J. Smart & Co. (Contractors) PLC

25130

DIRECTORS

J. M. Smart,
Chairman and Managing Director

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. Assets Limited

REGISTRARS AND TRANSFER OFFICE

Bank of Scotland,
Apex House,
Haddington Place,
Edinburgh EH7 4AL.

BANKERS

Bank of Scotland,
38 St Andrew Square,
Edinburgh EH2 2YR.

AUDITORS

French Duncan,
Chartered Accountants,
375 West George Street,
Glasgow G2 4LH.

SOLICITORS

Marshall Henderson & Whyte, s.s.c.,
15 Stafford Street,
Edinburgh EH3 7BU.

SCT *S2Z7G30J* 505
COMPANIES HOUSE 20/01/98

J. Smart & Co. (Contractors) PLC

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 *18th December 1997 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 1997.
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 in existence.

BY ORDER OF THE BOARD,
A. D. McCLURE, *Secretary*
28 CRAMOND ROAD SOUTH,
EDINBURGH EH4 6AB.
26th November 1997.

Note: The dividend, if approved, will be paid on 22nd December 1997 to shareholders on the Register at the close of business on 5th December 1997.

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

As indicated at the interim stage, profits for the second half of the year exceeded first half profits resulting in a Group profit for the full year of £3,664,827. This compares with a profit for the previous year of £2,841,816.

The Board is recommending a Final Dividend of 7.20p nett, making a total for the year of 9.80p nett, which compares with 9.40p nett for the previous year. After waivers by members holding approximately 50% of the shares the Dividends will cost the Company £496,110.

Unappropriated profits for the year amounted to £2,228,673 which, when added to the retained profits brought forward and the surplus on the revaluation reserve, bring the consolidated capital and reserves of the Group to £38,718,530.

TRADING ACTIVITIES

Group turnover increased marginally compared with the previous year. Profits for the year are up largely due to improvements in house sales and returns on contracting.

The proportion of contracting work carried out on a design and construct package deal basis was maintained. Private house sales for the year increased again. Sales and margins in precast concrete manufacture improved.

Commercial and Industrial development activity increased during the year. Apart from the latest phase of medium sized industrial units at Dunfermline Business Park, Rosyth developed in conjunction with Fife Enterprise we completed the first phase of the joint development at A1 Industrial Park, Edinburgh with EDI (Industrial) Ltd referred to in last year's review. This development is attracting considerable interest.

FUTURE PROSPECTS

During the year under review the major tenant at our Leith Links office development exercised his break option. This tenant's departure will result in a reduction in rental income of £332,000 in the year to 31st July 1998 and a further reduction of £378,000 the following year. The empty properties are being actively marketed. Several other commercial and industrial developments are planned to start this year.

The volume of work in hand on the contracting side is less than at this time last year. Conditions prevailing in conventionally tendered work continue to be very difficult. The volume of private house sales is expected to be less than last year.

Bearing the foregoing in mind I anticipate that Group profits for the current year will be less than the profits for last year.

J. M. SMART
Chairman

26th November 1997

The Directors submit their Annual Report and Accounts for the year ended 31st July 1997.

RESULTS AND DIVIDENDS

The profits of the Group for the year after charging taxation amount to		£2,724,783
From which the Directors have made the following appropriations:–		
Paying an interim dividend of 2.60p per share (1996, 2.50p) after waivers	£131,624	
Proposing a final dividend of 7.20p per share (1996, 6.90p) after waivers	364,486	
		496,110
Profits retained for the year		£2,228,673

Certain shareholders have waived the interim and final dividend aggregating £491,931.

The dividend, if approved, will be paid to all Members on the Share register of the Company at the close of business on 5th December 1997. Dividend warrants will be posted on 19th December 1997.

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 £632,473 and rental income from investment properties increased from £3,739,822 to £3,784,696, resulting in an Operating Profit of £3,645,490. The Group's investment income including profit on sale of equity investments decreased from £269,310 to £194,138, and the Profit on Ordinary Activities before Taxation amounted to £3,664,827 as compared with £2,841,816 in the previous year.

The Company has a 50% interest in Edinburgh Industrial Estates Ltd, a joint venture company set up with E D I (Industrial) Ltd. Full details of the joint venture company are given in Note 15 to the accounts.

GOING CONCERN

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

FIXED ASSETS

Full details of the movements in fixed assets during the year are given in notes 13 and 14 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 £16,039. There were no political contributions.

