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J. SMART & CO. (CONTRACTORS) PLC



ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
TO
31st JULY 2012

J. Smart & Co. (Contractors) PLC

DIRECTORS

J. M. SMART, *Chairman and Managing Director*

L. E. GLENDAY

D. W. SMART

A. H. ROSS

COMPANY SECRETARY

P. SWEENEY

REGISTERED OFFICE

28 CRAMOND ROAD SOUTH,
EDINBURGH,
EH4 6AB

SUBSIDIARY COMPANIES

MCGOWAN & CO. (CONTRACTORS) LIMITED

CRAMOND REAL ESTATE COMPANY LIMITED

THOMAS MENZIES (BUILDERS) LIMITED

CONCRETE PRODUCTS (KIRKCALDY) LIMITED

C. & W. ASSETS LIMITED

REGISTRARS AND TRANSFER OFFICE

EQUINITI LIMITED,
34 SOUTH GYLE CRESCENT,
SOUTH GYLE BUSINESS PARK,
EDINBURGH,
EH12 9EB

BANKERS

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

AUDITORS

FRENCH DUNCAN LLP,
CHARTERED ACCOUNTANTS,
375 WEST GEORGE STREET,
GLASGOW,
G2 4LW

SOLICITORS

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

ANDERSON STRATHERN LLP,
1 RUTLAND COURT,
EDINBURGH,
EH3 8EY

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 *13th December 2012* at 12 noon, for the following purposes:

1. To receive and consider the Annual Report and Statement of Accounts for the year ended 31st July 2012.
2. To receive and consider the Report on Directors' Remuneration for the year ended 31st July 2012.
3. To declare a Final Dividend of 1.98p per share.
4. To re-elect L. E. Glenday as a Director, who retires in accordance with provision B.7.1 of UK Corporate Governance Code.
5. To re-elect A. H. Ross as a Director, who being appointed in the year, retires in accordance with provision B.7.1 of UK Corporate Governance Code.
6. To re-elect French Duncan LLP as Auditors.
7. To authorise the Directors to determine the remuneration of the Auditors.
8. To authorise the Company, via a special resolution, for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 2p each ("Ordinary Shares"), such power to be limited to a maximum of 4,103,000 Ordinary Shares. The Company cannot pay a price per Ordinary Share which is less than the nominal value (2p per Ordinary Share) or more than 105% of the average of the middle market quotations of the Ordinary Shares taken from the London Stock Exchange Daily Official Listing for the five business days immediately before the day on which such Ordinary Shares are purchased. This authority is to apply until the end of the Annual General Meeting to be held in 2017 but the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the authority ends, the Company may purchase these Ordinary Shares pursuant to any such contract as if the authority had not ended.
9. 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 be a member. Forms of proxy, if used, must be lodged with the Registrars of the Company at least 48 hours before the time fixed for the Meeting. Forms of proxy may also be lodged electronically by submitting a duly completed scanned copy of the proxy card to proxy.votes@equiniti.com. You may not use the electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than that expressly stated.

In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website www.jsmart.co.uk.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

BY ORDER OF THE BOARD
P. SWEENEY, SECRETARY
28 Cramond Road South,
Edinburgh EH4 6AB

13th November 2012

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

As forecast in the interim report, the results for the year were adversely affected by the inclusion of a further reduction in the value of our property portfolio as dictated by the International Financial Reporting Standards. Headline profit for the year turned out at £55,000 which compares with a headline profit of £656,000 last year. If the impact of revalued property on the figures is disregarded, then a truer reflection of Group performance emerges in the form of an underlying profit before tax for the year under review of £4,097,000 (no property sales) which compares with the figure for underlying profit last year of £5,992,000 (including £1,929,000 profit from property sales).

The value of investment properties at the beginning of the year was £72,586,000 (cost £51,609,000). Additions during the year cost £3,423,000. Transfers to Investment properties from Property, plant and equipment amounted to £25,000 and transfers from Investment properties to Inventories amounted to £1,555,000. The net deficit on the year end valuation was £4,042,000. Leaving a value of £70,437,000 (cost £53,502,000).

The Board is recommending a Final Dividend of 1.98p nett, making a total for the year of 2.90p nett, which compares with the equivalent figure of 2.86p nett (adjusted for the share sub-division) for the previous year. The final dividend will cost the Company £980,000.

Loss after tax adjusted for actuarial pension scheme deficit, dividends paid, fair value reserve adjustment and purchase of own shares when added to opening shareholders' funds brings the total equity of the Group to £91,309,000.

TRADING ACTIVITIES

Group construction work carried out and share of Joint Ventures' turnover increased by 43%, own work capitalised increased by 29%, Group revenue increased by 45% and headline Group profit decreased by 92%. Underlying Group profit excluding the unrealised deficit in revalued property decreased by 32%.

Turnover in contracting was higher than the previous year, although a reduced profit resulted. The modest revival in private dwelling sales in February and March mentioned in the interim report weakened during the summer months. Sales in precast concrete manufacture increased and a reduced loss was incurred.

Construction of the office block at the Robertson Avenue development, Edinburgh is progressing and the residential element is approximately 65% complete.

While occupancy levels at our established industrial developments have improved since this time last year and have remained stable at our established commercial sites, our recent developments at Saltire House, Whitefriars Business Park, Perth; Bridgeside House, McDonald Road, Edinburgh and Inchwood Business Park, Bathgate are proving to be a challenge and have so far failed to let.

OTHER MATTERS

In December 2011 Mr A.D. McClure, having attained his seniority, retired from the Board. Mr McClure served the Company for 47 years, 24 as a Director, during which time his hard work, loyalty, dedication and the calm efficiency he employed in his role as Financial Director and Company Secretary were major factors in the Group's success. My sincere personal thanks go to Andrew for his unstinting efforts on the Company's behalf, together with my wishes for a long and happy retirement.

FUTURE PROSPECTS

Work in hand in contracting is less than at this time last year and margins continue to tighten.

Private house sales are slow.

The failure to let our recent commercial and industrial developments is disappointing and there appears to be no likely improvement in the short term at least. Property values appear to have stabilised for the present, however a further softening in values before the end of the current financial year cannot be discounted.

The recession drags on and too many uncertainties exist to permit an accurate forecast of the results for the current financial year, however on balance it seems likely that, discounting any property sales, underlying profit will be less than last year.

