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J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
TO
31st JULY 1999

J. Smart & Co. (Contractors) PLC

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

LLOYDS TSB REGISTRARS SCOTLAND,
117 DUNDAS STREET,
EDINBURGH EH3 5ED.

BANKERS

BANK OF SCOTLAND,
38 ST ANDREW SQUARE,
EDINBURGH EH2 2YR.

AUDITORS

FRENCH DUNCAN,
CHARTERED ACCOUNTANTS,
375 WEST GEORGE STREET,
GLASGOW G2 4LH.

SOLICITORS

RUSSEL & AITKEN,
27 RUTLAND SQUARE,
EDINBURGH EH1 2BU.

BENNETT & ROBERTSON,
16 WALKER STREET,
EDINBURGH EH3 7NN.

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 *16th December 1999 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 1999.
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.

22nd November 1999.

Note: The dividend, if approved, will be paid on 20th December 1999 to shareholders on the Register at the close of business on 3rd December 1999.

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

In line with the forecast made in the Interim Report, Group profit for the year amounted to £3,099,000 compared with a profit for the previous year of £3,520,000.

The Board is recommending a Final Dividend of 7.70p nett, making a total for the year of 10.50p nett, which compares with 10.20p nett for the previous year. After waivers by members holding approximately 50% of the shares the Dividends will cost the Company £516,000.

Unappropriated profits for the year amounted to £1,693,000 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 £45,995,000.

TRADING ACTIVITIES

Group turnover increased by 4%, own work capitalised increased by 63% and other operating income decreased by 3%. Profit for the year decreased by 12% mainly due to a reduction in interest receivable.

The amount of contracting work carried out on a design and construct basis decreased as did the value of private house sales. Margins in precast concrete manufacture deteriorated.

Commercial and industrial activity increased once more this year. We completed and let the developments mentioned in last year's review, viz. the third phase at Dunfermline Business Park, Rosyth, the first phase of our Almondview office development at Livingston and the last unit at Hawkhill Industrial Estate, Edinburgh. The remainder of the first phase of the joint venture development at A1 Industrial Park, Edinburgh was let during the year and the second phase was completed after the year end.

FUTURE PROSPECTS

The available space at our Leith Links office development continues to let slowly. We have commenced the second phase of the Almondview office development and a development of small industrial units at Hardengreen Industrial Estate, Dalkeith since the year end. The second phase of the joint venture development at A1 Industrial Park is attracting healthy interest, and further joint venture developments are planned. Steady growth in our rental stream is anticipated.

The value of work in hand in contracting is again less than at this time last year. Prices obtainable in this sector remain depressed. Private house sales are expected to be less than last year.

Bearing in mind the uncertainties prevailing in contracting, it is not possible at this stage to forecast whether the profit for the current year will be more or less than the profit for last year.

22nd November 1999

J. M. SMART
Chairman

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

REPORT OF THE DIRECTORS

31st JULY 1999

The Directors submit their Annual Report and Accounts for the year ended 31st July 1999.

RESULTS AND DIVIDENDS

The profits of the Group for the year after charging taxation amount to	£2,209,000
From which the Directors have made the following appropriations:-	
Paying an interim dividend of 2.80p per share (1998, 2.70p) after waivers	£136,000
Proposing a final dividend of 7.70p per share (1998, 7.50p) after waivers	380,000
	<u>516,000</u>
Profits retained for the year	<u>£1,693,000</u>

Certain shareholders have waived the interim and final dividend aggregating £543,000.

The dividend, if approved, will be paid to all Members on the Share register of the Company at the close of business on 3rd December 1999. Dividend warrants will be posted on 17th December 1999.

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 redevelopments for sale or lease, and the manufacture for sale of concrete building products.

Turnover during the year increased by £588,000 and rental income from investment properties, excluding Joint Ventures, decreased from £3,580,000 to £3,484,000, resulting in an Operating Profit of £3,091,000. The Group's investment income including profit on sale of equity investments decreased from £561,000 to £292,000, and the Profit on Ordinary Activities before Taxation amounted to £3,099,000 as compared with £3,520,000 in the previous year.

Note 28 to the accounts gives details of the actuarial review as at 1st November 1997 of the Group's pension scheme, the deficit revealed by that review and the voluntary contributions made by the Group in this and the previous year.

The Company has a 50% interest in Edinburgh Industrial Estates Limited, a Joint Venture company set up with EDI (Industrial) Limited.

The Company also has a 50% interest in Prestonfield Development Company Limited, a Joint Venture company set up with Walker Holdings (Scotland) Limited.

Full details of the Joint Venture companies are given in Note 15 to the accounts.