CREDITOR STATEMENT POLICY

The Group's policy concerning payment of trade creditors is to settle in accordance with accepted best practice in the building industry, i.e. payment is made by the end of the month following the month of supply or delivery. Further information relating to the policy on payment of creditors may be obtained from the Group's registered office. The average number of days taken to pay creditors is 14.

DIRECTORS AND THEIR INTERESTS

(i) The Directors at 31st July 1997 and their beneficial interests in the share capital of the Company were as follows:–

	1st August 1996 *Ordinary shares of 10p each* *Beneficial holdings*	*31st July 1997* *Ordinary shares of 10p each* *Beneficial holdings*
J. M. Smart	4,844,154	4,844,154
D. J. Hollingdale	51,000	51,000
K. H. Hastings	43,000	43,000
A. D. McClure	30,000	30,000

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

(iii) There are no Directors' service contracts in existence.

(iv) There have been no changes in the Directors' interests between 31st July 1997 and 31st October 1997.

(v) Details of Directors' beneficial interests in any contracts to which the parent company or any subsidiary company was a party are shown in Note 31 attached to the accounts.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, nobody, apart from the Directors, held an interest of 3% or more in the Share Capital of the Company at 31st October 1997.

TAXATION

In 1990 the Inland Revenue were advised that allowances to which a subsidiary company was entitled had not been granted for a number of years. After extensive discussions during which the subsidiary continued to provide corporation tax on the basis under dispute, the Inland Revenue agreed in November 1995 that the majority of the subsidiary's contentions were correct. As previously reported in the year ended 31st July 1996, taxation totalling £337,160 was repaid. In addition provisions totalling £386,107 were released being no longer required. In the year ended 31st July 1997 a further £193,551 was repaid together with interest supplements of £33,570. Since the end of the year a further £119 , 584 has been received.

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.

Your Board consists entirely of working Directors who aggregate 125 years service with the Company, 61 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 75% 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.

INTERNAL FINANCIAL CONTROL

The Board of Directors is responsible for the Group's system of internal financial control and for monitoring its effectiveness. By its nature any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors have established an organisational structure with clear lines of responsibility and appropriate reporting procedures, the effectiveness of which is continually reviewed by the Directors. The main features of the Group's system of internal financial control are:

Contracts, development projects, land purchase and acquisition of fixed assets are proceeded with after due consideration by the Board of Directors.

Monthly reports are prepared for every contract and development project for review by the Board.

Monthly subsidiary company reports are also prepared for consideration by the Board.

Treasury operations are carried out in accordance with policies and procedures approved by the Board.

There is an ongoing process of identification by the Directors of the key areas of risk within the Group and of appropriate action to mitigate and monitor such risk.

CORPORATE GOVERNANCE (contd.)

The auditors, French Duncan have confirmed that in their opinion with respect to the Directors' statements on internal financial control on page 6 and going concern on page 4, the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which they are aware from their audit work on these financial statements; and that the Directors' statements above appropriately reflect 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. The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Company's internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

DIRECTORS' REMUNERATION

The Listing Rules require a company to include a statement in its annual report and accounts as to whether or not it has complied with Section A of the Best Practice Provisions annexed to the Listing Rules. These provisions require the company to set up a remuneration committee consisting exclusively of non-executive directors to determine the executive directors' remuneration.

For the reasons set out under corporate governance above your Board has appointed no non-executive directors and has therefore no remuneration committee.

The Board has given full consideration to the provisions of Section B of the Best Practice Provisions annexed to the Listing Rules.

The Directors' Remuneration in each year is set by the Chairman to reflect the scope of their duties and responsibilities. No Director receives fees or bonuses. Details of the Directors' Remuneration are given in Note 4 to the accounts.

The main constituents of the benefits in kind are the provision of a motor car, principally for Group business, and private health insurance.

No Director holds share options (including SAYE options), nor is there any long term incentive scheme for Directors. No Director has a service contract with the Company or any of its subsidiaries.

AUDITORS

The Glasgow and Falkirk offices of William Duncan & Co merged their practice with French Jarvie Macharg on 1st January 1997 and the combined firm now practices under the name of French Duncan. The audit report has been signed in the name of the new firm. A resolution to re-appoint French Duncan, Chartered Accountants, Glasgow as auditors will be put to the members at the Annual General Meeting.

A D McClure

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

26th November 1997.

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 9 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 pages 14 and 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 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 1997 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.

French Duncan.

