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J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 1994

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J. Smart & Co. (Contractors) PLC

DIRECTORS

J. M. SMART,
Chairman and Managing Director

T. R. MURRAY
D. J. HOLLINGDALE
K. H. HASTINGS
A. D. MCCLURE
Secretary

REGISTERED OFFICE

28 CRAMOND ROAD SOUTH, EDINBURGH EH4 6AB.

SUBSIDIARY COMPANIES

MCGOWAN & CO. (CONTRACTORS) LIMITED
KING & RITCHIE LIMITED
CRAMOND REAL ESTATE COMPANY LIMITED
D. & J. MCDOUGALL LIMITED
THOMAS MENZIES (BUILDERS) LIMITED
CONCRETE PRODUCTS (KIRKCALDY) LIMITED
C. & W. A[illegible]ETS LIMITED

REGISTRARS AND TRANSFER OFFICE

BANK OF SCOTLAND,
APEX HOUSE, HADDINGTON PLACE,
EDINBURGH EH7 4AL.

BANKERS

BANK OF SCOTLAND, 64 GEORGE STREET,
EDINBURGH EH2 2YS.

AUDITORS

WILLIAM DUNCAN & CO.,
CHARTERED ACCOUNTANTS,
11 GEORGE SQUARE,
GLASGOW G2 1EA.

SOLICITORS

MARSHALL HENDERSON & WHYTE, S.S.C.,
15 STAFFORD STREET, EDINBURGH EH3 7BU.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the Registered Office, 28 Cramond Road South, Edinburgh, on *15th December 1994 at 12 noon,* for the following purposes:

1. To receive and consider the Accounts and the Report of the Directors for the year ended 31st July 1994.
2. To declare a dividend.
3. To elect Directors.
4. To authorise fees payable to the Directors.
5. To re-elect the Auditors.
6. To authorise the Directors to determine the remuneration of the Auditors.
7. To transact any other business of an Annual General Meeting.

A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of him. A proxy need not also be a member. Forms of proxy, if used, must be lodged at the Registered Office at least 48 hours before the time fixed for the Meeting.

There are no Directors' service contracts of more than one year's duration in existence.

BY ORDER OF THE BOARD,
A. D. McCLURE, *Secretary*
28 CRAMOND ROAD SOUTH, EDINBURGH EH4 6AB.
21st November 1994.

Note: The dividend, if approved, will be paid on 19th December 1994 to shareholders on the Register at the close of business on 1st December 1994.

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

As indicated at the interim stage Group profits for the second half of the year were not substantially different from the first half and accordingly Group profit for the year amounted to £1,652,485. This compares with a profit for the previous year of £2,041,547.

The Board is recommending a Final Dividend of 6.2p nett, making a total for the year of 8.5p nett, which is the same as the previous year. After waivers by members holding approximately 50% of the shares the Dividends will cost the Company £430,296.

Unappropriated profits for the year amounted to £579,844 which, when added to the retained profits brought forward less tax on realisation of revaluation surpluses and the surplus on the revaluation reserve, brings the consolidated capital and reserves of the Group to £31,214,089.

TRADING ACTIVITIES

Group turnover during the year increased by approximately 34% and pre-tax profits decreased by approximately 19%. Although the previous year's private house sales were exceeded during the period under review the year ended on a quiet note. There was no improvement in the depressed prices obtainable in the contracting and precast concrete manufacturing sectors. As a result construction activities recorded a substantially increased loss.

An increase in rental income and a reduction in interest paid resulted in an increased profit attributable to investment activities.

OTHER MATTERS

At the end of 1993 Mr. William L. Grant, having attained his seniority, retired from the Board. Mr. Grant served the Company for 37 years, 24 as a Director, during which time his unstinting determination, loyalty and hard work contributed very substantially to the Group's success. My sincerest personal thanks go to Willie for all his efforts on the Company's behalf together with my wishes for long and happy retirement.

The FT-SE Actuaries Industry Classification Committee have intimated that they propose to reclassify your company under the Property Sub-Section on 1st January 1995 subject to reconsideration at their quarterly meeting in early December 1994. While property development is a significant part of our operations and the rental stream currently sustains group profitability, in your Board's view such a reclassification would mislead existing and potential shareholders as to the true nature of the company's principal activity which is still building construction. We have written to the Committee on two occasions emphasising this point. We consider it important that shareholders be made aware of the possible impending reclassification and its timing.