FIXED ASSETS

Full details of the movements in fixed assets during the year are given in notes 13 and 14 to the accounts.

FUTURE DEVELOPMENTS

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

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 1999

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 £22,000. 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 19, based on the average daily amount invoiced by suppliers during the year and the creditors balance at the year end.

DIRECTORS AND THEIR INTERESTS

- (i) The Directors at 31st July 1999 and their beneficial interests in the share capital of the Company were as follows:-

	<i>1st August 1998</i>	<i>31st July 1999</i>
	<i>Ordinary shares of 10p each</i>	<i>Ordinary shares of 10p each</i>
	<i>Beneficial holdings</i>	<i>Beneficial holdings</i>
J. M. Smart	4,844,154	4,844,154
D. J. Hollingdale	51,000	61,000
K. H. Hastings	43,000	53,000
A. D. McClure	30,000	45,000

- (ii) Mr. K. H. Hastings 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 1999 and 28th October 1999.
- (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 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 28th October 1999.

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.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 1999

CORPORATE GOVERNANCE

The Stock Exchange introduced a Combined Code on Corporate Governance in June 1998 which was derived from the Hampel Committee's final report and the Cadbury and Greenbury reports and which requires, as a continuing obligation of listing, a statement of how your Company has applied the principles set out in Section 1 of the Combined Code and give reasons for any non-compliance. The 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 Board recognises that it has not complied, throughout the year, in whole or in part, with provisions A.1.2, A.2.1, A.3.1, A.3.2, A.6, B.1.1 to B.1.6, B.2.1 to B.2.6, D.3.1 and D.3.2 of the Combined Code, details of and explanations for which are given below.

THE BOARD

Your Board consists entirely of working Directors who aggregate 133 years' service with the Company, 69 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 and flexible approach is preferable to the more cumbersome procedures prevalent in larger organisations and has made a considerable contribution to your Company's continuing success.

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.

The members of the Board have complete freedom to seek independent professional advice, at the Company's expense, when any member feels it appropriate to do so. All Directors have access to the advice and services of the Company Secretary, who is also a Director and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

As all Directors were long-serving employees of the Company at the time of their appointment, no initial training was necessary. However, all Directors are free to receive any training they require for the furtherance of their duties, and the Board's policy is to encourage this.

The Chairman of the Company is also the Managing Director. Bearing in mind the size of the Company, the Board sees no value in splitting the role of Chairman and Managing Director, a policy which has served your Company well over very many years. All Directors express their views and make a valuable contribution to the running of the Company.

The Board considers that increasing the manning level of the Board by 50% by the appointment of 2 non-executive Directors would increase costs and impose an additional administrative burden for no discernible benefit and, accordingly, would serve no useful purpose. As the Board is the executive management of the Company, it ensures that all information is supplied timeously and in a form suitable to enable it to discharge its duties. All Directors are properly briefed on all issues arising at Board meetings.

Proposals for the appointment of new Directors to the Board are submitted by the Chairman for approval by the other members of the Board.

The Company's Articles of Association require that new Directors are subject to re-election at the first Annual General Meeting after their appointment and that one-third of eligible Directors with the exception of the Managing Director seek re-election at the AGM each year.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 1999

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 B of the Code of Best Practice 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 performance and 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 and are accordingly subject to audit.

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.

RELATIONS WITH SHAREHOLDERS

The Company has in the past and will in the future continue to enter into dialogue with institutional shareholders wherever possible.

All shareholders have an opportunity at the AGM to participate in questions and answers with the Board on matters relating to the Company.

At the AGM separate resolutions are proposed on each substantially separate issue and the number of proxy votes received for and against each resolution will be announced.

Notice of the AGM together with the Annual Report and Statement of Accounts will in future years be sent to shareholders at least 20 working days before the meeting.

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.

ACCOUNTABILITY AND AUDIT

The Directors have sole responsibility for preparing the Annual Report and Accounts, the interim report and other price-sensitive public reports in a balanced and understandable manner.

INTERNAL CONTROL

In September 1999 the Institute of Chartered Accountants in England and Wales published Internal Control: Guidance for Directors on the Combined Code, to be implemented for accounting periods ending on or after 23 December 1999. Prior to implementation of this guidance the London Stock Exchange has permitted any review in accordance with principle D.2 and provision D.2.1, (which covers the review of all controls, including financial, operational and compliance controls and risk management) to be restricted to reporting solely on internal financial control.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 1999

INTERNAL CONTROL (cont)

The Board 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.

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.

AUDIT COMMITTEE AND AUDITORS

For the reasons set out under Corporate Governance above, your Board has appointed no non-executive Directors and therefore no Audit Committee of at least 3 non-executive Directors.