13th November 2012

J. M. SMART
Chairman

J. Smart & Co. (Contractors) PLC

DIRECTORS

J.M. Smart, Chairman and Managing Director Aged 68
Joined the Company in 1967
Appointed Director in 1978 and appointed Chairman in 1988

A.D. McClure Aged 66
Joined the Company in 1964
Appointed Director in 1987
Retired as a Director on 19th December 2011

L.E. Glenday Aged 64
Joined the Company in 1972
Appointed Director in 2001

D.W. Smart Aged 39
Joined the Company in 1998
Appointed Director in 2010

A.H. Ross Aged 50
Joined the Company in 1989
Appointed Director on 1st January 2012

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

REPORT OF THE DIRECTORS

31st JULY 2012

The Directors submit their Annual Report and Statement of Accounts for the year ended 31st July 2012.

RESULTS AND DIVIDENDS

The loss of the Group for the year after charging taxation amounted to £(531,000)

The Directors have made the following appropriations:

Paying a Final Dividend for 2011 of 9.70p per 10p share (2010, 9.60p per 10p share)	£978,000
Paying an Interim Dividend for 2012 of 0.92p per 2p share (2011, 4.60p per 10p share)	<u>462,000</u>
	<u>£1,440,000</u>

The Directors recommend a Final Dividend for the year of 1.98p per share, making a total for the year of 2.90p.

The Final Dividend, if approved, will be paid to all Members on the Share Register of the Company at the close of business on 30th November 2012. Dividend warrants will be posted on 14th December 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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 year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that year.

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;
- for the Group and Parent Company financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 2006 and IFRS as adopted by the EU. 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.

Under applicable law and regulations, the Directors are also responsible for preparing the Report of the Directors, Report on Directors' Remuneration and Corporate Governance Statement that comply with that law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

DIRECTORS' STATEMENT PURSUANT TO DISCLOSURE AND TRANSPARENCY RULE 4.1.12

Each of the Directors confirms, to the best of their knowledge:

- that the Consolidated Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of assets, liabilities, financial position and profit or loss of the Group and Company; and
- that the Business Review contained in this report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its Subsidiaries are building and civil engineering contracting of all types, building for sale of private houses, carrying out of industrial and commercial developments and redevelopments for sale or lease. Other activities of Subsidiaries are the manufacture for sale of concrete building products and investment holding.

The company has interests in Joint Venture Companies as follows:

Name of Joint Venture Company	Percentage of interest held	Joint Venture Party
Edinburgh Industrial Estates Limited	50%	EDI (Industrial) Limited
Prestonfield Development Company Limited	50%	Westerwood Limited
Northrigg Limited	50%	William Sanderson
Duff Street Limited	50%	Kiltane Developments Limited
Inveriel Developments Limited	50%	Macdonald Estates PLC

Full details of the Joint Venture companies are given in note 14 to the accounts.

BUSINESS REVIEW

Group operations during the year were as follows:

CONSTRUCTION ACTIVITIES

The Company continues to undertake the construction of social housing for several housing associations within the Edinburgh area.

Thomas Menzies (Builders) Limited continues to undertake small to medium sized civil engineering contracts for Local Authorities, Enterprise Companies and private sector clients.

Concrete Products (Kirkcaldy) Limited continues to manufacture and sell hydraulically pressed concrete products for the building and home improvement industries.

McGowan & Co (Contractors) Limited continues to support Group companies with the provision of plumbing and heating services.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

BUSINESS REVIEW (contd.)

INVESTMENT ACTIVITIES

Rent, service charges recoverable and insurance premiums recharged are the main sources of investment income received by the Group on investment properties owned and managed by the subsidiary, C. & W. Assets Limited. The investment properties are located throughout the central belt of Scotland primarily within the Edinburgh area.

Other investing activities of the Group consists of dividends and interest received on a portfolio of equity investments and cash deposits.

JOINT VENTURES

Rents and service charges on industrial and residential properties remain the sources of income earned by the Joint Venture companies. During the year there was no change in the development activities of the Joint Ventures.

During the year an application to strike off Primrose Development Company Limited was submitted to the Registrar of Companies and the Company was formally dissolved on 11th November 2011. This Company had not traded in this or previous years.

SUMMARY

		Profit/(Loss) excluding unrealised deficit	Profit/ (Loss) in revalued property
	Revenue £000	£000	£000
Construction activities	28,013	473	473
Investment activities	5,518	(403)	3,639
Joint Ventures	67	(15)	(15)
	<u>33,598</u>	<u>55</u>	<u>4,097</u>

Group external construction revenue increased from £17,001,000 to £24,684,000 an increase of £7,683,000 and internal own work capitalised increased from £2,587,000 to £3,329,000. Rental income from investment properties, excluding that from Joint Ventures, together with service charges and insurance receivable decreased from £5,523,000 to £5,518,000.

The net deficit on valuation of investment properties as at 31st July 2012 amounted to £4,042,000 as compared to a net deficit for the previous year of £5,336,000. There were no investment property sales in the year.

The above movements have resulted in an Operating Loss for the Group for the year of £685,000 as compared to an Operating Profit of £90,000 in the previous year.

The Group's share of losses in Joint Ventures amounted to £15,000 as compared to a profit of £42,000 in the previous year.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

BUSINESS REVIEW (contd.)

SUMMARY (contd.)

Income from financial assets including profit arising on sale of financial assets together with finance income less finance costs amounted to £755,000 as compared to £524,000 for the previous year.

Group Profit before tax amounted to £55,000 for the year as compared to £656,000 for the previous year. If the unrealised net deficit on valuation of investment properties is excluded, the Group Profit before tax for the year would be £4,097,000 as compared to £5,992,000 for the previous year.

GROUP FINANCIAL PERFORMANCE INDICATORS

	2012 £000	Movement %/£000	2011 £000
Revenue	24,684	45%	17,001
Own work capitalised	3,329	29%	2,587
Other operating income	5,518	—	5,523
Profit before tax	55	(92%)	656
Profit excluding unrealised deficit in revalued property	4,097	(32%)	5,992
Group investment income including profit on sale of available for sale financial assets	755	44%	524
Share of Joint Ventures' (losses)/profits	(15)	(57)	42
Group Balance Sheet	91,309	(6%)	97,560

PRINCIPAL RISK FACTORS

RISK AND IMPACT

Main focus in contracting is on social housing which can be highly competitive putting pressure on turnover and margins (there have been material but unquantifiable increases in the risk and impact).

