were signed on its behalf by:

JR Smart
Director

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.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates two defined contribution pension schemes. The assets of the schemes 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.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2002 £	2001 £
Depreciation	26,643	27,277
Auditors' remuneration - audit fees/tax fees	17,000	7,500
Profit on sale of fixed assets	(1,069)	(635)
	<u> </u>	<u> </u>

3 Remuneration of directors

	2002 £	2001 £
Directors' emoluments:		
Remuneration	42,258	5,932
Benefits in kind	44,009	44,505
Pension contributions	9,653	575,833
	<u> </u>	<u> </u>
	95,920	626,270
	<u> </u>	<u> </u>

Retirement benefits are accruing to 4 directors (2001: 2 directors) under defined contribution pension schemes.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 9 (2001: 9).

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	125,972	120,447
Social security costs	11,079	10,250
Other pension costs	9,653	575,833
	<hr/> 146,704 <hr/>	<hr/> 706,530 <hr/>

5 Interest payable and similar charges

	2002 £	2001 £
Bank overdraft	326,002	418,842
Other (interest on loan from pension scheme)	22,419	35
	<hr/> 348,421 <hr/>	<hr/> 418,877 <hr/>

6 Taxation

The charge for taxation comprises:

	2002 £	2001 £
Corporation tax at 30% (2001: 30 %)	953,953	112,910
In respect of prior years:		
Corporation tax	14,431	(2,725)
Current year tax charge	<hr/> 968,384 <hr/>	<hr/> 110,185 <hr/>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the year:

	2002 £	2001 £
Profit on ordinary activities before tax	3,389,493	105,710
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30 %)	1,016,848	31,713
Expenses not allowance for tax purposes	21,905	12,849
Depreciation in excess of capital allowances and other differences not recognised	1,450	13,898
Spreading of pension contribution	(86,250)	86,250
Lower tax rate	-	(24,925)
Adjustment to tax in respect of previous period	14,431	(2,725)
Other indexation allowance on capital gain	-	(6,875)
Current tax for the year	968,384	110,185

7 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At beginning of year	13,755	18,820	11,739	205,770	250,084
Additions	-	-	2,000	51,820	53,820
Disposals	-	-	-	(25,945)	(25,945)
At end of year	13,755	18,820	13,739	231,645	277,959
Depreciation					
At beginning of year	6,207	9,840	4,917	140,019	160,983
Charge for the year	3,370	1,347	1,705	20,221	26,646
Disposals	-	-	-	(18,514)	(18,514)
At end of year	9,577	11,187	6,622	141,726	169,112
Net book value					
At end of year	4,178	7,633	7,114	89,919	108,847
At beginning of year	7,548	8,980	6,822	65,751	89,101

Notes (continued)

8 Fixed assets investments

	Shares in group undertaking £	Unlisted investments £	Total £
<i>Cost</i>			
At beginning of year	100	9,000	9,100
Share of profit of joint venture	-	-	-
Transfers	-	-	-
Disposals	-	-	-
At end of year	100	9,000	9,100

a) Shares in group undertaking

The Company holds the entire issued share capital of JR Smart (Homes) Limited, a non-trading company incorporated in Great Britain. The subsidiary undertaking has net assets of £100. The company has not been included in the consolidated financial statements on the grounds of its size in accordance with section 229(2) of the Companies Act 1985.

b) Unlisted investments

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

9 Stocks

	2002 £	2001 £
Work in progress and property for resale	9,583,047	8,512,024

Notes (continued)

10 Debtors

	2002 £	2001 £
Prepayments and accrued income	139,925	186,647
Directors loan account	59,266	-
Value added tax	-	16,319
	<u>199,191</u>	<u>202,966</u>

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	3,799,139	6,328,806
Trade creditors	400,067	61,395
Payments on account	23,333	-
Directors' current account	-	61
Directors' loan account (unsecured)	-	863
Other creditors		
Corporation tax	954,213	110,552
Other taxes and social security	5,173	4,076
Dividend payable	59,327	-
Accruals and deferred income	117,704	182,568
	<u>5,358,956</u>	<u>6,688,321</u>

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

The directors' accounts are payable to Mr and Mrs JR Smart and are payable on demand.

12 Deferred tax

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

	2002 £	2001 £
Accelerated capital allowances	23,476	22,026
Other timing differences	-	86,374
	<u>23,476</u>	<u>108,400</u>

The deferred tax asset has not been provided as there is uncertainty as to its recovery.

Notes (continued)

13 Called up share capital

	2002 £	2001 £
<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

	2002 £	2001 £
Profit/(loss) for the financial year	2,475,723	(4,475)
Dividends	(59,327)	(59,678)
	<u>2,416,396</u>	<u>(64,153)</u>
Opening shareholders' funds	2,124,882	2,189,035
	<u>4,541,278</u>	<u>2,124,882</u>
Closing shareholders' funds		

15 Pensions

The company operates two defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £9,653 (2001: £575,833). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Related party transactions

Rent of £21,968 (2001: £21,968) was paid to the directors' pension scheme (this rent was an open market value rent).

17 Contingent liability

The company is currently involved in litigation over losses incurred as a result of projections (for the selling prices of a development) prepared by a third party.