The Chairman and the Company Secretary are responsible on a continuing basis for considering how the financial reporting and internal control principles apply to the Company, for maintaining an appropriate relationship with the Company's Auditors, reviewing the scope and results of the audit and its cost effectiveness. In addition to the audit services, the only other service normally provided by the Auditors is the provision of taxation advice.

YEAR 2000

After investigation and taking appropriate action the Directors are satisfied that all computerised systems within the Group are currently Millennium compliant and that there are no other Year 2000 dependent systems or equipment within the Group whose unexpected failure at that date would have any material effect upon the Group's operations.

AUDITORS

A resolution to re-appoint French Duncan, Chartered Accountants, Glasgow as Auditors will be put to the members at the Annual General Meeting.

22nd November 1999.

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



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

REPORT OF THE AUDITORS

31st JULY 1999

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF

J. SMART & Co. (CONTRACTORS) PLC

We have audited the financial statements on pages 12 to 28 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 17 and 18.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report, including as described on page 9, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the statement on pages 8 to 10 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the Corporate Governance Statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION


We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are *appropriate to the 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 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 of the Group at 31st July 1999 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.

375 WEST GEORGE STREET,
GLASGOW G2 4LH.
22nd November 1999.


FRENCH DUNCAN,
Chartered Accountants and
Registered Auditor.

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st JULY 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
TURNOVER					
Group and share of Joint Ventures			14,633		14,045
Less: Share of Joint Ventures			—		—
Group Turnover	2		14,633		14,045
Own work capitalised			1,892		1,162
			16,525		15,207
Other operating income	3		3,484		3,580
			20,009		18,787
Raw materials and consumables		4,673		5,082	
Other external charges		4,075		3,417	
			8,748		8,499
			11,261		10,288
Staff costs	4	6,586		5,954	
Depreciation		382		382	
Other operating charges		1,202		639	
			8,170		6,975
OPERATING PROFIT	5		3,091		3,313
Share of operating profit/(loss) in Joint Ventures			21		(15)
			3,112		3,298
Income from investments	6	22		15	
Interest and other amounts receivable	7	267		528	
Interest payable	7	(123)		(177)	
Decrease in amount written off investments		3		18	
			169		384
			3,281		3,682
Compensation received	8	—		334	
Voluntary Contribution	28	(182)		(496)	
			(182)		(162)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			3,099		3,520
Tax on profit on ordinary activities	9		890		760
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10		2,209		2,760
DIVIDENDS	11		516		516
RETAINED PROFIT FOR THE GROUP AND ITS SHARE OF JOINT VENTURES	24		1,693		2,244
EARNINGS PER SHARE	12		21.91p		27.38p

The notes on pages 17 to 28 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 1999

	Notes	1999 £'000	1998 £'000
PROFIT FOR THE FINANCIAL YEAR			
Profit for the financial year excluding share of profits of Joint Ventures		2,183	2,771
Share of Joint Ventures profit/(loss) for the year		26	(11)
Unrealised surplus on revaluation of Investment Properties	14	<u>3,046</u>	<u>294</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>5,255</u>	<u>3,054</u>
NOTE OF HISTORICAL COST PROFITS AND LOSSES			
Reported profit on ordinary activities before taxation		<u>3,099</u>	<u>3,520</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>3,099</u>	<u>3,520</u>
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS		<u>1,693</u>	<u>2,244</u>

The notes on pages 17 to 28 form an integral part of these accounts.

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

CONSOLIDATED BALANCE SHEET as at 31st JULY 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	13		1		1
Tangible assets	14		42,061		36,932
Investment in Joint Ventures:—	15				
Share of gross assets		852		655	
Share of gross liabilities		(807)		(636)	
			45		19
			42,107		36,952
CURRENT ASSETS					
Stocks and work in progress	16	3,688		2,934	
Debtors: Amounts falling due within one year	17	2,012		1,547	
Debtors: Amounts falling due after one year	17	620		620	
Investments	18	462		233	
Cash at bank and in hand	19	1,506		4,164	
		8,288		9,498	
PREPAYMENTS AND ACCRUED INCOME					
Deferred taxation asset	22	—		115	
		8,288		9,613	
CREDITORS: Amounts falling due within one year	20	3,598		4,109	
NET CURRENT ASSETS			4,690		5,504
TOTAL ASSETS LESS CURRENT LIABILITIES			46,797		42,456
CREDITORS: Amounts falling due after more than one year	21		800		1,200
PROVISIONS FOR LIABILITIES AND CHARGES	22		2		—
			45,995		41,256
CAPITAL AND RESERVES					
Called up share capital	23		1,008		1,008
Revaluation reserve	24		13,142		10,096
Profit and loss account	24		31,845		30,152
SHAREHOLDERS' FUNDS			45,995		41,256

Approved by the Board on
22nd November 1999

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

The notes on pages 17 to 28 form an integral part of these accounts.