MEASURE

- Genuine "All Trades" Contractor employing own plant and directly employed operatives to carry out all basic trades.
- No "labour-only" sub-contractors.
- Long serving site supervisory staff promoted through the ranks.
- Specialist trades sub-contracted to pool of tried and tested sub-contractors who are paid in full on or ahead of time.
- Clients receive pre-contract design advice to resolve potential technical problems.
- As property and private residential developers we identify sites unsuitable for private development and offer them to Housing Associations to negotiate package.

We believe the above measures ensure a high standard of service, quality and progress which permits our clients to employ us on a partnering "best value" basis where price is not the only criterion and repeat business results.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

BUSINESS REVIEW (contd.)

PRINCIPAL RISK FACTORS (contd.)

RISK AND IMPACT

Cuts in funding reduce or suspend the social housing programme resulting in reduced contracting workload and substantial redundancies (there have been material but unquantifiable increases in the risk and impact).

Inability to find tenants for new development space and loss of existing tenants leads to reduction of revenue and capital resources.

Free availability of credit leads to rise in cost of developable land and property to unsustainable levels resulting in heavy losses or insolvency when the "bubble" bursts and credit is withdrawn.

Possible failure of bank threatens the Group's existence due to loss of cash reserves.

Massive reduction in bank and interest rates results in significant loss of Group revenue from cash on deposit.

Effect of recession and restriction on mortgage lending results in stalling of private house sales.

MEASURE

- Take up slack by diverting staff and workforce to private commercial and residential developments held in reserve.
- Unlike a pure "contractor" we can take the portion of affordable housing required by the Planning Authority on a private residential development to a Housing Association resulting in reciprocal business and increased workload.
- We now have five Joint Ventures in private development for four of which we carry out the work.
- By restricting our operations to the central belt of Scotland we are only involved in familiar locations we understand.
- Secure a pre-let before commencement of development.
- Only commence speculative development after a careful assessment of the local market and once we are reasonably certain of securing tenants.
- Freshen up existing developments from time to time in order to retain and attract tenants and maintain market interest.
- Avoid overpaying for land or property.
- Do not over extend resources by over committing to development while the market hots up.
- Build up liquidity for the tough times ahead by selective selling of land and/or developed property at or near the top of the market.
- Spread cash reserves among several banks placing more with the strongest.
- Invest a proportion of cash in equities.
- Seek out best interest rates obtainable from banks consistent with security of borrower.
- Consider investing a proportion of cash in high yielding property with strong covenant.
- Increase investment in equities paying attention to yield, high/low price history and security of investment.
- Sales incentives within limitations.
- Shared equity and Government backed co-ownership schemes.
- Consider letting until sales market improves.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

RETIREMENT BENEFIT OBLIGATIONS

Note 27 to the accounts gives details of the most recent actuarial review of the Group's defined benefit pension scheme.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Full details of the movements in Property, plant and equipment and Investment properties during the year are given in notes 12 and 13 to the accounts.

At 31st July 2012 a valuation of the Group's non-investment heritable properties was carried out by Group Company Directors. This valuation, which has not been incorporated into these accounts, showed a net surplus over the cost of these properties after depreciation of £1,688,000 as at 31st July 2012.

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.

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 and are unable to fulfil current duties are offered suitable alternative employment.

CHARITABLE DONATIONS

During the year the Group made total charitable donations amounting to £35,000 (2011, £35,000). Donations to local causes amounted to £17,000 (2011, £19,000) and donations to national charities amounted to £18,000 (2011, £16,000).

POLITICAL DONATIONS

It is the policy of the Group not to make donations for political purposes to EU Political Parties or incur EU Political Expenditure and accordingly neither the Company nor its Subsidiaries made donations or incurred such expenditure in the year.

The Companies Act 2006 prohibits companies from making any political donations to EU political organisations, independent candidates or incurring EU political expenditure unless authorised by shareholders in advance. The Company does not make, and does not intend to make, donations to EU political organisations or independent election candidates, nor does it incur any EU political expenditure.

The definitions of political donations, political organisations and political expenditure used in the Companies Act 2006 are very wide and can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties, and support for bodies representing the business community in policy review or reform. Shareholder approval is therefore being sought on a precautionary basis only, to allow the Company, and any Subsidiary Company, to continue to support the community and put forward its views to wider business and Government interests, without running the risk of being in breach of the legislation.

The Board has been granted, by a resolution at the 2011 Annual General Meeting, authority to make political donations to EU political organisations and independent election candidates not exceeding £5,000 in total and to incur EU political expenditure not exceeding £5,000 in total. This authority remains valid until the conclusion of the Company's Annual General Meeting to be held in 2015.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

CREDITOR PAYMENT 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 16, 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 2012 and their beneficial interests in the share capital of the Company were as follows:

	<i>1st August 2011</i>	<i>21st December 2011</i>	<i>31st July 2012</i>
	<i>Ordinary shares of 10p each</i>	<i>Ordinary shares of 2p each</i>	<i>Ordinary shares of 2p each</i>
	<i>Beneficial holdings</i>	<i>Beneficial holdings</i>	<i>Beneficial holdings</i>
J. M. Smart	239,700	1,198,500	1,198,500
L. E. Glenday	45,000	225,000	225,000
D. W. Smart	2,372,700	11,863,500	11,863,500
A. H. Ross	10,000	50,000	100,000

On 21st December 2011 there was a subdivision of the Company's Ordinary shares of 10p each resulting in 5 New Ordinary Shares of 2p each for 1 Old Ordinary share of 10p each.

A. D. McClure retired as a Director on 19th December 2011. As at 1st August 2011 he had a beneficial holding in 55,000 Ordinary Shares of 10p of the Company.

- (ii) L. E. Glenday retires by rotation and, being eligible, offers himself for re-election in accordance with provision B.7.1 of the UK Corporate Governance Code.
- (iii) A. H. Ross was appointed as a director on 1st January 2012 and in accordance with provision B.7.1 of the UK Corporate Governance Code is subject to and offers himself for re-election at the first Annual General Meeting of the Company following his election.
- (iv) There are no Directors' service contracts in existence.
- (v) There have been no changes in the Directors' beneficial interests between 31st July 2012 and 20th October 2012.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

The Company's authorised and issued ordinary share capital as at 31st July 2012 comprises a single class of ordinary shares. The Company was authorised by shareholders, at the 2011 Annual General Meeting, to purchase in the market up to 10% of the Company's issued share capital, as permitted under the Company's Articles of Association. During the year the Company made market purchases of 938,000 Ordinary Shares of 2p under this authority. These shares were subsequently cancelled.