FUTURE PROSPECTS

Due to unavoidable delays, certain industrial projects which were expected to commence last year slipped forward to the current year. Activity in industrial and commercial developments should accordingly be up on last year. The volume of contracting work in hand is less than last year and prices are no better. We have recommenced the construction of private houses for sale. In the light of the losses experienced in construction activities in the past two years we have been seeking to reduce our traditional reliance on conventional contracting by expanding our private housebuilding operations and our design and construct package deal activities. At the moment I anticipate that, subject only to unforeseen circumstances, Group profits for the current year will at least approximate to the profits for last year.

J. M. SMART
Chairman

21st November 1994

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

REPORT OF THE DIRECTORS

The Directors submit their Annual Report and Accounts for the year ended 31st July 1994.

RESULTS AND DIVIDENDS

The profits of the Group for the year after charging taxation amount to		£1,010,140
From which the Directors have made the following appropriations:—		
Paying an interim dividend of 2.30p per share (1993, 2.30p) after waivers	£116,433	
Proposing a final dividend of 6.20p per share (1993, 6.20p) after waivers	313,863	
		430,296
Profits retained for the year		£579,844

Certain shareholders have waived the interim and final dividend aggregating £426,674.

The dividend, if approved, will be paid to all Members on the Share register of the Company at the close of business on 1st December 1994. Dividend warrants will be posted on 16th December 1994.

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 Group and of the profit or loss of the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are building and public works contracting of all types, building for sale of private houses, carrying out of industrial and commercial developments and re-developments for sale or lease, and the manufacture for sale of concrete building products.

Turnover during the year increased by £4,320,726 and rental income from investment properties increased from £3,010,663 to £3,299,502, resulting in an Operating Profit of £1,741,366. The Group's investment income including profit on sale of equity investments decreased from £238,654 to £165,370, and the Profit on Ordinary Activities before Taxation amounted to £1,652,485 as compared with £2,041,547 in the previous year.

FIXED ASSETS

Full details of the movements in fixed assets during the year are given in notes 12 and 13 attached to the accounts.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company, as described above, will substantially change in the immediate future.

EMPLOYEE INVOLVEMENT

It is Company policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects. In achieving this policy, the Directors are aware of the need to take account of the practical and commercial considerations of the Company, and of the needs of employees.

DISABLED EMPLOYEES

The policy of the Company with regard to disabled persons is to give full and fair consideration to all applicants for employment and to all employees in relation to promotion. Wherever possible, employees who become disabled during their employment are offered suitable alternative employment.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group amounted to £25,999.

DIRECTORS AND THEIR INTERESTS

(i) The Directors at 31st July 1994 and their interests in the share capital of the Company were as follows:—

	1st August 1993 *Ordinary shares of 10p each* *Beneficial holdings*	*31st July 1994* *Ordinary shares of 10p each* *Beneficial holdings*
J. M. Smart	4,844,154	4,844,154
T. R. Murray	35,800	35,800
D. J. Hollingdale	51,000	51,000
K. H. Hastings	43,000	43,000
A. D. McClure	30,000	30,000

(ii) Mr. W. L. Grant resigned as a director on 31st December 1993 having reached retiral age.

(iii) Mr. A. D. McClure retires by rotation and, being eligible, offers himself for re-election.

(iv) There are no Directors' service contracts of more than one year's duration in existence.

(v) There have been no changes in the Directors' interests between 31st July 1994 and 28th October 1994.

(vi) Details of Directors' beneficial interests in any contracts to which the parent company or any subsidiary company was a party are shown in Note 30 attached to the accounts.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, the only persons, apart from the Directors, to hold an interest of 3% or more in the Share Capital of the Company at 28th October 1994 were:

Norwich Union Life Insurance Society 449,000 ordinary shares – 4.45%

CLOSE COMPANY STATUS

On the information available, the Directors are of the opinion that the Company is not a Close Company within the provisions of the Income and Corporation Taxes Act 1988, as amended.

CORPORATE GOVERNANCE

The Stock Exchange requires as a continuing obligation of listing that your Company complies with the Code of Best Practice recommended in the Report of the Committee on The Financial Aspects of Corporate Governance dated 1st December 1992 or gives reasons for not complying.

The Code which is intended to promote openness, integrity and accountability makes a virtue of what was already common practice and procedure among the larger publicly quoted companies prior to publication of the Code. In particular the Code recommends the appointment of a minimum of three non-executive directors to all company boards and the formation of remuneration and audit committees composed wholly or mainly of non-executive directors.

CORPORATE GOVERNANCE (contd.)

Your Board consists entirely of working Directors who aggregate 144 years service with the Company, 74 of those as Directors. The Board comprises the executive management of the Company and thus maintains full control. Decisions are accordingly taken quickly and effectively following ad hoc consultation among the Directors concerned when any matter arises. Your Board takes the view that this direct but flexible approach is preferable to the more cumbersome procedures prevalent in larger organisations and has made a considerable contribution to your Company's past success. It is your Board's considered opinion, therefore, that while the Code may be appropriate for larger companies much of what it contains is not only inappropriate for a Company of our size and nature but would also be seriously counter productive.