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

BALANCE SHEET as at 31st JULY 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	14		602		613
Investments	15		789		789
			<u>1,391</u>		<u>1,402</u>
CURRENT ASSETS					
Stocks and work in progress	16	3,478		2,697	
Debtors: Amounts falling due within one year	17	4,667		3,288	
Debtors: Amounts falling due after one year	17	620		620	
Cash at bank and in hand	19	1		211	
		<u>8,766</u>		<u>6,816</u>	
PREPAYMENTS AND ACCRUED INCOME					
Deferred taxation asset	22	31		150	
		<u>8,797</u>		<u>6,966</u>	
CREDITORS: Amounts falling due within one year	20	<u>3,671</u>		<u>2,075</u>	
NET CURRENT ASSETS			<u>5,126</u>		<u>4,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,517</u>		<u>6,293</u>
CAPITAL AND RESERVES					
Called up share capital	23	1,008		1,008	
Profit and loss account	24	5,509		5,285	
		<u>6,517</u>		<u>6,293</u>	

Approved by the Board on
22nd November 1999

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



The notes on pages 17 to 28 form an integral part of these accounts.

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

CASH FLOW STATEMENT for the year ended 31st JULY 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26(a)		1,930		4,183
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		2		6	
Interest paid		(123)		(176)	
Net cash outflow for returns on investments and servicing of finance			(121)		(170)
TAXATION					
Corporation tax paid		(1,141)		(796)	
Net cash outflow for taxation			(1,141)		(796)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(918)		(754)	
Grants received		125		75	
Sale of tangible fixed assets		275		52	
Expenditure on own work capitalised		(1,892)		(1,162)	
Net cash outflow for capital expenditure and financial investment			(2,410)		(1,789)
EQUITY DIVIDENDS PAID					
Dividends paid		(516)		(501)	
Net cash outflow for equity dividends paid			(516)		(501)
Cash (outflow)/inflow before use of liquid resources and financing			(2,258)		927
MANAGEMENT OF LIQUID RESOURCES AND FINANCING					
Term loan repaid		(400)		(400)	
Net cash outflow for financing			(400)		(400)
(DECREASE)/INCREASE IN CASH IN THE YEAR	26 (b & c)		(2,658)		527

The notes on pages 17 to 28 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. The true and fair view override provisions of the Companies Act 1985 have been invoked, see Investment Properties below.

BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of J. Smart & Co. (Contractors) PLC and all of its subsidiaries and Joint Ventures 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.

JOINT VENTURES

The results of Joint Venture undertakings are accounted for on a gross equity basis where the Company's holding is 50% and the Company exercises joint control under a contractual arrangement.

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 33 $\frac{1}{3}$ % 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.

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

1. ACCOUNTING POLICIES (contd.)

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 was recoverable was deducted from the deferred taxation balance. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

PENSIONS

The Group operates a defined benefit pension scheme, which requires contributions to be made to an administered fund. Contributions to this fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

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 £1,892,000 (1998, £1,162,000).

	1999 £'000	1998 £'000
The net profit on ordinary activities before taxation may be attributed to:-		
Construction Activities	(105)	22
Investment Activities	3,178	3,509
Joint Ventures	26	(11)
Total	<u>3,099</u>	<u>3,520</u>
The net assets are attributed as follows:-		
Construction Activities	7,356	7,225
Investment Activities	38,594	34,012
Joint Ventures	45	19
Total	<u>45,995</u>	<u>41,256</u>

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

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

3. OTHER OPERATING INCOME	1990	1998
	£'000	£'000
Rental income	3,519	3,580
Less: Joint Venture income	(35)	—
Group rental income	<u>3,484</u>	<u>3,580</u>

The prospective total annual income from Group investment properties now completed and let will amount in a full year, to approximately £3,680,000 (1998, £3,230,000).

4. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:—

Wages and salaries	5,638	5,152
Social security costs	490	443
Other pension costs	458	359
	<u>6,586</u>	<u>5,954</u>

The average weekly number of employees during the year was made up as follows:—

	No.	No.
Construction and related services	268	257
Office and management	28	32
	<u>296</u>	<u>289</u>

Directors' remuneration	1999	1998
	£'000	£'000
– in respect of their services as managers	260	253
– pension contributions	46	35
– fees	—	—
	<u>306</u>	<u>288</u>

The following table shows a breakdown of the remuneration of the individual Directors for the year ended 31st July 1999. No bonuses were payable for either year.