375 WEST GEORGE STREET,
GLASGOW G2 4LH.
26th November 1997.

FRENCH DUNCAN,
Chartered Accountants and
Registered Auditor.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st JULY 1997

	Notes	1997 £	1997 £	*1996 £*
TURNOVER	2		17,845,253	*17,212,780*
Own work capitalised			867,269	*174,371*
			18,712,522	*17,387,151*
Other operating income	3		3,784,696	*3,739,822*
			22,497,218	*21,126,973*
Raw materials and consumables		7,230,950		*6,347,249*
Other external charges		3,970,732		*3,673,173*
			11,201,682	*10,020,422*
			11,295,536	*11,106,551*
Staff costs	4	6,663,758		*7,346,686*
Depreciation		285,737		*299,423*
Other operating charges		700,551		*668,516*
			7,650,046	*8,314,625*
OPERATING PROFIT	5&6		3,645,490	*2,791,926*
Income from interest in associated undertaking			6,365	*—*
			3,651,855	*2,791,926*
Income from investments	7	18,544		*13,796*
Interest and other amounts receivable	8	195,865		*264,054*
Interest payable	8	(181,166)		*(219,420)*
Increase in amount written off investments		(20,271)		*(8,540)*
			12,972	*49,890*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			3,664,827	*2,841,816*
Tax on profit on ordinary activities	9		940,044	*71,612*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10		2,724,783	*2,770,204*
DIVIDENDS	11		496,110	*475,861*
RETAINED PROFIT FOR THE YEAR	24		2,228,673	*2,294,343*
EARNINGS PER SHARE	12		27.03p	*27.48p*

The notes on pages 14 to 24 form an integral part of these accounts.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31st JULY 1997

	Notes	1997	*1996*
		£	*£*
PROFIT FOR THE FINANCIAL YEAR . .		2,724,783	*2,770,204*
Unrealised surplus on revaluation of investment properties	14	552,098	*284,162*
Taxation on realisation of property revaluation gains of previous years		–	*(2,385)*
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		3,276,881	*3,051,981*
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit on ordinary activities before taxation		3,664,827	*2,841,816*
Realisation of property revaluation gains of previous years		–	*9,420*
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION . . .		3,664,827	*2,851,236*
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS .		2,228,673	*2,294,343*

The notes on pages 14 to 24 form an integral part of these accounts.

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

CONSOLIDATED BALANCE SHEET as at 31st JULY 1997

	Notes	1997		1996
		£	£	£
FIXED ASSETS				
Intangible assets	13		1,050	*1,137*
Tangible assets	14		35,219,376	*33,766,836*
Investments	15		29,944	*25,000*
			35,250,370	*33,792,973*
CURRENT ASSETS				
Stocks and work in progress	16	3,228,518		*6,749,389*
Debtors: Amounts falling due within one year	17	1,439,262		*1,290,521*
Debtors: Amounts falling due after one year	17	540,000		*2,500*
Investments	18	230,598		*208,541*
Cash at bank and in hand	19	3,636,710		*558,441*
		9,075,088		*8,809,392*
PREPAYMENTS AND ACCRUED INCOME				
Deferred taxation asset	22	68,492		*212,345*
		9,143,580		*9,021,737*
CREDITORS: amounts falling due within one year	20	4,075,420		*4,876,951*
NET CURRENT ASSETS			5,068,160	*4,144,786*
TOTAL ASSETS LESS CURRENT LIABILITIES			40,318,530	*37,937,759*
CREDITORS: amounts falling due after more than one year	21		1,600,000	*2,000,000*
			38,718,530	*35,937,759*
CAPITAL AND RESERVES				
Called up share capital	23		1,008,200	*1,008,200*
Revaluation reserve	24		9,801,546	*9,249,448*
Profit and loss account	24		27,908,784	*25,680,111*
			38,718,530	*35,937,759*

Approved by the Board on
26th November 1997.

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

The notes on pages 14 to 24 form an integral part of these accounts.

J. Smart & Co. (Contractors) PLC

BALANCE SHEET as at 31st JULY 1997

	Notes	1997		*1996*
FIXED ASSETS		£	£	*£*
Tangible assets	14		489,971	*504,303*
Investments	15		789,366	*789,366*
			1,279,337	*1,293,669*
CURRENT ASSETS				
Stocks and work in progress	16	2,919,154		*6,416,431*
Debtors: Amounts falling due within one year	17	2,718,872		*1,147,731*
Debtors: Amounts falling due after one year	17	540,000		–
Cash at bank and in hand	19	219,098		*90*
		6,397,124		*7,564,252*
PREPAYMENTS AND ACCRUED INCOME				
Deferred taxation asset	22	120,222		*254,725*
		6,517,346		*7,818,977*
CREDITORS: amounts falling due within one year	20	1,914,277		*3,154,676*
NET CURRENT ASSETS			4,603,069	*4,664,301*
TOTAL ASSETS LESS CURRENT LIABILITIES			5,882,406	*5,957,970*
CAPITAL AND RESERVES				
Called up share capital	23		1,008,200	*1,008,200*
Profit and loss account	24		4,874,206	*4,949,770*
			5,882,406	*5,957,970*

Approved by the Board on
26th November 1997.