It is apparent that the Company does not comply either in whole or in part with paragraphs 1.2 to 1.4, 2.1 to 2.4, 3.3 and 4.3 of the Code. As required the reasons for non-compliance are listed below.

1.2 The Chairman of your Company is also Managing Director. Bearing in mind the size of the Company the Board sees no value in splitting the roles of Chairman and Managing Director. All Directors express their views and make a valuable contribution to the running of the Company.

1.3
2.1 to 2.4
3.3 & 4.3 Your Board considers that increasing the manning level of the Board by 60% by the appointment of three non-executive Directors will increase costs and impose an additional administrative burden for no discernible benefit and accordingly serve no useful purpose.

1.4 A formal schedule of reserved matters is not required since the Board is the executive management of the Company, takes the decisions on all material matters and thereby exercises full direction and control.

Your Board is committed to the principles of openness, integrity and accountability in dealing with the Company's affairs and believes it has always acted with probity in the best interests of the Company, its employees and shareholders without recourse to guidance or instruction from others and fully intends to continue to do so in the future.

The auditors, William Duncan & Co., have confirmed to the Directors that they are satisfied that this statement appropriately reflects the Company's compliance, or otherwise, with the Code insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for their review.

AUDITORS

A resolution to reappoint as auditors William Duncan & Co., Chartered Accountants, Glasgow, will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD,
A. D. McCLURE,
Secretary.

21st November 1994.

REPORT OF THE AUDITORS
TO THE MEMBERS OF
J. SMART & CO. (CONTRACTORS) PLC

We have audited the financial statements on pages 10 to 24 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As described on page 6 the Group's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF 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 Group'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 affairs of the Company and the Group at 31st July 1994 and of the profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

11 GEORGE SQUARE,
GLASGOW G2 1EA.
21st November 1994.

WILLIAM DUNCAN & CO.,
Chartered Accountants and Registered Auditor.

William Duncan & Co.

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st JULY 1994

	Notes	1994		*1993*
		£	£	£
TURNOVER	2		17,159,848	*12,839,122*
Own work capitalised			586,966	*1,472,958*
			17,746,814	*14,312,080*
Other operating income	3		3,299,502	*3,010,663*
			21,046,316	*17,322,743*
Raw materials and consumables		6,351,791		*4,959,589*
Other external charges		5,172,430		*3,298,665*
			11,524,221	*8,258,254*
			9,522,095	*9,064,489*
Staff costs	4	6,813,858		*6,057,892*
Depreciation		276,658		*293,986*
Other operating charges		690,213		*562,565*
			7,780,729	*6,914,443*
OPERATING PROFIT	5		1,741,366	*2,150,046*
Income from investments	6	5,670		*8,253*
Interest and other amounts receivable	7	161,587		*211,807*
Interest payable	7	(254,251)		*(347,153)*
(Increase)/decrease in amount written off investments		(1,887)		*18,594*
			(88,881)	*(108,499)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,652,485	*2,041,547*
Tax on profit on ordinary activities	8		642,345	*704,382*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9		1,010,140	*1,337,165*
DIVIDENDS	10		430,296	*430,296*
RETAINED PROFIT FOR THE YEAR	23		579,844	*906,869*
EARNINGS PER SHARE	11		10.02p	*13.26p*

The notes on pages 15 to 24 form an integral part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31st JULY 1994

	Notes	1994 £	*1993 £*
PROFIT FOR THE FINANCIAL YEAR		1,010,140	*1,337,165*
Unrealised surplus on revaluation of investment properties	13	943,312	*73,214*
Taxation on realisation of property revaluation gains of previous years		(186,514)	–
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		1,766,938	*1,410,379*
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit on ordinary activities before taxation		1,652,485	*2,041,547*
Realisation of property revaluation gains of previous years		687,000	–
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,339,485	*2,041,547*
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS		1,080,330	*906,869*

The notes on pages 15 to 24 form an integral part of these accounts.