	Base Salary £'000	Benefits £'000	Pension Contributions £'000	Total 1999 £'000	Total 1998 £'000
J. M. Smart	65	6	9	80	75
D. J. Hollingdale	60	8	11	79	72
K. H. Hastings	69	10	13	92	81
A. D. McClure	66	5	13	84	85
	<u>260</u>	<u>29</u>	<u>46</u>	<u>335</u>	<u>313</u>

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 £9,180 made by the Company is shown above.

	Age at 31/7/99	Directors' Contributions in the year £	Increase in accrued pension during the year £	Accumulated total accrued pension at 31/7/99 £
D. J. Hollingdale	63	1,751	2,474	31,716
K. H. Hastings	53	2,024	2,234	25,102
A. D. McClure	52	2,085	5,881	31,417

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

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

DIRECTORS' PENSIONS (contd)

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 as 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

	1999	1998
	£'000	£'000
This is stated after charging/(crediting):-		
Hire of plant and machinery	281	283
Profit on disposal of fixed assets	(55)	(11)
Auditors' remuneration and expenses	71	70
Directors' remuneration:-		
Management remuneration	306	288
Pension to former Director's widow	3	2
	<u>309</u>	<u>290</u>

The Group auditors also received £nil in respect of non-audit services (1998, £nil). The auditors' fees for the Holding Company are £30,000 (1998, £30,000).

6. INCOME FROM INVESTMENTS

Listed	<u>22</u>	<u>15</u>
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7. INTEREST AND OTHER AMOUNTS RECEIVABLE/(PAYABLE)

Receivable: Interest on short term deposits	242	385
– Group	5	5
– Joint Ventures	20	136
Profit on sale of investments	–	2
Corporation tax supplement	<u>267</u>	<u>528</u>
(Payable): Term loan interest – Group	(123)	(176)
Other interest – Joint Ventures	–	(1)
	<u>(123)</u>	<u>(177)</u>

8. COMPENSATION RECEIVED

In 1990 an action was raised against the former auditors of two subsidiary companies for compensation for negligence, which was finally concluded in 1998 by an out of court settlement. The details of the settlement are:-

Amount accepted in compensation	–	445
Less: Legal and administrative expenses.	–	(111)
	<u>–</u>	<u>334</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:-	1999	1998
Based on the profit for the year	£'000	£'000
Corporation tax at 31%/30% (1998, 31%)	841	972
Tax credits attributable to dividends received	3	2
Deferred taxation	22	(43)
	<u>866</u>	<u>931</u>
Corporation tax under/(over) provided in previous years	24	(171)
Joint Ventures	—	—
	<u>890</u>	<u>760</u>

If full provision had been made for deferred taxation, the tax charge for the year would have been increased by £30,000 (1998, £145,000).

As previously reported, 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 in the year to 31st July 1998 repayments of tax for the years ended 31st July 1995 and 1996 were received.

10. PROFIT FOR THE FINANCIAL YEAR

Dealt with in the accounts of the Holding Company	740	927
Retained by subsidiary and Joint Venture companies	1,469	1,833
	<u>2,209</u>	<u>2,760</u>

11. DIVIDENDS ON EQUITY SHARES

Interim paid of 2.80p per share (1998, 2.70p) after waivers	136	137
Final proposed of 7.70p per share (1998, 7.50p) after waivers	380	379
	<u>516</u>	<u>516</u>
Certain shareholders have waived dividends as follows:-		
Interim	146	136
Final	397	376
	<u>543</u>	<u>512</u>

12. EARNINGS PER SHARE

The calculation of earnings per share is based on net profit after taxation for the year of £2,209,000 (1998, £2,760,000) and on 10,082,000 shares in issue at 31st July 1999 and 31st July 1998. There is no difference between the rate of earnings per share when calculated on the basic or diluted basis.

