

**J R Smart (Builders) Limited**

**Directors' report and financial  
statements**

Registered number 1148586

31 December 2011



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## Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities

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

### Business review

Our objectives during 2011 were to

- Find an occupier for Driscoll Buildings which we achieved when we let 50% of the space to Inexus
- Commence development work on Number 1 capital quarter, our 80,000 sq ft office development, which we achieved and foundations were completed during the year
- Continue to look for development opportunities which we achieved by acquiring Ocean Park House

Overheads were again controlled in line with expectations

Sales reduced in 2011, and this was a consequence of the on-going reduction in the availability of finance for occupiers to purchase units

The directors consider the granting of leases in relation to trading stock of properties significantly enhances the attractiveness of the properties to potential purchasers

### 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 2014

### Outlook

2012 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 (2010 £Nil)

### Directors

The directors who held office during the year were

J R Smart (Chairman)  
AG Smart  
GE Smart

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


### **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  
Secretary

7/8 Park Place  
Cardiff  
CF10 3DP

22 August 2012

## **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 2011 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 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 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 2011 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*

22 August 2012

**Profit and loss account**  
*for the year ended 31 December 2011*

	<i>Note</i>	2011 £	2010 £
<b>Turnover</b>	<i>1</i>	938,021	1,333,090
Cost of sales		(618,863)	(800,831)
		<hr/>	<hr/>
<b>Gross profit</b>		319,158	532,259
Administrative expenses		(648,291)	(1,133,396)
Other income		1,341,241	1,010,131
		<hr/>	<hr/>
<b>Operating profit</b>	<i>2</i>	1,012,108	408,994
Interest receivable and similar income	<i>5</i>	95	37
Interest payable and similar charges	<i>6</i>	(453,415)	(276,688)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		558,788	132,343
Tax on profit on ordinary activities	<i>7</i>	(174,609)	(53,215)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<i>16</i>	384,179	79,128
		<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 for either of the financial years stated above and their historical cost equivalents.

The notes on pages 9 to 17 form part of these financial statements.

**Balance sheet**  
*at 31 December 2011*

	<i>Note</i>	<b>£</b>	<b>2011</b>	<b>£</b>	<b>2010</b>	<b>£</b>
<b>Fixed assets</b>						
Tangible assets	8		151,717		138,494	
Investments	9		9,100		9,100	
			<u>160,817</u>		<u>147,594</u>	
<b>Current assets</b>						
Stocks	10	26,325,865		23,133,968		
Debtors	11	1,734,358		1,183,320		
Cash at bank and in hand		1,035		6		
			<u>28,061,258</u>	<u>24,317,294</u>		
<b>Creditors: amounts falling due within one year</b>	12	(2,330,388)		(4,457,380)		
<b>Net current assets</b>			<u>25,730,870</u>		<u>19,859,914</u>	
<b>Total assets less current liabilities</b>			<u>25,891,687</u>		<u>20,007,508</u>	
<b>Creditors: amounts falling due after more than one year</b>	13		(11,500,000)		(6,000,000)	
<b>Net assets</b>			<u>14,391,687</u>		<u>14,007,508</u>	
<b>Capital and reserves</b>						
Called up share capital	15	1,500		1,500		
Profit and loss account	16	14,390,187		14,006,008		
<b>Equity shareholders' funds</b>	17		<u>14,391,687</u>		<u>14,007,508</u>	

These financial statements were approved by the board of directors on 22 August 2012 and were signed on its behalf by

  
JR Smart  
Chairman

Company registered number 1148586

**Cash flow statement**  
*for the year ended 31 December 2011*

	<i>Note</i>	2011 £	2010 £
Cash outflow from operating activities		(2,852,332)	(4,362,467)
Returns on investment and servicing of finance	22	(435,320)	(191,990)
Taxation paid		(46,566)	(105,768)
Capital expenditure and financial investment	22	(47,130)	(61,390)
Financing	22	5,906,154	6,750,000
<b>Increase in cash in the year</b>		<b>2,524,806</b>	<b>2,028,385</b>

**Reconciliation of operating profit to net cash outflow from operating activities**

	2011 £	2010 £
Operating profit	1,012,108	408,994
Depreciation charges	41,192	25,164
Profit on sale of fixed assets	(7,284)	(10,988)
Increase in stocks	(3,191,897)	(3,134,376)
Increase in debtors	(567,414)	(601,977)
Decrease in creditors	(139,037)	(1,049,284)
<b>Net cash outflow from operating activities</b>	<b>(2,852,332)</b>	<b>(4,362,467)</b>