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

The notes on pages 14 to 24 form an integral part of these accounts.

CASH FLOW STATEMENT for the year ended 31st JULY 1997

	Notes	1997 £	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	26(a)		6,061,538	*1,375,130*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		34,113		*122,402*
Interest paid		(181,166)		*(219,420)*
Net cash outflow for returns on investments and servicing of finance			(147,053)	*(97,018)*
TAXATION				
Corporation tax paid		(782,529)		*(855,887)*
Net cash outflow for taxation			(782,529)	*(855,887)*
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets		(478,143)		*(666,676)*
Grants received		150,000		—
Joint development funding		—		*389,320*
Sale of tangible fixed assets		22,481		*103,531*
Expenditure on own work capitalised		(867,269)		*(174,371)*
Sale of intangible fixed assets		167		*473*
Net cash outflow for capital expenditure and financial investment			(1,172,764)	*(347,723)*
ACQUISITIONS AND DISPOSALS				
Investment in associated undertaking		—		*(25,000)*
Net cash outflow for acquisitions and disposals			—	*(25,000)*
EQUITY DIVIDENDS PAID				
Dividends paid		(480,923)		*(460,674)*
Net cash outflow for equity dividends paid			(480,923)	*(460,674)*
Cash inflow/(outflow) before use of liquid resources and financing			3,478,269	*(411,172)*
MANAGEMENT OF LIQUID RESOURCES AND FINANCING				
Term loan repaid		(400,000)		*(400,000)*
Net cash outflow for financing			(400,000)	*(400,000)*
INCREASE/(DECREASE) IN CASH IN THE YEAR	26(b & c)		3,078,269	*(811,172)*

The notes on pages 14 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 of 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.

ASSOCIATED UNDERTAKINGS

The Group's share of profits or losses and taxation in the associated undertaking are included in the consolidated profit and loss account and the Group's share of its net assets is included in the consolidated balance sheet.

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. In accordance with SSAP19, no depreciation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years to run. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

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.

1. ACCOUNTING POLICIES (contd.)

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 work transferred to investment properties, all of which has been excluded from turnover, was £867,269 (1996, £174,371).

	1997	*1996*
The net profit on ordinary activities before taxation may be attributed to:–	£	*£*
Construction Activities	156,274	*(754,412)*
Investment Activities	3,502,188	*3,596,228*
Associated Undertakings	6,365	*–*
Total	3,664,827	*2,841,816*
The net assets are attributed as follows:–		
Construction Activities	6,665,101	*7,884,917*
Investment Activities	32,023,485	*28,052,842*
Associated Undertakings	29,944	*–*
Total	38,718,530	*35,937,759*

Details of income arising from investment activities are given in Notes 3, 7 and 8 to the accounts.

3. OTHER OPERATING INCOME

Rental income	3,784,696	*3,739,822*

The prospective total annual income from investment properties now completed will amount, in a full year, to approximately £3,440,000 (1996, £3,800,000).

4. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:–		
Wages and salaries	5,821,193	*6,442,616*
Social security costs	523,010	*579,021*
Other pension costs	319,555	*325,049*
	6,663,758	*7,346,686*
The average weekly number of employees during the year was made up as follows:–	No.	*No.*
Construction and related services	320	*375*
Office and management	33	*32*
	353	*407*

4. STAFF COSTS AND DIRECTORS' REMUNERATION (contd.)

	1997	*1996*
Directors' remuneration	£	*£*
– in respect of their services as managers	233,558	*222,333*
– pension contributions	32,749	*32,047*
– fees	nil	*nil*
	266,307	*254,380*

The following table shows a breakdown of the remuneration of the individual Directors for the year ended 31st July 1997. No bonuses were payable for either year.

	Base Salary	Benefits	Pension Contributions	Total 1997	*Total 1996*
	£	£	£	£	*£*
J. M. Smart	58,208	5,109	8,600	71,917	*70,306*
D. J. Hollingdale	53,684	5,016	7,432	66,132	*61,336*
K. H. Hastings	62,833	4,274	8,650	75,757	*74,786*
A. D. McClure	58,833	6,099	8,067	72,999	*70,010*
	233,558	20,498	32,749	286,805	*276,438*

DIRECTORS' PENSIONS

Mr. D. J. Hollingdale, Mr. K. H. Hastings and Mr. A. D. McClure are members of the Group's Pension Scheme which provides benefits based on final pensionable salary, see note 28. Mr. J. M. Smart has an individual money purchase Pension Plan and the contribution of £8,600 made by the Company is shown above.