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CONSOLIDATED BALANCE SHEET as at 31st JULY 1994

	Notes	1994 £	1994 £	1993 £
FIXED ASSETS				
Intangible assets	12		1,575	*1,662*
Tangible assets	13		31,993,427	*31,525,172*
			31,995,002	*31,526,834*
CURRENT ASSETS				
Stocks and work in progress	15	2,549,342		*3,589,605*
Debtors: Amounts falling due after one year	16	7,500		–
Debtors: Amounts falling due within one year	16	1,731,129		*1,574,118*
Investments	17	173,365		*107,244*
Cash at bank and in hand	18	2,545,944		*752,015*
		7,007,280		*6,022,982*
PREPAYMENTS AND ACCRUED INCOME				
Deferred taxation asset	21	136,886		*150,022*
		7,144,166		*6,173,004*
CREDITORS: amounts falling due within one year	19	5,125,079		*4,622,391*
NET CURRENT ASSETS			2,019,087	*1,550,613*
TOTAL ASSETS LESS CURRENT LIABILITIES			34,014,089	*33,077,447*
CREDITORS: amounts falling due after more than one year	20		2,800,000	*3,200,000*
			31,214,089	*29,877,447*
CAPITAL AND RESERVES				
Called up share capital	22		1,008,200	*1,008,200*
Revaluation reserve	23		8,704,536	*8,448,224*
Profit and loss account	23		21,501,353	*20,421,023*
			31,214,089	*29,877,447*

Approved by the Board on 21st November 1994.

J. M. SMART, *Director*
A. D. McCLURE, *Director*

The notes on pages 15 to 24 form an integral part of these accounts.

J. Smart & Co. (Contractors) PLC

BALANCE SHEET as at 31st JULY 1994

	Notes	1994 £	1994 £	1993 £
FIXED ASSETS				
Tangible assets	13		402,622	*446,849*
Investments:				
Investment in subsidiaries	14		764,366	*764,366*
			1,166,988	*1,211,215*
CURRENT ASSETS				
Stocks and work in progress	15	2,229,070		*3,263,331*
Debtors	16	2,297,030		*2,613,541*
Cash at bank and in hand	18	3,548,784		*2,828,298*
		8,074,884		*8,705,170*
PREPAYMENTS AND ACCRUED INCOME				
Deferred taxation asset	21	181,366		*219,422*
		8,256,250		*8,924,592*
CREDITORS: amounts falling due within one year	19	2,581,522		*2,260,024*
NET CURRENT ASSETS			5,674,728	*6,664,568*
TOTAL ASSETS LESS CURRENT LIABILITIES			6,841,716	*7,875,783*
CAPITAL AND RESERVES				
Called up share capital	22		1,008,200	*1,008,200*
Profit and loss account	23		5,833,516	*6,867,583*
			6,841,716	*7,875,783*

Approved by the Board on
21st November 1994.

J. M. SMART, *Director*
A. D. McCLURE, *Director*

The notes on pages 15 to 24 form an integral part of these accounts.

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CASH FLOW STATEMENT for the year ended 31st JULY 1994

	Notes	1994 £	1994 £	1993 £
OPERATING ACTIVITIES	25(a)			
Net receipts from construction activities		141,682		(277,301)
Net receipts from investment activities		3,169,492		3,413,912
Net cash inflow from operating activities			3,311,174	3,136,611
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		3,914		22,202
Interest paid		(254,251)		(347,153)
Dividends paid		(430,296)		(430,296)
Net cash outflow from returns on investments and servicing of finance			(680,633)	(755,247)
TAXATION				
Corporation tax paid		(684,356)		(1,065,555)
Tax paid			(684,356)	(1,065,555)
INVESTING ACTIVITIES				
Purchase of tangible fixed assets		(658,252)		(615,157)
Sale of tangible fixed assets		1,492,797		472,941
Expenditure on own work capitalised		(586,966)		(1,472,958)
Sale of intangible fixed assets		165		–
Net cash inflow/(outflow) from investing activities			247,744	(1,615,174)
Net cash inflow/(outflow) before financing			2,193,929	(299,365)
FINANCING	25(b)			
Term loan (repaid)		(400,000)		(400,000)
Net cash (outflow) from financing			(400,000)	(400,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25(c & d)		1,793,929	(699,365)

The notes on pages 15 to 24 form an integral part of these accounts.

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, modified to include the revaluation of completed investment properties, and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of J. Smart & Co. (Contractors) PLC and all its subsidiaries made up to 31st July each year. No profit and loss account is presented for the holding Company as provided by Section 230 of the Companies Act 1985.

GOODWILL

Goodwill arising on consolidation is written off to reserves in the year of acquisition.

INVESTMENT PROPERTIES

Completed investment properties are included in the balance sheet at their open market value. Properties under development are stated at cost including attributable overheads.

DEPRECIATION

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost of each asset over its expected useful life, as follows:–

Freehold buildings	–	over 40 to 66 years
Plant machinery and vehicles	–	15% to 33⅓% reducing balance or straight line as appropriate

OPERATING LEASES

Costs in respect of operating leases are charged on a straight line basis over the term of the lease.

GRANTS

Grants received in respect of capital expenditure on investment properties have been credited to the related fixed assets on receipt.