13. INTANGIBLE FIXED ASSETS

	£'000
Cost of feu duties at 1st August 1998	1
Disposals	—
Cost at 31st July 1999	<u>1</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

14. TANGIBLE FIXED ASSETS

(a) GROUP	Land and buildings	Plant, equipment and vehicles	Land and buildings Investment properties		Total
			Freehold	Long leasehold	
Cost or valuation:	£'000	£'000	£'000	£'000	£'000
At 1st August 1998	738	4,577	30,485	5,142	40,942
Additions	—	404	2,104	302	2,810
Grants received	—	—	(125)	—	(125)
Net surplus on revaluation	—	—	2,797	249	3,046
Disposals	—	(92)	(179)	—	(271)
At 31st July 1999	738	4,889	35,082	5,693	46,402
At valuation:	—	—	33,654	5,693	39,347
At cost	738	4,889	1,428	—	7,055
Depreciation:					
At 1st August 1998	253	3,757	—	—	4,010
Provided during year	16	366	—	—	382
Disposals	—	(51)	—	—	(51)
At 31st July 1999	269	4,072	—	—	4,341
Net book value:					
At 31st July 1999	469	817	35,082	5,693	42,061
At 31st July 1998	485	820	30,485	5,142	36,932

On the historical cost basis, the revalued investment properties at 31st July 1999 would have been included at a cost of £26,233,000 less accumulated depreciation of £27,000 (1998, cost £23,281,000 less accumulated depreciation of £27,000).

(b) COMPANY

Cost or valuation:	Land and buildings	Plant, equipment and vehicles	Total
At 1st August 1998	179	2,267	2,446
Additions	—	249	249
Transfers within Group	—	(9)	(9)
Disposals	—	(73)	(73)
Cost at 31st July 1999	179	2,434	2,613
Depreciation:			
At 1st August 1998	54	1,779	1,833
Provided during year	3	222	225
Transfers within Group	—	(8)	(8)
Disposals	—	(39)	(39)
At 31st July 1999	57	1,954	2,011
Net book value:			
At 31st July 1999	122	480	602
At 31st July 1998	125	488	613

(c) INVESTMENT PROPERTIES

The Group's completed investment properties were valued on an open market value basis on 31st July 1999 in accordance with the Appraisal and Valuation manual of the R.I.C.S. 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 £1,432,000 (1998, £651,000) would arise.

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

15. INVESTMENTS	<i>Group</i>		<i>Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Shares in Subsidiaries at Cost	—	—	764	764
Joint Ventures	45	19	25	25
	<u>45</u>	<u>19</u>	<u>789</u>	<u>789</u>

(a) JOINT VENTURES

Share of Assets

Share of Fixed Assets	811	573
Share of Current Assets	41	82
	<u>852</u>	<u>655</u>

Share of Liabilities

Liabilities due within one year	(187)	(16)
Liabilities due after one year	(620)	(620)
	<u>(807)</u>	<u>(636)</u>

Share of Net Assets

Interest in Joint Ventures:

At 1st August 1998	19	30
Income from interest in Joint Ventures	26	(11)
Taxation	—	—
At 31st July 1999	<u>45</u>	<u>19</u>

The Group's share of retained profits/(losses) in the Joint Ventures at 31st July 1999 amounted to £20,000 (1998, (£6,000)).

<i>Name of Joint Ventures</i>	<i>Principal Country of Operation</i>	<i>J. Smart & Co. (Contractors) PLC Interest in Joint Ventures Capital</i>
Edinburgh Industrial Estates Limited	Scotland	50%
Prestonfield Development Company Limited	Scotland	50%

Edinburgh Industrial Estates Limited is managed jointly by J. Smart & Co. (Contractors) PLC and EDI (Industrial) Limited. The Company is registered in Scotland and makes up its accounts to 31st July. It has 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. It has granted a Standard Security in favour of the Bank of Scotland over certain of its properties.

Prestonfield Development Company Limited is managed jointly by J. Smart & Co. (Contractors) PLC and Walker Holdings (Scotland) Limited. The Company is registered in Scotland and makes up its accounts to 31st July. It has an issued share capital of 2 ordinary £1 shares divided into 1 ordinary A share and 1 ordinary B share which rank equally in every respect. The B share is held by J. Smart & Co. (Contractors) PLC. The Company was established for the purpose of property development and had not commenced trading by the year end.

(b) SUBSIDIARIES

At 31st July 1999 the Company held the entire issued share capital of the following companies all of whom are registered and operate in Scotland:—