This authority is renewable and the Directors will seek renewal of this authority at the 2012 Annual General Meeting.

As far as the Directors are aware, other than the Directors, the Company has been notified that as at 31st July 2012 and as at 20th October 2012, the following have interests of more than 3% in the Company's issued share capital:

	<i>Number</i>	<i>%</i>
Octet Investments Limited	1,622,400	3.28
A. J. Whitehead	1,579,485	3.19
J. R. Smart	11,863,500	23.98

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

SHAREHOLDER AND VOTING RIGHTS

All members who hold ordinary shares are entitled to attend and vote at General Meetings. On a show of hands at a General Meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights of shareholders.

Rights attached to ordinary shares may only be varied by special resolution at a General Meeting.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no specific restrictions on the transfer of securities in the Company, other than those imposed by prevailing legislation and the requirements of the Listing Rules in respect of Company Directors. The Company is not aware of any agreements between shareholders that may result in restrictions of the transfer of securities.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

Initial appointments may be approved by the Board of Directors but anyone so appointed must be re-elected by ordinary resolution at the next Annual General Meeting of the Company. Directors, excluding the Managing Director, in accordance with the provision B.7.1 of UK Corporate Governance Code, must retire and offer themselves for re-election at the Annual General Meeting at least every three years.

AMENDMENTS OF THE COMPANY'S ARTICLES OF ASSOCIATION

The Company's Articles of Association can only be amended by a special resolution at a General Meeting.

CHANGE OF CONTROL

The Company is not party to any significant agreements which take effect, alter or terminate upon the change of control of the Company following a takeover bid.

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment, whether through resignation, purported redundancy or otherwise resulting from a takeover bid.

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 Corporation Tax Act 2010.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

This statement details how your Company has applied the main and supporting principles of corporate governance as set out in the Financial Reporting Council's UK Corporate Governance Code issued in June 2010 (the Code). A copy of the Code can be found on the Financial Reporting Council's website, www.frc.org.uk.

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 the following provisions set out in Section 1 of the Code – A.1.1-A.1.2, A.2.1, A.3.1, A.4.1-A.4.3, B.1.1-B.1.2, B.2.1-B.2.4, B.3.1-B.3.2, B.6.1-B.6.3, B.7.1-B.7.2, C.3.1-C.3.6, D.1.1, D.1.5, D.2.1-D.2.2, E.1.1 and E.2.2-E.2.3, details and explanations for non-compliance are given below.

THE BOARD

The Company is led by a Board of Directors which comprises the executive management of the Company, being the Chairman and three executive directors, and thus maintains full control of the Company. All the Directors worked for the Company prior to their appointments as Director. During the year A. D. McClure retired from the Company, and A. H. Ross was appointed as Director. Decisions are taken by the Board 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 and ensures that this approach best serves the interests of the Company and its shareholders.

The Board held 15 formal Board Meetings in the year, attendance at these meetings was as follows:

J. M. Smart	14
A. D. McClure (retired 19th December 2011)	2
L. E. Glenday	12
D. W. Smart	13
A. H. Ross (appointed 1st January 2012)	9

Given that the Board is the executive management of the Company and takes decisions on all material matters and thereby exercises full direction and control, there is no formal schedule of matters reserved for the Board's decision.

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 the Chairman and Managing Director, a policy which has served your Company well over many years. The Chairman is responsible for the leadership of the Board, ensuring that all the Directors receive accurate, timely and clear information on issues arising at Board meetings, setting Board agendas and ensuring adequate time is given to discussion of the agenda points. The members of the Board have complete freedom to seek independent professional advice, at the Company's expense, when they feel it is appropriate to do so. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. All Directors openly 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 two non-executive Directors would increase costs and impose an additional administrative burden for no discernible benefit and, accordingly, would serve no useful purpose. As a result of not appointing non-executive Directors, the Company has not established Nomination, Remuneration or Audit Committees.

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

CORPORATE GOVERNANCE (contd.)

THE BOARD (contd.)

As the Company does not have a Nomination Committee, nominations for appointment of new Directors to the Board are submitted by the Chairman for approval by the other members of the Board. As all the Directors of the Company were long-serving employees of the Company at the date of appointment, no formal tailored induction upon joining the Board was necessary. As the Directors are all full-time employees of the Company they are fully committed to the Company and to the discharge of their duties. The Directors are encouraged by the Board to receive any training they consider necessary to ensure they remain up-to-date with their skills, knowledge and familiarity of the Company's business and they remain aware of the risks associated with the Company and are also aware of regulatory, legal and financial and other developments to enable them to fulfil their role effectively.

There is no formal system of performance evaluation of the Board or its members.

The Company's Articles of Association do not require that Directors retire by rotation, however, in accordance with provision B.7.1 of the Code all Directors, with the exception of the Managing Director, seek re-election at intervals of no more than three years at the Annual General Meeting. Also in accordance with provision B.7.1 of the Code all new Directors are subject to re-election at the first Annual General Meeting following their appointment.

As the Company does not have a Remuneration Committee, the Chairman is responsible for fixing the remuneration packages of the Directors which are based on their performance and the scope of their duties and responsibilities. No Director has a service contract with the Company and accordingly periods of notice and termination payments would be construed in accordance with Employment Law. There is no scheme in place for Directors to receive entitlement to share options nor are there any long term incentive schemes.

FINANCIAL AND BUSINESS REPORTING

The Directors have sole responsibility for the preparation of the Annual Report and Statement of Accounts, the Half Yearly Financial Report, the Interim Management Reports and other price-sensitive public reports in a balanced and understandable manner.