	Age at 31/7/97	Directors Contributions in the year	Increase in accrued pension during the year	Accumulated total accrued pension at 31/7/97
		£	£	£
D. J. Hollingdale	61	1,581	1,536	26,730
K. H. Hastings	51	1,841	1,210	20,660
A. D. McClure	50	1,716	1,421	23,184

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.

The increase in accrued pension during the year excludes any increase for inflation.

The Directors' contributions relate to the amount paid by the Directors under the terms of the scheme.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

The normal retirement age for members including Directors is 65.

A spouse's pension of 50% of the member's pension will be payable on death after retirement of the member.

Pension increases are shown in note 28.

There are no early retirement rights or other discretionary benefits in existence.

Insurance against death in service is provided through the Pension Scheme for all members, including Directors. This cover consists of a lump sum of four times pensionable salary plus a refund of the member's contributions and a spouse's pension of 50% of the member's prospective pension at age 65.

5. OPERATING PROFIT

	1997	*1996*
This is stated after charging/(crediting):–	£	*£*
Directors' remuneration	269,107	*257,180*
Hire of plant and machinery	312,075	*325,612*
Profit on disposal of fixed assets	(13,248)	*(66,869)*
Auditors' remuneration and expenses	60,600	*54,900*
Directors' remuneration:–		
Management remuneration	266,307	*254,380*
Pension to former Director's widow	2,800	*2,800*
	269,107	*257,180*

The Group auditors also received £4,250 in respect of non-audit services (1996, £4,690). The auditors' fees for the holding company are £28,000 (1996, £24,600).

6. COMPARATIVE FIGURES

From 1st August 1996 the Company and Group revised the allocation of certain expense items within their accounting systems. In order to ensure meaningful comparative figures the amounts shown for 1996 for "raw materials and consumables" and "other external charges" have each been restated to reflect a movement of £196,750.

7. INCOME FROM INVESTMENTS

	1997 £	*1996 £*
Listed	18,544	*13,796*

8. INTEREST AND OTHER AMOUNTS RECEIVABLE/(PAYABLE)

		1997 £	*1996 £*
Receivable:	Interest on short term deposits	162,295	*134,373*
	Profit on sale of investments	–	*8,804*
	Corporation tax supplement	33,570	*120,877*
		195,865	*264,054*
(Payable):	Term loan interest	(181,166)	*(219,420)*

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:–

	1997 £	*1996 £*
Based on the profit for the year		
Corporation tax at 33%/31% (1996, 33%)	1,059,019	*978,872*
Tax credits attributable to dividends received	3,250	*2,263*
Deferred taxation	147,650	*19,100*
	1,209,919	*1,000,235*
Corporation tax over provided in previous years	(271,296)	*(928,623)*
Associated undertakings	1,421	–
	940,044	*71,612*

If full provision had been made for deferred taxation, the tax charge for the year would have been increased by £145,500 (1996, £601,000).

As explained in the Directors' Report substantial repayments of tax for the years from 1985 to 1993 were agreed in the year to 31st July 1996. In addition amounts which had been provided pending settlement of the negotiations were no longer required. In the year to 31st July 1997 repayment of tax for the year ended 31st July 1994 was received and since the end of the year further sums have been received for the years ended 31st July 1995 and 1996.

10. PROFIT FOR THE FINANCIAL YEAR

	1997 £	*1996 £*
Dealt with in the accounts of the holding Company	420,546	*(114,063)*
Retained by subsidiary and associated companies	2,304,237	*2,884,267*
	2,724,783	*2,770,204*

11. DIVIDENDS

	1997 £	*1996 £*
Interim paid of 2.60p per share (1996, 2.50p) after waivers	131,624	*126,562*
Final proposed of 7.20p per share (1996, 6.90p) after waivers	364,486	*349,299*
	496,110	*475,861*
Certain shareholders have waived dividends as follows:–		
Interim	130,512	*125,493*
Final	361,419	*346,359*
	491,931	*471,852*

12. EARNINGS PER SHARE

The calculation of earnings per share is based on net profit after taxation for the year of £2,724,783 (1996, £2,770,204) and on 10,082,000 shares in issue at 31st July 1997 and 31st July 1996.