STOCKS AND WORK IN PROGRESS

Stocks are valued at the lower of cost and net realisable value.

Land held for development is included at the lower of cost and net realisable value.

Work in progress other than long-term contract work in progress is valued at the lower of cost and net realisable value. Cost comprises direct materials on a first-in first-out basis and direct labour plus attributable overheads where appropriate.

Net realisable value is based on estimated selling price less anticipated disposal costs.

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors, are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

DEFERRED TAXATION

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

2. TURNOVER AND PROFITS

Turnover, which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where turnover represents the sales value of work done in the year.

Profits on long-term contracts are calculated in accordance with standard accounting practice and do not relate directly to turnover. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

All of the turnover disclosed in the Consolidated Profit and Loss Account relates to construction activities in Scotland.

The value of construction properties transferred to investment properties, all of which has been excluded from turnover, was £586,966 (1993, £1,472,958).

	1994 £	*1993* *£*
The net profit on ordinary activities before taxation may be attributed to:—		
Construction Activities	(1,364,926)	*(692,284)*
Investment Activities	3,017,411	*2,733,831*
Total	1,652,485	*2,041,547*
The net assets are attributed as follows:—		
Construction Activities	8,607,227	*10,039,715*
Investment Activities	22,606,862	*19,837,732*
Total	31,214,089	*29,877,447*

Details of income arising from investment activities are given in Notes 3, 6 and 7 to the accounts.

3. OTHER OPERATING INCOME

Rental income	3,299,502	*3,010,663*

The prospective total annual income from investment properties now completed will amount, in a full year, to approximately £3,480,000 (1993, £3,040,000).

4. STAFF COSTS

Staff costs during the year amounted to:—		
Wages and salaries	5,944,247	*5,274,574*
Social security costs	542,787	*481,489*
Other pension costs	326,824	*301,829*
	6,813,858	*6,057,892*

	No.	*No.*
The average weekly number of employees during the year was made up as follows:—		
Construction and related services	374	*324*
Office and management	34	*35*
	408	*359*

5. OPERATING PROFIT

This is stated after charging/(crediting):–	1994 £	*1993 £*
Directors' remuneration	343,259	*334,763*
Hire of plant and machinery	402,954	*275,180*
Profit on disposal of fixed assets	(49,180)	*(18,906)*
Auditors' remuneration and expenses	53,000	*49,100*
Directors' remuneration:–		
Management remuneration	340,459	*329,889*
Pension to former Director's widow	2,800	*4,874*
	343,259	*334,763*
Emoluments, excluding pension contributions, of the Chairman:–	49,025	*47,608*
Emoluments, excluding pension contributions, of the highest paid Director:–	58,750	*53,333*

The emoluments, excluding pension contributions, of the Directors fell within the following ranges:–	No.	*No.*
£40,001 – £45,000	1	*1*
£45,001 – £50,000	3	*3*
£50,001 – £55,000	1	*2*
£55,001 – £60,000	1	*–*

6. INCOME FROM INVESTMENTS

	1994 £	*1993 £*
Listed	5,670	*8,253*

7. INTEREST AND OTHER AMOUNTS RECEIVABLE/PAYABLE

		1994	*1993*
Receivable:	Interest on short term deposits	159,336	*141,219*
	Profit on sale of investments	2,251	*70,588*
		161,587	*211,807*
Payable:	Term loan interest	254,251	[illegible]

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:–	1994	*1993*
Based on the profit for the year		
Corporation tax at 33% (1993, 33%)	649,182	*768,300*
Tax credits attributable to dividends received	997	*1,920*
Deferred taxation	480	*(63,250)*
	650,659	*706,970*
Corporation tax over provided in previous years	(8,314)	*(2,578)*
	642,345	*704,392*

If full provision had been made for deferred taxation, the tax charge for the year would have been increased by £32,700 (1993, £33,700).

9. PROFIT FOR THE FINANCIAL YEAR

	1994	*1993*
	£	*£*
Dealt with in the accounts of the holding Company	(603,771)	*(198,604)*
Retained by subsidiary companies	1,613,911	*1,535,769*
	1,010,140	*1,337,165*

10. DIVIDENDS

Interim paid of 2.30p per share (1993, 2.30p) after waivers	116,433	*116,433*
Final proposed of 6.20p per share (1993, 6.20p) after waivers	313,863	*313,863*
	430,296	*430,296*
Certain shareholders have waived dividends as follows:–		
Interim	115,453	*115,453*
Final	311,221	*311,221*
	426,674	*426,674*

11. EARNINGS PER SHARE

The calculation of earnings per share is based on net profit after taxation for the year of £1,010,140 (1993, £1,337,165) and on 10,082,000 shares in issue at 31st July 1994 and 31st July 1993.