In order to ensure that the Company and Group have adequate resources to ensure the continuing operations of the Company and Group for the foreseeable future the Directors consider future trading, investment property acquisitions and cash requirements. The Directors take account of available market conditions in all areas of the Group's activities and using their knowledge and experience relating to the Group's investment property portfolio. The Directors' opinion is that the Company and Group have adequate financial resources to allow the Company and Group to continue in operational existence for the foreseeable future and therefore considers the adoption of the going concern basis as appropriate for the preparation of the Accounts.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for and annually reviews the Group's system of internal controls in relation to financial, operational, compliance and risk management to ensure their continued effectiveness. The systems adopted by the Board are designed to manage the risk of failure to achieve the Company's business objectives as opposed to eliminate them as any system of control can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board, in accordance with the Code, has reviewed the effectiveness of the internal controls from the commencement of the accounting period to the date of approval of the Annual Report and Statement of Accounts. No significant failings or weaknesses have been identified in that period. There has also been a continual process of identification by the Directors of key areas of risk within the Group and appropriate action taken to mitigate and monitor such risks.

The main features of the Group's internal control and risk management systems in relation to the financial reporting process are:

- contracts, development projects, land purchases and acquisition of property, plant and equipment are proceeded with after due consideration by the Directors;
- monthly reports are prepared for each contract and development project for review by the Directors;

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

REPORT OF THE DIRECTORS (contd.)

31st JULY 2012

CORPORATE GOVERNANCE (contd.)

RISK MANAGEMENT AND INTERNAL CONTROL (contd.)

- Subsidiary Company reports are prepared for consideration by the Directors; and
- treasury operations are carried out in accordance with policies and procedures already approved by the Board.

AUDIT COMMITTEE

As the Company does not have an Audit Committee, it is the responsibility of the Chairman and Company Secretary on a continuing basis to consider how the financial reporting and internal control principles apply to the Company, to maintain an appropriate relationship with the Group's Auditors and to review the scope and results of the audit and its cost effectiveness. The Board is responsible for setting the remuneration of the Auditors. In order to ensure the continued independence and objectivity of the Group's Auditors, the Board has established policies regarding the provision of non-audit services by the Auditors. In some cases, the nature of the non-audit advice may make it more timely and cost effective to select the Group's Auditors, who already have a good understanding of the Group. In other circumstances the decisions on the allocation of work are made on the basis of competence and cost effectiveness. The Group's Auditors are subject to professional standards which safeguard the integrity of the auditing role performed on behalf of the shareholders.

The Board has considered and for the time being has concluded that an internal audit function is not necessary. The Board will continue to review the need for such a function. As such there is no internal audit of the risks identified by the Board and the controls established by the Board to mitigate and monitor these risks.

RELATIONS WITH SHAREHOLDERS

The Board has in the past and will in the future continue to enter into dialogue with the shareholders wherever possible. The Chairman is responsible for ensuring that the views and concerns of the shareholders are communicated to the Board. The Chairman is also responsible for discussing governance and strategy matters with the shareholders.

As the Company has no non-executive Directors there is no opportunity for shareholders to meet with these Directors.

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

At the Annual General Meeting separate resolutions will be proposed on each substantially separate issue and the number of proxy votes received for, against, and withheld for each resolution will be announced.

AUDITORS

In accordance with section 489 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of French Duncan LLP as Auditors of the Company.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of each of the Directors who were Directors at the date this Report was approved:

- so far as the Directors are aware there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware; and
- each of the Directors has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY

Patricia Sweeney P. SWEENEY,
Secretary.

13th November 2012

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

REPORT ON DIRECTORS' REMUNERATION

31st JULY 2012

The Directors' Remuneration Report for the year to 31st July 2012 is set out below, in compliance with current Listing Rules and statutory reporting requirements.

The Listing Rules require a Company to include a statement in its Annual Report and Statement of 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 reasons set out under Corporate Governance above, your Board has appointed no non-executive Directors and therefore no Remuneration Committee.

REMUNERATION POLICY

The Company's policy on Directors' remuneration for the current and future years is that individual rewards should reflect performance and the scope of their duties and responsibilities.

DIRECTORS' REMUNERATION

The following tables show an analysis of the various elements of remuneration receivable by those Directors who served during the year ended 31st July 2012.

Directors' Remuneration (Audited Information)

	Salary and Fees £000	Taxable Benefits £000	Total 2012 £000	Total 2011 £000
J. M. Smart	121	9	130	127
A. D. McClure	196	4	200	127
L. E. Glenday	121	9	130	127
D. W. Smart	83	5	88	46
A. H. Ross	48	5	53	—

Directors' Pension Benefits (Audited Information)

	Gross increase in accrued pension £	Total accrued pension 31/7/12 £	Transfer Value of accrued pension at 31/7/12 £	Transfer Value of accrued pension at 31/7/11 £	Total change in value during period £
L. E. Glenday	5,666	78,662	1,745,756	1,354,562	387,580
D. W. Smart	3,872	13,021	117,779	66,119	49,185
A. H. Ross	2,507	20,261	265,992	186,580	77,612

No Director receives fees or bonuses.

No Director holds share options and there is no scheme in place which could give such an entitlement, nor is there any long term incentive scheme.

No Director has a service contract with the Company and accordingly periods of notice and termination payments would be construed in accordance with Employment Law.

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

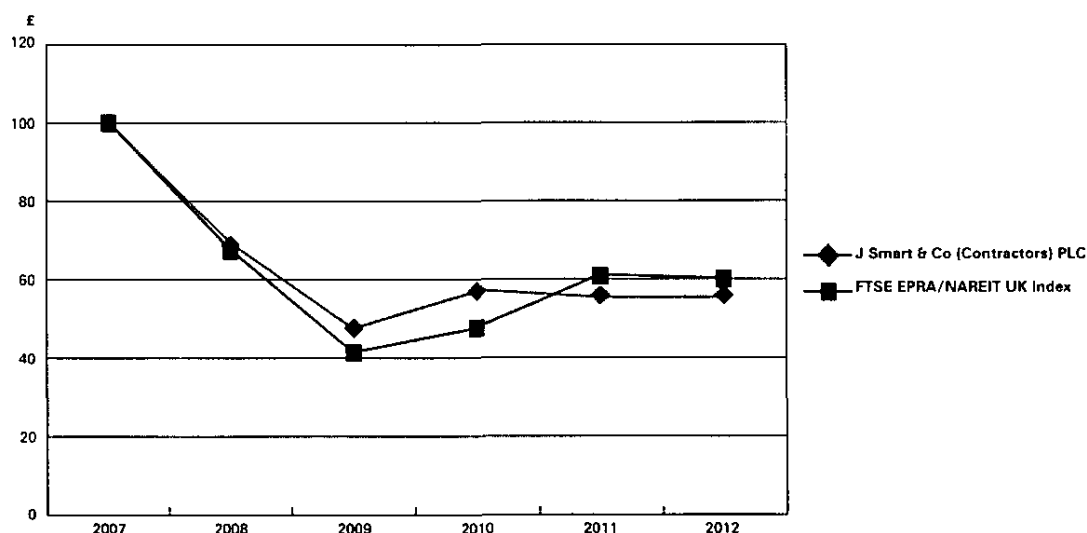
REPORT ON DIRECTORS' REMUNERATION (contd.)