13. INTANGIBLE FIXED ASSETS

	£
Cost of feu duties at 31st July 1996	1,137
Disposals	(87)
Cost at 31st July 1997	1,050

14. 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 1996	737,830	4,403,440	27,756,299	4,811,000	37,708,569
Additions	–	239,870	1,104,815	727	1,345,412
Grants received	–	–	(150,000)	–	(150,000)
Net surplus on revaluation	–	–	309,825	242,273	552,098
Disposals	–	(92,047)	–	–	(92,047)
At 31st July 1997	737,830	4,551,263	29,020,939	5,054,000	39,364,032
At valuation	–	–	27,956,000	5,054,000	33,010,000
At cost	737,830	4,551,263	1,064,939	–	6,354,032
Depreciation:					
At 31st July 1996	221,492	3,720,241	–	–	3,941,733
Provided during year	15,768	269,969	–	–	285,737
Disposals	–	(82,814)	–	–	(82,814)
At 31st July 1997	237,260	3,907,396	–	–	4,144,656
Net book value:					
At 31st July 1997	500,570	643,867	29,020,939	5,054,000	35,219,376
At 31st July 1996	516,338	683,199	27,756,299	4,811,000	33,766,836

On the historical cost basis, the revalued investment properties at 31st July 1997 would have been included at a cost of £23,235,253 less accumulated depreciation of £26,799 (1996, cost £21,972,351 less accumulated depreciation of £26,799).

(b) COMPANY

	Land and buildings Freehold	Plant, equipment and vehicles	Total
Cost or valuation:	£	£	£
At 31st July 1996	178,583	1,995,005	2,173,588
Additions	–	153,078	153,078
Transfers within Group	–	(3,310)	(3,310)
Disposals	–	(22,492)	(22,492)
Cost at 31st July 1997	178,583	2,122,281	2,300,864
Depreciation:			
At 31st July 1996	48,479	1,620,806	1,669,285
Provided during year	2,706	155,789	158,495
Transfers within Group	–	(1,104)	(1,104)
Disposals	–	(15,783)	(15,783)
At 31st July 1997	51,185	1,759,708	1,810,893
Net book value:			
At 31st July 1997	127,398	362,573	489,971
At 31st July 1996	130,104	374,199	504,303

14. TANGIBLE FIXED ASSETS (contd.)

(c) INVESTMENT PROPERTIES

The Group's completed investment properties were valued on an open market value basis on 31st July 1997 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 £874,000 (1996, £919,000) would arise.

15. INVESTMENTS

	Group		Company	
	1997	*1996*	1997	*1996*
	£	*£*	£	*£*
Shares in Subsidiaries at Cost	—	—	764,366	*764,366*
Associated Undertaking	29,944	*25,000*	25,000	*25,000*
	29,944	*25,000*	789,366	*789,366*

(a) ASSOCIATED UNDERTAKING

	Share of Tangible Assets £
At 1st August 1996	25,000
Share of Profit retained by Associated Undertaking	4,944
At 31st July 1997	29,944

The Group's share of retained profits of the associated undertaking at 31st July 1997 amounted to £4,944 (1996, £Nil).

Name of Joint Venture	*Principal Country of Operation*	*J. Smart & Co. (Contractors) PLC Interest in Joint Venture Capital*
Edinburgh Industrial Estates Limited	Scotland	50%

The above company is managed jointly by J. Smart & Co. (Contractors) PLC and EDI (Industrial) Limited. The Company was incorporated in Scotland on 1st December 1995 and makes up its accounts to 31st July, with an issued share capital of 50,000 ordinary £1 shares divided into 25,000 ordinary A shares and 25,000 ordinary B shares which rank equally in every respect. All of the issued B shares are held by J. Smart & Co. (Contractors) PLC. The Company was established for the purpose of property development and commenced trading on 1st August 1996.

(b) SUBSIDIARIES

At 31st July 1997 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

16. STOCKS AND WORK IN PROGRESS

	Group 1997 £	Group *1996* *£*	Company 1997 £	Company *1996* *£*
Long-term contract balances	1,554,804	*3,495,391*	1,535,802	*3,439,560*
Land held for development	1,370,060	*2,972,959*	1,314,518	*2,917,417*
Raw materials and consumables	122,652	*116,990*	68,834	*59,454*
Finished goods	181,002	*164,049*	–	–
	3,228,518	*6,749,389*	2,919,154	*6,416,431*