12. INTANGIBLE FIXED ASSETS

	£
Cost of feu duties at 31st July 1993	1,662
Disposals	87
Cost at 31st July 1994	1,575

13. TANGIBLE FIXED ASSETS

(a) GROUP

	Land and buildings Freehold	Plant, equipment and vehicles	Land and buildings Investment properties Freehold	Land and buildings Investment properties Long leasehold	Total
	£	£	£	£	£
Cost or valuation:					
At 31st July 1993	738,430	3,986,533	26,278,739	4,083,000	35,086,702
Additions	–	397,200	677,220	170,798	1,245,218
Net surplus on revaluation	–	–	727,110	216,202	943,312
Disposals	–	(420,527)	(1,210,902)	–	(1,631,429)
At 31st July 1994	738,430	3,963,206	26,472,167	4,470,000	35,643,803
At valuation	–	–	23,860,000	4,470,000	28,330,000
At cost	738,430	3,963,206	2,612,167	–	7,313,803
Depreciation:					
At 31st July 1993	174,188	3,387,342	–	–	3,561,530
Provided during year	15,768	260,890	–	–	276,658
Disposals	–	(187,812)	–	–	(187,812)
At 31st July 1994	189,956	3,460,420	–	–	3,650,376
Net book value:					
At 31st July 1994	548,474	502,786	26,472,167	4,470,000	31,993,427
At 31st July 1993	564,242	599,191	26,278,739	4,083,000	31,525,172

13. TANGIBLE FIXED ASSETS (contd.)

(a) GROUP (contd.)

On the historical cost basis, the revalued investment properties at 31st July 1994 would have been included at a cost of £19,652,264 less accumulated depreciation of £26,799 (1993, cost £19,665,887 less accumulated depreciation of £34,110).

(b) COMPANY

	Land and buildings Freehold	Plant, equipment and vehicles	Total
Cost or valuation:	£	£	£
At 31st July 1993	178,583	1,773,652	1,952,235
Additions	–	279,699	279,699
Transfers within Group	–	649	649
Disposals	–	(361,183)	(361,183)
Cost at 31st July 1994	178,583	1,692,817	1,871,400
Depreciation:			
At 31st July 1993	40,361	1,465,025	1,505,386
Provided during year	2,706	108,198	110,904
Disposals	–	(147,512)	(147,512)
At 31st July 1994	43,067	1,425,711	1,468,778
Net book value:			
At 31st July 1994	135,516	267,106	402,622
At 31st July 1993	138,222	308,627	446,849

(c) INVESTMENT PROPERTIES

The Group's completed investment properties were internally valued on an open market value basis on 31st July 1994 by Mr. J. M. Smart, A.R.I.C.S., and Mr. K. H. Hastings, F.R.I.C.S., both of whom are Directors of the holding Company.

In accordance with Statement of Standard Accounting Practice No. 19, completed investment properties are revalued annually and, except where a deficit is considered permanent, the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation is provided in respect of these properties. The Directors consider that this accounting policy results in the accounts giving a true and fair view.

If the completed investment properties were sold at their valuation a tax liability of £1,209,000 (1993, £1,255,000) would arise.

14. INVESTMENT IN SUBSIDIARIES

	1994	*1993*
	£	*£*
Shares at cost	764,366	*764,366*

At 31st July 1994 the Company held the entire issued share capital of the following companies all of whom are registered and operate in Scotland:–

	Nature of business
McGowan & Co. (Contractors) Limited	Plumbing contractors
King & Ritchie Limited	Property company
Cramond Real Estate Company Limited	Investment dealing
D. & J. McDougall Limited	Building contractors
Thomas Menzies (Builders) Limited	Civil Engineering contractors
Concrete Products (Kirkcaldy) Limited	Manufacture of concrete building products
C. & W. Assets Limited	Property company

15. STOCKS AND WORK IN PROGRESS

	Group		Company	
	1994	*1993*	1994	*1993*
	£	£	£	£
Long-term contract balances	1,207,646	*2,137,211*	1,126,715	*2,095,177*
Land held for development	1,096,335	*1,153,703*	1,040,793	*1,098,161*
Raw materials and consumables	127,113	*132,525*	61,562	*69,993*
Finished goods	118,248	*166,166*	—	—
	2,549,342	*3,589,605*	2,229,070	*3,263,331*