31st JULY 2012

PERFORMANCE GRAPH

The graph below shows the total shareholder return performance of the Company's shares in comparison with the FTSE EPRA/NAREIT UK Index for the five years to 31st July 2012. For the purposes of the graph, total shareholder return has been calculated as the percentage change during the five year period in the market price of the shares, assuming that Dividends are reinvested.

Total Shareholder Return over the last five financial years



This graph shows the value of £100 invested in J. Smart & Co. (Contractors) PLC over the last five financial years compared to £100 invested in the FTSE EPRA/NAREIT UK Index which the Directors believe is the most appropriate comparative index.

13th November 2012

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY

Patricia Sweeney P. SWEENEY,
Secretary

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

INDEPENDENT REPORT OF THE AUDITORS

31st JULY 2012

INDEPENDENT REPORT OF THE AUDITORS

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

We have audited the financial statements of J. Smart & Co. (Contractors) PLC for the year ended 31st July 2012 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows and related notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement (set out on page 5), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st July 2012 and of the Group's loss and the Group's and Parent Company's Cash Flow for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

INDEPENDENT REPORT OF THE AUDITORS (contd.)

31st JULY 2012

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's financial statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 14, in relation to the going concern basis;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



375 WEST GEORGE STREET,
GLASGOW G2 4LW.
13th November 2012

KEVIN G BOOTH
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP
Statutory Auditor and Chartered Accountants

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

CONSOLIDATED INCOME STATEMENT for the year ended 31st July 2012

	Notes	2012 £000	2011 £000
Group construction work carried out and share of Joint Ventures' turnover		28,080	19,588
Less: Share of Joint Ventures' turnover		(67)	—
Less: Own construction work capitalised		(3,329)	(2,587)
REVENUE		24,684	17,001
Cost of sales		(20,743)	(13,176)
GROSS PROFIT		3,941	3,825
Other operating income	3	5,518	5,523
Net operating expenses		(6,102)	(5,851)
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES		3,357	3,497
Profit on sale of investment properties		—	1,929
Net deficit on valuation of investment properties		(4,042)	(5,336)
OPERATING (LOSS)/PROFIT	5	(685)	90
Share of (losses)/profits in Joint Ventures	14	(15)	42
Income from available for sale financial assets	6	128	140
Profit on sale of available for sale financial assets		34	—
Finance income	7	593	384
PROFIT BEFORE TAX		55	656
Taxation	8	(586)	358
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	9	(531)	1,014
(LOSS)/EARNINGS PER SHARE – BASIC AND DILUTED	11	(1.06)p	2.01p

All activities in both the current and previous year relate to continuing operations.

The notes on pages 26 to 54 form an integral part of these accounts.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JULY 2012

	Notes	2012 £000	2011 £000
Actuarial (loss)/gain recognised on defined benefit pension scheme	27	(4,517)	1,847
Deferred taxation on actuarial loss/(gain)	21	937	(601)
NET (DEFICIT) / SURPLUS RECOGNISED DIRECTLY IN EQUITY		(3,580)	1,246
(Loss)/Profit for the year		(531)	1,014
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		(4,111)	2,260
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		(4,111)	2,260

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31ST JULY 2012

	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2010	1,008	—	216	95,317	96,541
Total recognised Income and Expense	—	—	—	2,260	2,260
Fair value adjustment	—	—	236	—	236
Tax on fair value adjustment	—	—	(45)	—	(45)
Total comprehensive income	—	—	191	2,260	2,451
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY					
Shares purchased and cancelled	—	—	—	—	—
Transfer to capital redemption reserve	—	—	—	—	—
Dividends	—	—	—	(1,432)	(1,432)
Total transactions with owners	—	—	—	(1,432)	(1,432)
As at 31st July 2011	1,008	—	407	96,145	97,560
Total recognised Income and Expense	—	—	—	(4,111)	(4,111)
Fair value adjustment	—	—	46	—	46
Tax on fair value adjustment	—	—	5	—	5
Total comprehensive income	—	—	51	(4,111)	(4,060)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY					
Shares purchased and cancelled	(19)	—	—	(732)	(751)
Transfer to capital redemption reserve	—	19	—	(19)	—
Dividends	—	—	—	(1,440)	(1,440)
Total transactions with owners	(19)	19	—	(2,191)	(2,191)
As at 31st July 2012	989	19	458	89,843	91,309

The notes on pages 26 to 54 form an integral part of these accounts.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31st JULY 2012

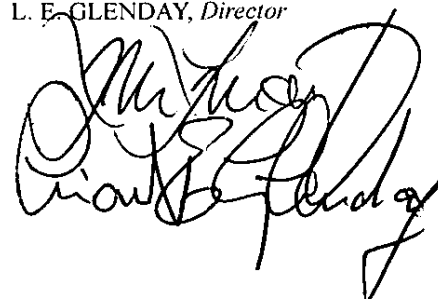
	Notes	2012 £000	2011 £000
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,122	1,290
Investment properties	13	70,437	72,586
Investments in Joint Ventures	14	997	1,012
Available for sale financial assets	15	2,988	3,018
Retirement benefit surplus	27	—	1,660
Deferred tax asset	21	557	253
		<u>76,101</u>	<u>79,819</u>
CURRENT ASSETS			
Inventories	16	10,654	7,078
Trade and other receivables	17	6,921	7,375
Cash at bank and in hand		9,761	21,704
		<u>27,336</u>	<u>36,157</u>
TOTAL ASSETS		<u>103,437</u>	<u>115,976</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	1,490	—
Deferred tax liabilities	21	2,180	2,852
		<u>3,670</u>	<u>2,852</u>
CURRENT LIABILITIES			
Trade and other payables	19	3,961	4,376
Current tax liabilities		32	234
Bank overdraft		4,465	10,954
		<u>8,458</u>	<u>15,564</u>
TOTAL LIABILITIES		<u>12,128</u>	<u>18,416</u>
NET ASSETS		<u>91,309</u>	<u>97,560</u>
EQUITY			
Called up share capital	22	989	1,008
Capital redemption reserve	23	19	—
Fair value reserve	23	458	407
Retained earnings	23	89,843	96,145
TOTAL EQUITY		<u>91,309</u>	<u>97,560</u>

Approved by the Board on
13th November 2012

Company Registration No. SC025130

The notes on pages 26 to 54 form an integral part of these accounts.