17. DEBTORS

	Group 1997 £	Group *1996* *£*	Company 1997 £	Company *1996* *£*
Amounts falling due within one year:				
Trade debtors	797,587	*797,207*	244,880	*382,760*
Amount owed by subsidiaries	–	–	2,127,067	*491,088*
Other debtors	78,290	*146,295*	78,150	*146,029*
Prepayments and accrued income	278,885	*235,567*	92,586	*92,506*
Amounts receivable on contracts	284,500	*111,452*	176,189	*35,348*
	1,439,262	*1,290,521*	2,718,872	*1,147,731*
Amounts falling due after more than one year:				
Proceeds from sale of Property	–	*2,500*	–	–
Loan to Joint Venture Company	540,000	–	540,000	–

The loan to the Joint Venture Company (Note 15(a)) is interest free and has no fixed date for repayment.

18. INVESTMENTS

	Group 1997 £	Group *1996* *£*
Listed	230,598	*208,541*
Market value of listed investments	455,141	*343,160*
Taxation on potential gain if sold at valuation	63,646	*40,660*

The listed investments are stated at the lower of cost and market value.

19. 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.

20. CREDITORS: Amounts falling due within one year

	Group 1997 £	Group *1996* *£*	Company 1997 £	Company *1996* *£*
Bank overdraft	–	–	–	*157,178*
Current instalment due on loan	400,000	*400,000*	–	–
Payments received on account	120,573	*420,523*	120,573	*420,523*
Trade creditors	659,837	*950,302*	463,668	*765,888*
Amount owed to subsidiaries	–	–	136,600	*154,928*
Current corporation tax	913,580	*901,339*	105,620	–
Other taxes and social security costs	277,971	*318,690*	93,373	*133,986*
Other creditors and accruals	1,338,973	*1,536,798*	629,957	*1,172,874*
Proposed dividend	364,486	*349,299*	364,486	*349,299*
	4,075,420	*4,876,951*	1,914,277	*3,154,676*

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

	Group 1997 £	Group 1996 £
Loans:—		
Not wholly repayable within five years	–	2,400,000
Wholly repayable within five years	2,000,000	–
Amount due within one year (note 20)	400,000	400,000
	1,600,000	2,000,000
Instalments not due within five years	–	400,000
Amounts due at 31st July 1997 are repayable as follows		
Bank loan:—		
After five years	–	400,000
Between two and five years	1,200,000	1,200,000
Between one and two years	400,000	400,000
	1,600,000	2,000,000
Within one year (note 20)	400,000	400,000
	2,000,000	2,400,000

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% (1996, 6.75%).

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 Lothian and Edinburgh Enterprise Limited over one of its properties in respect of a grant received.

The same member has granted a Standard Security in favour of Scottish Enterprise Fife Limited over one of its properties in respect of a grant received.

22. DEFERRED TAXATION

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
At 31st July 1996	(212,345)	(227,648)	(254,725)	(270,628)
Released during year	147,650	19,100	138,300	19,700
Advance corporation tax	(3,797)	(3,797)	(3,797)	(3,797)
At 31st July 1997	(68,492)	(212,345)	(120,222)	(254,725)
Deferred taxation provided in the accounts is due to timing differences arising on:—				
Capital allowances in advance of depreciation	39,980	39,980	–	–
Other timing differences	(17,350)	(165,000)	(29,100)	(167,400)
Advance corporation tax	(91,122)	(87,325)	(91,122)	(87,325)
	(68,492)	(212,345)	(120,222)	(254,725)
Deferred taxation not provided is due to differences arising on:—				
Capital allowances in advance of depreciation	1,649,500	1,504,000	12,500	13,000
Chargeable gain on disposal of properties offset against new properties by rollover relief	12,700	12,700	–	–
	1,662,200	1,516,700	12,500	13,000

In addition to the sums noted above, there is a potential capital gains tax liability of £874,000 (1996, £919,000) if the completed investment properties were sold at valuation.

23. SHARE CAPITAL

	1997		*1996*	
	Authorised	Allotted and fully paid	*Authorised*	*Allotted and fully paid*
	£	£	*£*	*£*
Ordinary shares of 10p each	1,200,000	1,008,200	*1,200,000*	*1,008,200*

24. RESERVES

	Group			*Company*
	Revaluation Reserve	Profit and Loss Account	Total	Profit and Loss Account
	£	£	£	£
At 31st July 1996	9,249,448	25,680,111	34,929,559	4,949,770
Transfer from profit and loss account for the year	—	2,228,673	2,228,673	(75,564)
Surplus on property revaluation	552,098	—	552,098	—
At 31st July 1997	9,801,546	27,908,784	37,710,330	4,874,206