	<i>Nature of business</i>
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

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

16. STOCKS AND WORK IN PROGRESS	<i>Group</i>		<i>Company</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Long-term contract balances	1,012	931	971	909
Land held for development	2,527	1,775	2,471	1,720
Raw materials and consumables	85	124	36	68
Finished goods	64	104	—	—
	<u>3,688</u>	<u>2,934</u>	<u>3,478</u>	<u>2,697</u>
17. DEBTORS				
Amounts falling due within one year:				
Trade debtors	804	976	141	199
Amount owed by subsidiaries	—	—	3,389	2,602
Amount owed by Joint Ventures	247	—	247	—
Other debtors	106	153	79	150
Prepayments and accrued income	282	242	154	121
Amounts receivable on contracts	573	176	418	121
Corporation tax recoverable	—	—	239	95
	<u>2,012</u>	<u>1,547</u>	<u>4,667</u>	<u>3,288</u>
Amounts falling due after more than one year:				
Loan to Joint Venture Company	620	620	620	620
	<u>620</u>	<u>620</u>	<u>620</u>	<u>620</u>
The loan to Edinburgh Industrial Estates Limited, one of the Joint Venture companies (note 15(a)) is interest free and has no fixed date for repayment.				
18. INVESTMENTS			<i>Group</i>	
			1999 £'000	1998 £'000
Listed			462	233
Market value of listed investments			<u>689</u>	<u>397</u>
Taxation on potential gain if sold at valuation			64	46
			<u>64</u>	<u>46</u>
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			<i>Group</i>	
			1999 £'000	1998 £'000
Current instalment due on loan	400	400	—	—
Bank overdraft	—	—	1,841	—
Payments received on account	170	342	58	342
Trade creditors	796	750	495	539
Amount owed to subsidiaries	—	—	75	80
Corporation tax	555	924	—	—
Other taxes and social security costs	344	222	95	105
Other creditors and accruals	953	1,092	727	630
Proposed dividend	380	379	380	379
	<u>3,598</u>	<u>4,109</u>	<u>3,671</u>	<u>2,075</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

21. CREDITORS: Amounts falling due after more than one year	<i>Group</i>	
	1999	1998
	£'000	£'000
Loans:-		
Wholly repayable within five years	1,200	1,600
Amount due within one year (note 20)	<u>400</u>	<u>400</u>
	<u>800</u>	<u>1,200</u>
Amounts due at 31st July 1999 are repayable as follows		
Bank loan:-		
Between two and five years	400	800
Between one and two years	<u>400</u>	<u>400</u>
	800	1,200
Within one year (note 20)	<u>400</u>	<u>400</u>
	<u>1,200</u>	<u>1,600</u>

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% (1998, 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.

The Company has granted a Standard Security in favour of Scottish Homes over an area of ground to secure all sums due or to become due.

The Company has further granted two Standard Securities over two areas of development land to the seller thereof.

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 Standard Securities in favour of Scottish Enterprise Fife Limited over two of its properties in respect of a grant received.

22. DEFERRED TAXATION	<i>Group</i>		<i>Company</i>	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
At 1st August 1998	(115)	(68)	(150)	(120)
Released/(provided) during year	22	(43)	24	(26)
Advance corporation tax	<u>95</u>	<u>(4)</u>	<u>95</u>	<u>(4)</u>
At 31st July 1999	<u>2</u>	<u>(115)</u>	<u>(31)</u>	<u>(150)</u>
Deferred taxation provided in the accounts is due to timing differences arising on:-				
Capital allowances in advance of depreciation	33	35	—	—
Other timing differences	(31)	(55)	(31)	(55)
Advance corporation tax	<u>—</u>	<u>(95)</u>	<u>—</u>	<u>(95)</u>
	<u>2</u>	<u>(115)</u>	<u>(31)</u>	<u>(150)</u>
Deferred taxation not provided is due to differences arising on:-				
Capital allowances in advance of depreciation	1,852	1,822	11	12
Chargeable gain on disposal of properties offset against new properties by rollover relief	<u>13</u>	<u>13</u>	<u>—</u>	<u>—</u>
	<u>1,865</u>	<u>1,835</u>	<u>11</u>	<u>12</u>

In addition to the sums noted above, there is a potential capital gains tax liability of £1,432,000 (1998, £651,000) if the completed investment properties were sold at valuation.

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

23. SHARE CAPITAL		1999		1998
		Authorised	Allotted and fully paid	Authorised
		£	£	£
Ordinary shares of 10p each		1,200,000	1,008,200	1,200,000
		<u>1,200,000</u>	<u>1,008,200</u>	<u>1,200,000</u>
				<i>Allotted and fully paid</i>
				£
				1,008,200
24. RESERVES				
		Revaluation Reserve	<i>Group</i> Profit and Loss Account	Total
		£'000	£'000	£'000
At 1st August 1998		10,096	30,152	40,248
Transfer from profit and loss account for the year		—	1,693	1,693
Surplus on property revaluation		3,046	—	3,046
		<u>13,142</u>	<u>31,845</u>	<u>44,987</u>
At 31st July 1999				<u>5,509</u>
25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS				
				1999
				£'000
Profit for the financial year				2,209
Dividends				516
				<u>1,693</u>
				<u>2,244</u>
Other recognised gains and losses relating to the year (note 24)				3,046
				<u>4,739</u>
Opening shareholders' funds				41,256
				<u>38,718</u>
Closing shareholders' funds				45,995
				<u>41,256</u>
26. NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of operating profit to operating cash flows				
Operating profit				3,091
Depreciation				382
Compensation received				—
Voluntary contribution				(182)
Gain on sale of tangible fixed assets				(55)
Interest received on investments				240
Dividends received				22
Proceeds of sale of investments				110
Purchase of investments				(316)
(Increase)/Decrease in stocks and work in progress				(754)
(Increase) in debtors				(465)
Increase in loan to Joint Venture				—
(Decrease)/Increase in creditors				(143)
				<u>1,930</u>
Net cash inflow from operating activities				<u>4,183</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