J. M. SMART, Director
L. E. GLENDAY, Director



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

COMPANY STATEMENT OF FINANCIAL POSITION as at 31st JULY 2012

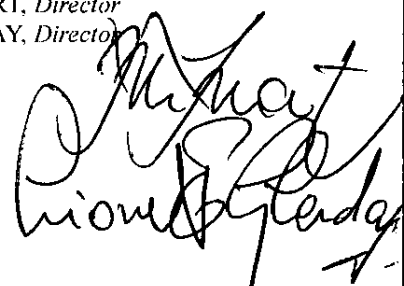
	Notes	2012 £000	2011 £000
NON-CURRENT ASSETS			
Property, plant and equipment	12	596	613
Investments in Subsidiaries and Joint Ventures	14	733	733
Retirement benefit surplus	27	—	1,660
Deferred tax asset	21	387	56
		<u>1,716</u>	<u>3,062</u>
CURRENT ASSETS			
Inventories	16	10,336	6,780
Trade and other receivables	17	9,032	8,242
Current tax assets		776	942
Cash at bank and in hand		1,045	7,971
		<u>21,189</u>	<u>23,935</u>
TOTAL ASSETS		<u>22,905</u>	<u>26,997</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	1,490	—
Deferred tax liabilities	21	68	496
		<u>1,558</u>	<u>496</u>
CURRENT LIABILITIES			
Trade and other payables	19	2,760	2,733
Bank overdraft		—	—
		<u>2,760</u>	<u>2,733</u>
TOTAL LIABILITIES		<u>4,318</u>	<u>3,229</u>
NET ASSETS		<u>18,587</u>	<u>23,768</u>
EQUITY			
Called up share capital	22	989	1,008
Capital redemption reserve	23	19	—
Retained earnings	23	17,579	22,760
TOTAL EQUITY		<u>18,587</u>	<u>23,768</u>

Approved by the Board on
13th November 2012

Company Registration No. SC025130

The notes on pages 26 to 54 form an integral part of these accounts.

J. M. SMART, Director
L. E. GLENDAY, Director



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

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31st JULY 2012

	Notes	2012 £000	2011 £000
CASH FLOWS FROM OPERATING ACTIVITIES	24(a)	984	1,951
Tax paid on profits		(823)	(710)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>161</u>	<u>1,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(230)	(363)
Additions to investment properties		(94)	(2,900)
Sale of property, plant and equipment		16	54
Sale of investment properties		—	4,054
Expenditure on own work capitalised - investment properties		(3,329)	(2,587)
Purchase of available for sale financial assets		(49)	(178)
Proceeds of sale of available for sale financial assets		159	—
Interest received		103	133
Dividend received from Joint Venture		—	665
NET CASH USED IN INVESTING ACTIVITIES		<u>(3,424)</u>	<u>(1,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(751)	—
Dividends paid		(1,440)	(1,432)
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,191)</u>	<u>(1,432)</u>
DECREASE IN CASH, CASH EQUIVALENTS AND BANK		<u>(5,454)</u>	<u>(1,313)</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	24(b)	<u>10,750</u>	<u>12,063</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	24(b)	<u>5,296</u>	<u>10,750</u>

The notes on pages 26 to 54 form an integral part of these accounts.

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

COMPANY STATEMENT OF CASH FLOWS for the year ended 31st JULY 2012

	Notes	2012 £000	2011 £000
CASH FLOWS FROM OPERATING ACTIVITIES	25(a)	(4,894)	4,316
Net credit for group tax payments		354	265
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(4,540)</u>	<u>4,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(211)	(236)
Sale of property, plant and equipment		9	27
Interest received		7	10
NET CASH USED IN INVESTING ACTIVITIES		<u>(195)</u>	<u>(199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(751)	–
Dividends paid		(1,440)	(1,432)
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,191)</u>	<u>(1,432)</u>
(DECREASE)/ INCREASE IN CASH, CASH EQUIVALENTS AND BANK		<u>(6,926)</u>	<u>2,950</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	25(b)	<u>7,971</u>	<u>5,021</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	25(b)	<u>1,045</u>	<u>7,971</u>

The notes on pages 26 to 54 form an integral part of these accounts.

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

NOTES TO THE ACCOUNTS

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

J. Smart & Co. (Contractors) PLC which is the ultimate Parent Company of the J. Smart & Co. (Contractors) PLC Group is a public limited company registered in Scotland, incorporated in the United Kingdom and listed on the London Stock Exchange.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31ST JULY 2012

The following new Standards, Amendments to Standards and Interpretations which were mandatory for the first time for the year to 31st July 2012, but which are not relevant or material to the Company and Group were:

- IFRS 1 (amended), First Time Adoption relating to severe hyperinflation and the removal of fixed dates for first time adopters.
- IFRS 7 (amended), Financial Instruments Disclosures relating to transfers of financial assets.
- IAS 24 (revised), Related Party Disclosures revised definition of related parties.
- IFRIC 14 (amended), IAS 19 Prepayments of a minimum funding requirement.
- IFRIC 20, Stripping costs in the production phase of a surface mine.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2010 Annual Improvement Programme, none of the amendments had a material impact on the Company and Group.

The Company and Group adopted IAS 12 (revised) Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standard Board but which are effective for the Company and Group after the date of these financial statements, and have not been adopted earlier:

- IAS 1 (amended), Presentation of items in Other Comprehensive Income. Effective for accounting periods beginning on or after 1st July 2012.
- IAS 19 (amended), Employee benefits resulting from Post-Employment and Termination Benefits projects. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 27 (revised), Consolidated and Separate Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 28 (revised), Investments in Associates and Joint Ventures. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 32 (amended), Financial Instruments: Presentation relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2014.
- IFRS 1 (amended), First Time Adoption relating to government loans with below-market rate of interest. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 7 (amended), Financial Instruments Disclosures relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 9 (amended), Financial Instruments – Classification and Measurement. Effective for accounting periods beginning on or after 1st January 2015.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED (contd.)