16. DEBTORS

	Group 1994	Group *1993*	Company 1994	Company *1993*
Amounts falling due after more than one year:				
Proceeds from sale of Property	7,500	—	—	—
Amounts falling due within one year:				
Trade debtors	1,154,574	*758,271*	468,707	*186,297*
Amount owed by subsidiaries	—	—	1,428,823	*1,776,864*
Other debtors	144,482	*126,922*	144,129	*243,057*
Prepayments and accrued income	268,682	*244,160*	117,794	*105,199*
Amounts recoverable on contracts	163,391	*444,765*	137,577	*302,124*
	1,731,129	*1,574,118*	2,297,030	*2,613,541*

17. INVESTMENTS

	Group	
	1994	*1993*
	£	£
Listed	173,265	*107,144*
Unlisted	100	*100*
	173,365	*107,244*
Market value of listed investments	288,409	*195,633*
Taxation on potential gain if sold at valuation	35,900	*27,700*

The listed investments are dealt on a recognised stock exchange and are stated at the lower of cost and market value.

18. CASH AT BANK

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all moneys, obligations and liabilities owing or incurred to the bank.

19. CREDITORS: Amounts falling due within one year

	Group		Company	
	1994	*1993*	1994	*1993*
	£	£	£	£
Current instalment due on loan	400,000	*400,000*	—	—
Payments received on account	517,313	*566,120*	214,813	*263,620*
Trade creditors	1,032,771	*862,201*	848,670	*693,917*
Amount owed to subsidiaries	—	—	153,022	*145,280*
Current corporation tax	1,208,897	*1,077,530*	—	—
Other taxes and social security costs	249,649	*302,704*	110,716	*92,604*
Other creditors and accruals	1,402,586	*1,099,973*	940,438	*751,640*
Proposed dividend	313,863	*313,863*	313,863	*313,863*
	5,125,079	*4,622,391*	2,581,522	*2,260,024*

20. CREDITORS: Amounts falling due after more than one year

	Group 1994 £	Group 1993 £
Loans:—		
Not wholly repayable within five years	3,200,000	3,600,000
Amount due within one year (note 19)	400,000	400,000
	2,800,000	3,200,000
Instalments not due within five years	1,200,000	1,600,000
Amounts due at 31st July 1994 are repayable as follows		
Bank loan:—		
After five years	1,200,000	1,600,000
Between two and five years	1,200,000	1,200,000
Between one and two years	400,000	400,000
	2,800,000	3,200,000
Within one year (note 19)	400,000	400,000
	3,200,000	3,600,000

Interest is payable monthly in arrears at 1.5% over the Company's bank's base rate from time to time fluctuating therewith, subject to a minimum annual rate of 6.75%, (1993, 7%).

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all moneys, obligations and liabilities owing or incurred to the bank.

A member of the Group has granted a Standard Security in favour of Scottish Enterprise Fife Limited over one of its properties in respect of a joint venture investment. This security was discharged after the end of the year.

21. DEFERRED TAXATION

	Group 1994 £	Group 1993 £	Company 1994 £	Company 1993 £
At 31st July 1993	(150,022)	(100,271)	(219,422)	(182,421)
Released during year	480	(63,250)	25,400	(50,500)
Advance corporation tax	12,656	13,499	12,656	13,499
At 31st July 1994	(136,886)	(150,022)	(181,366)	(219,422)
Deferred taxation provided in the accounts is due to timing differences arising on:—				
Capital allowances in advance of depreciation	39,930	63,900	–	–
Other timing differences	(98,400)	(122,800)	(102,900)	(128,300)
Advance corporation tax	(78,466)	(91,122)	(78,466)	(91,122)
	(136,886)	(150,022)	(181,366)	(219,422)
Deferred taxation not provided is due to differences arising on:—				
Capital allowances in advance of depreciation	443,200	410,500	13,200	13,500
Chargeable gain on disposal of properties offset against new properties by rollover relief	12,700	12,700	–	–
	455,900	423,200	13,200	13,500

In addition to the sums noted above, there is a potential capital gains tax liability of £1,209,000 (1993, £1,255,000) if the completed investment properties were sold at valuation.

22. SHARE CAPITAL

	1994 Authorised	1994 Allotted and fully paid	*1993 Authorised*	*1993 Allotted and fully paid*
	£	£	*£*	*£*
Ordinary shares of 10p each	1,200,000	1,008,200	*1,200,000*	*1,008,200*

23. RESERVES

	Group Revaluation Reserve	Group Profit and Loss Account	Group Total	Company Profit and Loss Account
	£	£	£	£
At 31st July 1993	8,448,224	20,421,023	28,869,247	6,867,583
Transfer from profit and loss account for the year	–	579,844	579,844	(1,034,067)
Transfer from revaluation reserve to profit and loss account	(687,000)	687,000	–	–
Tax on realisation of revaluation surpluses	–	(186,514)	(186,514)	–
Surplus on property revaluation	943,312	–	943,312	–
At 31st July 1994	8,704,536	21,501,353	30,205,889	5,833,516