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

	<i>Note</i>	2011 £	2010 £
Increase in cash in the year		2,524,806	2,028,385
New loans advanced	23	(5,906,154)	(6,750,000)
Net debt at the beginning of the year	23	(9,811,208)	(5,089,593)
<b>Net debt at the end of the year</b>	<b>23</b>	<b>(13,192,556)</b>	<b>(9,811,208)</b>

## 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 £25.7m 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 and for at least twelve months from the date of approval of the financial statements. 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)

	2011 £	2010 £
Depreciation	41,192	25,164
Auditors' remuneration		
- audit of these financial statements	18,500	18,500
- other services relating to taxation	21,000	18,000
Operating lease payments in respect of other operating leases	22,892	22,386
Profit on sale of fixed assets	(7,284)	(10,988)
	<u>          </u>	<u>          </u>

### 3 Remuneration of directors

	2011 £	2010 £
Directors' emoluments		
Remuneration (including benefits in kind)	279,857	581,701
	<u>          </u>	<u>          </u>

The highest paid director received remuneration of £141,422 (2010 £260,452). No pension contributions are accruing for this director (2010 £Nil).

Retirement benefits are accruing to 2 directors (2010 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	
	2011	2010
Administration	4	4
Site workers	3	3
	<u>7</u>	<u>7</u>

The aggregate payroll costs of these persons were as follows

	2011	2010
	£	£
Wages and salaries	298,678	591,283
Social security costs	47,170	82,312
	<u>345,848</u>	<u>673,595</u>

### 5 Interest receivable and similar income

	2011	2010
	£	£
Bank interest receivable	95	37
	<u>95</u>	<u>37</u>

### 6 Interest payable and similar charges

	2011	2010
	£	£
On bank overdraft	21,090	90,980
On bank loans	366,042	137,960
On other loans	66,283	47,748
	<u>453,415</u>	<u>276,688</u>

## Notes (continued)

### 7 Taxation

The charge/(credit) for taxation comprises

	2011 £	2010 £
<b>UK Corporation tax</b>		
Current tax on income for the year	158,233	46,566
Adjustments in respect of previous years	-	(86)
Total current tax	<u>158,233</u>	<u>46,480</u>
<b>Deferred tax (see note 14)</b>		
Origination and reversal of timing differences	<u>16,376</u>	<u>6,735</u>
<b>Tax on profit on ordinary activities</b>	<u><u>174,609</u></u>	<u><u>53,215</u></u>

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

The current tax charge/(credit) for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>558,788</u>	<u>132,343</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	148,079	37,056
Expenses not allowable for tax purposes	16,061	20,065
Difference between depreciation and capital allowance	(5,372)	(6,373)
Other timing difference	12,778	11,340
Small companies relief	(13,313)	(15,522)
Adjustments in respect of previous years	-	(86)
Current tax for the year	<u><u>158,233</u></u>	<u><u>46,480</u></u>

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and has been reflected in the above and the carrying value of the deferred tax asset.

The proposed further reductions to the corporation tax rate down to 22 per cent by 1 April 2014 have not yet been substantively enacted and therefore are not included in the figures above.

## Notes (continued)

### 8 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>					
At beginning of year	13,755	23,097	13,739	231,509	282,100
Additions	-	-	-	82,184	82,184
Disposals	-	-	-	(74,466)	74,466
At end of year	13,755	23,097	13,739	239,226	289,819
<b>Depreciation</b>					
At beginning of year	13,755	19,424	13,027	97,400	143,606
Charge for the year	-	551	178	40,463	41,192
Disposals	-	-	-	(46,696)	(46,696)
At end of year	13,755	19,975	13,205	91,167	138,102
<b>Net book value</b>					
At end of year	-	3,123	535	148,059	151,717
At beginning of year	-	3,673	712	134,109	138,494

### 9 Fixed assets investments

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

#### Unlisted investments

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

### 10 Stocks

	2011 £	2010 £
Work in progress and property for resale	26,325,865	23,133,968

## Notes (continued)

### 11 Debtors

	2011 £	2010 £
Trade debtors	111,756	40,268
Prepayments and accrued income	1,288,434	689,832
Deferred tax asset (see note 14)	299,587	315,963
Other debtors	34,581	137,257
	<u>1,734,358</u>	<u>1,183,320</u>