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	*1996*
	£	*£*
Profit for the financial year	2,724,783	*2,770,204*
Dividends	496,110	*475,861*
	2,228,673	*2,294,343*
Other recognised gains and losses relating to the year (note 24)	552,098	*284,162*
Tax on realisation of revaluation surpluses	—	*(2,385)*
	2,780,771	*2,576,120*
Opening shareholders' funds	35,937,759	*33,361,639*
Closing shareholders' funds	38,718,530	*35,937,759*

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	1997	*1996*
Operating profit	3,645,490	*2,791,926*
Depreciation	285,737	*299,423*
Investment property costs transferred	—	*350,016*
Gain on sale of tangible fixed assets	(13,248)	*(66,869)*
Gain on sale of intangible fixed assets	(80)	*(210)*
Interest received on investments	161,752	*132,848*
Dividends received	18,544	*13,796*
Proceeds of sale of investments	—	*30,733*
Purchase of investments	(42,328)	*(42,481)*
Decrease/(increase) in stocks and work in progress	3,520,871	*(2,515,819)*
(Increase)/decrease in debtors	(686,241)	*490,974*
Decrease in creditors	(828,959)	*(109,207)*
Net cash inflow from operating activities	6,061,538	*1,375,130*

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

(b) Reconciliation of net cash flow to movement in net debt

	1997 £	*1996 £*
Increase/(decrease) in cash in the year	3,078,269	*(811,172)*
Cash outflow from decrease in loan financing	400,000	*400,000*
Change in net debt resulting from cash flows	3,478,269	*(411,172)*
Movement in net debt in the year	3,478,269	*(411,172)*
Net debt at 1st August 1996	(1,841,559)	*(1,430,387)*
Net debt at 31st July 1997	1,636,710	*(1,841,559)*

(c) Analysis of net debt

	At 1st August 1996 £	Cash Flow £	At 31st July 1997 £
Cash at bank and in hand	(411,559)	4,048,269	3,636,710
Short term deposits	970,000	(970,000)	–
Cash and bank total	558,441	3,078,269	3,636,710
Term loan	(2,400,000)	400,000	(2,000,000)
	(1,841,559)	3,478,269	1,636,710

27. CAPITAL COMMITMENTS

The estimated amount of Capital Expenditure contracted for at 31st July but for which no provision has been made is:—

Group 1997 £	*Group 1996 £*	Company 1997 £	*Company 1996 £*
2,500	*60,000*	nil	*60,000*

28. 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 method. The most recent review was at 1st November 1995. 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 except for the Guaranteed Minimum Pension earned in respect of Contracted-Out service after 6th April 1988 which increases at 3% per annum.

The most recent actuarial review showed that the market value of the Scheme's assets was £4,278,100 and that the actuarial value of those assets represented 102% of the benefit that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Company and employees remain at 14.1% and 3% of earnings respectively which is adequate to cover the projected liabilities of the Scheme. The Company provides no other post retirement benefits to its employees.

The total net pension charge for the period under review was £341,295.

29. FINANCIAL COMMITMENTS

At 31st July 1997 the Group had annual commitments under non-cancellable operating leases on plant, equipment and vehicles as follows:

	1997	*1996*
	£	*£*
Expiring within one year	29,838	*31,821*
Expiring between two and five years inclusive	–	*43,483*
	29,838	*75,304*

30. 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.

(c) A subsidiary had in a prior year entered into a joint development with Scottish Enterprise Fife Limited. During the year under review the subsidiary bought Scottish Enterprise Fife Limited's interest in the joint development.

Under the terms and conditions of the sale agreement, a liability to Scottish Enterprise Fife Limited may crystallise if the development is resold before 31st January 1999.

(d) A subsidiary has received a grant from Scottish Enterprise Fife Limited to assist with a development. Under the terms of the grant, all or part of that grant may become repayable, if the subsidiary sells the development or rents out any part of the development at a price in excess of a stated maximum.

31. RELATED PARTY TRANSACTIONS

(a) DIRECTORS' INTERESTS 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 1997 materials purchased amounted to £739,000 (1996, £856,000) and materials and services supplied amounted to £33,000 (1996, £45,000).

(b) OTHER RELATED PARTIES

During the year to 31st July 1997, the Company carried out the following transactions with related parties.

Related Party	*Relationship*	*Nature of transaction*	*Amount* *£*
Edinburgh Industrial Estates Ltd	Joint Venture Company	Construction Work	736,241
		Working Capital Loan	(540,000)

George Waterston & Sons Limited, Edinburgh