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

	1999	1998	
	£'000	£'000	
(b) Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash in the year	(2,658)	527	
Cash outflow from decrease in loan financing	400	400	
Change in net funds resulting from cash flows	<u>(2,258)</u>	<u>927</u>	
Movement in net funds in the year	(2,258)	927	
Net funds at 1st August 1998	2,564	1,637	
Net funds at 31st July 1999	<u>306</u>	<u>2,564</u>	
(c) Analysis of net funds	At 1st August	Cash	At 31st July
	1998	Flow	1999
	£'000	£'000	£'000
Cash at bank and in hand	4,164	(2,658)	1,506
Term loan	(1,600)	400	(1,200)
	<u>2,564</u>	<u>(2,258)</u>	<u>306</u>

27. CAPITAL COMMITMENTS

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

<i>Group</i>		<i>Company</i>	
1999	1998	1999	1998
£'000	£'000	£'000	£'000
<u>28</u>	<u>18</u>	<u>28</u>	<u>18</u>

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 1997. 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 7½% per annum, that salary increases would average 5½% per annum and that the rate of increase in pensions vesting after the valuation date will be 2½% per annum on the benefits accrued before 6th April 1997 in excess of the Guaranteed Minimum Pension (GMP), 0% per annum on GMP accrued before 6th April 1998, 3% per annum on GMP accrued between 6th April 1988 and 5th April 1997 and Limited Price Indexation on the pension accrued after 6th April 1997 currently assumed to be 3½% per annum.

The actuarial review at 1st November 1997 showed that the actuarial value of the Scheme's assets was £5,273,000 and that the actuarial value of those assets represented 83% of the benefit that had accrued to members after allowing for expected future increases in earnings. The previous review at 1st November 1995 showed that the actuarial value of the Scheme's assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The decrease in the ratio of the actuarial value of assets to liabilities has arisen following the coming into force of the Pension Act 1995 on 6th April 1997 which amongst other things led to the introduction of Limited Price Indexation on benefits accruing after 6th April 1997 subject to an upper limit of 5%. It also introduced the Minimum Funding Requirement (MFR), the initial requirement being that the Scheme reach 90% of the MFR by 5th April 2003 and 100% of the MFR by 5th April 2007. In addition, the 2nd July 1997 Budget removed the tax credit (of 20%) available on UK Equity dividends.

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 1999

28. PENSION COMMITMENTS (contd.)

which could be reclaimed by the Scheme. The MFR Valuation of the Scheme at 1st November 1997 showed that the then assets covered 90% of the MFR liabilities of the Scheme. To make up the shortfall, the Group made a voluntary contribution of £496,000 during the previous year and a further voluntary contribution of £182,000 during this year. Allowing for these voluntary contributions the Trustees and the Company agreed that the Company would contribute to the Scheme at the rate of 20.5% of earnings, with employees contributing at 3% of earnings and a Schedule of Contributions was signed to reflect this. The Scheme Actuary then certified on 29th October 1998 that these contributions were compliant with the requirement of section 58 of the Pensions Act 1995 (the MFR). Since then the Scheme Actuary has again confirmed, on 29th October 1999, that the current level of contributions remains adequate and has re-certified the Schedule of Contributions for a further year.

The total net pension charge for the period under review was £640,000 which included the voluntary contribution of £182,000 referred to above.

29. FINANCIAL COMMITMENTS

At 31st July 1999 the Group had no annual commitments under non-cancellable operating leases on plant, equipment and vehicles.

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 has received grants amounting to £370,000 from Scottish Enterprise Fife Limited to assist with a development. Under the terms of the grants, all or part of these grants 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 1999 materials purchased amounted to £450,000 (1998, £579,000) and materials and services supplied amounted to £55,000 (1998, £132,000).

(b) OTHER RELATED PARTIES

During the year to 31st July 1999, the Company carried out the following transactions with related parties.

Related Party	Relationship	Nature of transaction	Amount £'000
Edinburgh Industrial Estates Limited	Joint Venture Company	Construction Work	434