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

	2011 £	2010 £
Bank overdraft	537,437	3,061,214
Trade creditors	123,411	65,217
Corporation tax	158,233	46,541
Other creditors including taxation and social security	1,185,536	1,150,283
Accruals and deferred income	325,771	134,125
	<u>2,330,388</u>	<u>4,457,380</u>

Included in other creditors is a loan of £1,156,154 (2010 £750,000) payable to one of the directors, Mr J R Smart

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

	2011 £	2010 £
Bank loan	11,500,000	6,000,000

During 2011 the term loan facility was increased to £11.5 million and a further £5.5 million was drawn down. In September 2011 this term loan facility was replaced with a revolving credit facility of £11.5 million for a term commencing on the first drawn down and ending on 31 March 2013. The facility is secured against The Capital Quarter (Tyndall Street), Capital Business Park and Capital Link stock holdings. Interest is payable at LIBOR plus 2.89% per annum.

In February 2012 a new revolving credit facility through to 31 December 2014 of £16,000,000 was secured, along with an overdraft facility of £581,000. Interest is payable on the loan at a rate of 3 month libor plus 3.25%.

## Notes (continued)

### 14 Deferred tax

	£
At beginning of year	315,963
Charge for the year in the profit and loss account	(16,376)
	<hr/>
At end of year	<b>299,587</b>
	<hr/>

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

	2011 £	2010 £
Differences between depreciation and capital allowances	4,626	10,469
Losses carried forward	294,961	305,494
	<hr/>	<hr/>
Deferred tax asset (see note 11)	<b>299,587</b>	315,963
	<hr/>	<hr/>

### 15 Called up share capital

	2011 £	2010 £
<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

	2011 £	2010 £
Profit for the financial year	384,179	79,128
Retained profit brought forward	14,006,008	13,926,880
	<hr/>	<hr/>
Retained profit carried forward	<b>14,390,187</b>	14,006,008
	<hr/>	<hr/>

### 17 Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Profit for the financial year	384,179	79,128
Opening shareholders' funds	14,007,508	13,928,380
	<hr/>	<hr/>
Closing shareholders' funds	<b>14,391,687</b>	14,007,508
	<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 (2010 £Nil). There were no outstanding contributions at the end of the financial year (2010 £Nil).

### 19 Related party transactions

JR Smart Limited paid open market rent and service charges of £26,735 (2010 £25,544) to the directors' pension scheme in respect of the company's office accommodation.

Included in other creditors is a loan of £1,156,154 (2010 £750,000) payable to JR Smart, a director of the company. Interest of £48,385 was charged in respect of 2011 (2010 £40,500).

### 20 Capital commitments

There are no outstanding capital commitments at 31 December 2011 (2010 £Nil).

### 21 Operating leases

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

	2011 £	2010 £
Within 1 year	22,892	22,448
Between 2 and 5 years	-	-
Over 5 years	-	-
	<u>22,892</u>	<u>22,448</u>

## Notes (continued)

### 22 Analysis of cash flows

	2011 £	2010 £
<b>Returns on investment and servicing of finance</b>		
Interest received	95	37
Interest paid	(453,415)	(192,027)
	<u>(435,320)</u>	<u>(191,990)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire property, plant or equipment	(82,184)	(94,140)
Receipts from sales or disposals of property, plant and equipment	35,054	32,750
	<u>(47,130)</u>	<u>(61,390)</u>
<b>Financing</b>		
New loan from director	406,154	750,000
New bank term loan	5,500,000	6,000,000
	<u>5,906,154</u>	<u>6,750,000</u>

### 23 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash	6	1,029	1,035
Bank overdraft	(3,061,214)	2,523,777	(537,437)
	<u>(3,061,208)</u>	<u>2,524,806</u>	<u>(536,402)</u>
Director's loan	(750,000)	(406,154)	(1,156,154)
Bank term loan	(6,000,000)	(5,500,000)	(11,500,000)
	<u>(9,811,208)</u>	<u>(3,381,348)</u>	<u>(13,192,556)</u>
Total	<u>(9,811,208)</u>	<u>(3,381,348)</u>	<u>(13,192,556)</u>