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994	*1993*
	£	*£*
Profit for the financial year	1,010,140	*1,337,165*
Dividends	430,296	*430,296*
	579,844	*906,869*
Other recognised gains and losses relating to the year (note 23)	943,312	*73,214*
Tax on realisation of revaluation surpluses	(186,514)	–
	1,336,642	*980,083*
Opening shareholders' funds	29,877,447	*28,897,364*
Closing shareholders' funds	31,214,089	*29,877,447*

25. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1994	*1993*
	£	*£*
Operating profit	1,741,366	*2,150,046*
Depreciation	276,658	*293,986*
Gain on sale of tangible fixed assets	(49,180)	*(18,906)*
Gain on sale of intangible fixed assets	(78)	–
Interest received on investments	155,422	*119,017*
Dividends received	5,670	*8,253*
Proceeds of sale of investments	15,904	*154,766*
Purchase of investments	(81,661)	*(62,780)*
Decrease in stocks and work in progress	1,040,263	*143,882*
(Increase) in debtors	(164,511)	*(27,621)*
Increase in creditors	371,321	*375,968*
	3,311,174	*3,136,611*

25. NOTES TO THE CASH FLOW STATEMENT (contd.)

(b) Analysis of changes in financing during the year

	Term Loan
	£
Financing at 31st July 1993	3,600,000
Cash outflow from financing	400,000
Financing at 31st July 1994	3,200,000

(c) Analysis of changes in cash and cash equivalents during the year

	1994	*1993*
	£	*£*
Balance at 31st July 1993	752,015	*1,451,380*
Net cash inflow/(outflow)	1,793,929	*(699,365)*
Balance at 31st July 1994	2,545,944	*752,015*

(d) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994	1993	Change in the year
	£	£	£
Cash at bank and on hand	(1,004,056)	*(357,985)*	(646,071)
Short term deposits	3,550,000	*1,110,000*	2,440,000
	2,545,944	*752,015*	1,793,929

26. CAPITAL COMMITMENTS

The estimated amount of Capital Expenditure at 31st July authorised by the Board for which no provision has been made is:–

	Group		Company	
	1994	*1993*	1994	*1993*
	£	*£*	£	*£*
(i) Contracted for	114,000	*nil*	33,000	*nil*
(ii) For which no contract has been entered into	nil	*nil*	nil	*nil*

27. PENSION COMMITMENTS

The Group operates an employee Pension Scheme which provides benefits based on final pensionable salary. The assets of the Scheme are held separately from those of the Group, being invested with insurance companies. Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary using the projected unit credit method. The most recent valuation was at 1st November 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and that the rate of increase in pensions vesting after the valuation date will be 2½% per annum on the pension in excess of the Guaranteed Minimum Pension earned in respect of Contracted-Out service after 6th April 1988. The Guaranteed Minimum Pension earned in respect of Contracted-Out service after 6th April 1988 will increase at 3% per annum.

The total net pension charge for the period under review was £326,824.

The most recent actuarial valuation showed that the market value of the Scheme's assets was £3,441,600 and that the actuarial value of those assets represented 91% of the benefit that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Company and employees were at 12.9% and 3% of earnings respectively until 1st November 1992 and thereafter increased to 14.7% and 3% of earnings respectively to cover the shortfall referred to above. The Company provides no other post retirement benefits to its employees.

28. FINANCIAL COMMITMENTS

At 31st July 1994 the Group had annual commitments under non-cancellable operating leases on plant, equipment and vehicles as follows:

	1994	1993
	£	£
Expiring within one year	7,315	–
Expiring between two and five years inclusive	139,151	110,298
	146,466	110,298

29. CONTINGENT LIABILITIES

(a) The Company and certain of its subsidiaries have in the normal course of business entered into counter-indemnities in respect of performance bonds relating to their contracts.

(b) Grants received by a subsidiary in respect of capital expenditure are repayable in the event of the receivership, administration, liquidation, dissolution or cessation of trade of that subsidiary.

30. DIRECTORS' INTEREST IN CONTRACTS

Mr. J. M. Smart and Mr. D. J. Hollingdale had interests throughout the year, through their material beneficial interests in several companies, in continuing contracts for the purchase of materials and for the sale of materials and supply of services, all of which transactions were at normal commercial rates.

During the year ended 31st July 1994 materials purchased amounted to £655,000 (1993, £608,000) and materials and services supplied amounted to £40,000 (1993, £122,000).

George Waterston & Sons Limited, Edinburgh

Companies House

NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company contains some data which is illegible.

The poor quality has been noted but unfortunately the steps taken to improve the quality have been unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.