- IFRS 10 Consolidated Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 11 Joint Arrangements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 12 Disclosures of Interests in Other Entities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 13 Fair Value Measurement. Effective for accounting periods beginning on or after 1st January 2013.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2009 - 2011 Annual Improvement Programme.

The Directors are to fully consider the implications of these Standards, Amendments to Standards and Interpretations and their relevance and impact on the financial statements of the Company and Group. The Directors anticipate that there will be no material effect on the financial statements.

BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention except where the measurement of balances at fair value is required as noted below for investment properties and available for sale financial assets.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Management believes that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

INVESTMENT PROPERTIES

Investment properties are revalued annually by the Group Directors in accordance with the RICS Valuation Standards. The Directors use yields which they consider to be appropriate to the circumstances and nature of the Group's investment property portfolio. The Directors consider that any variances in yields would not result in significant changes in revaluation movements.

LONG-TERM CONTRACT PROVISIONS

Judgement is required in the area of provisions for losses on long-term contracts. The Directors consider adequate, but not excessive provisions have been made in this respect.

RETIREMENT BENEFIT OBLIGATION

The valuation of the retirement benefit obligation is dependent upon a series of assumptions, mainly discount rates, mortality rates, investment returns, salary inflation and the rate of pension increases, which are determined after taking expert advice from the Group's Actuary. These are set out in note 27 to the financial statements.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

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. Subsidiaries are entities controlled by the Company. Control is assumed where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group balances and any income or expenses arising from intra-group transactions are eliminated in preparing the Group accounts.

No income statement is presented for the Parent Company as provided by section 408 of the Companies Act 2006.

CAPITAL MANAGEMENT

Group objectives in managing capital are to safeguard the interests of the Company to operate as a net debt-free going concern, of its employees to maintain wherever possible security of employment, remuneration and retirement provisions and of its shareholders to maintain continuity of dividends and stability of share price.

The capital structure of the Group consists of issued share capital, reserves and retained earnings represented predominantly by investment properties, financial investments and cash.

These assets are purchased, managed and maintained by the Group's management and employees, advised where appropriate by independent outside professionals. Refer to pages 8 and 9 of this report for details of relevant risk factors and management measures.

The Group has sufficient cash reserves and readily realisable assets available to meet its foreseeable commitments.

INVESTMENT IN JOINT VENTURES

Joint Ventures are those entities over which the Company has a 50% holding and exercises joint control under a contractual arrangement. The results of Joint Venture undertakings are accounted for using the equity method of accounting. Under this method the investment is initially recorded at cost and is subsequently adjusted to reflect the Group's share of the net profit or loss in the Joint Venture.

The Accounts of the Group's Joint Ventures have been prepared in accordance with UK GAAP. The Group's interest in the assets and liabilities of the Joint Ventures have only been restated in accordance with International Financial Reporting Standards where such restatement is considered material to an understanding of the Group's interest.

INVESTMENT PROPERTIES

Investment properties are properties owned by the Group which are held for long-term rental income or for capital appreciation or both. Investment properties are initially recognised at cost and revalued at the Balance Sheet date to fair value as determined by Group Directors in accordance with the RICS Valuation Standards.

Properties under development are stated at cost including attributable overheads.

Gains or losses arising from the changes in fair value are included in the Income Statement in the year in which they arise. In accordance with IAS 40: Investment Property, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, includes certain internal staff and associated costs directly attributable to the management of the developments under construction.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

INVESTMENT PROPERTIES (contd.)

Where the Group redevelops an existing property for continued future use as an investment property, the property remains an investment property measured at fair value through the Income Statement.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of them can be measured reliably. All other repairs and maintenance expenditure is charged to the Income Statement as incurred.

The Group assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying value exceeds its recoverable amount the asset is considered impaired and written down accordingly.

DEPRECIATION

Depreciation is provided on all items of property, plant and equipment, 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 and machinery	- 25% to 33 ⅓% reducing balance
Office furniture and fittings	- 20% to 33 ⅓% reducing balance
Motor vehicles	- 33 ⅓% reducing balance

INVENTORIES AND WORK IN PROGRESS

Inventories 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 includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the 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 trade and other payables as payments on account.

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences, except in respect of investments in Subsidiaries and Joint Ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Income Statement except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Group operates a defined benefit pension scheme, which was closed to new members during the year to 31st July 2003 and which requires contributions to be made to an administered fund.

The obligations of the scheme represent benefits accruing to employees and are measured at discounted present value while scheme assets are measured at their fair value. The discount rate used is the yield on AA credit rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The operating and financial costs of such plans are recognised separately in the Income Statement, service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the year in which they arise. Actuarial gains and losses, arising from either experience, differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in the Consolidated Statement of Comprehensive Income.

The Group also operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Income Statement as incurred.

LEASES

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

GROUP AS A LESSEE

In accordance with IAS 40: Investment Property, leases of investment property are assessed on a property by property basis. The Group's investment properties are classified as operating leases and rentals payable are charged to the Income Statement on a straight line basis over the term of the lease.

Other leases are classified as operating leases and rentals payable are charged to the Income Statement on a straight line basis over the term of the lease.

GROUP AS A LESSOR

Properties leased out under operating leases are included in investment property, with rental income recognised on a straight line basis over the lease term.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

REVENUE

Revenue, which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where revenue represents the sales value of work done in the year. The measurement and stage of completion of long-term contracts are based on external valuations issued by the third party surveyors.

Profits on long-term contracts are calculated in accordance with International Financial Reporting Standards and do not relate directly to revenue. 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.

The value of construction work transferred to investment properties is excluded from revenue.

Revenue from investment properties comprises rental income, service charges, insurance receivable and other recoveries, and is disclosed as other operating income in the Income Statement.

Rental income from investment property leased out under an operating lease is recognised in the Income Statement on a straight line basis over the term of the lease.

Revenue from private house sales under shared ownership scheme are accounted for as instalments are received.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Group operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Group are met as they arise.

AVAILABLE FOR SALE FINANCIAL ASSETS

Financial assets available for sale represent investments in quoted shares which are recognised at fair value at the year end. The movement in fair value is transferred directly to Equity and shown in a separately designated Fair Value Reserve.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

DIVIDENDS

Final Dividends are recognised as a liability in the year in which they are approved by the Company's shareholders. Interim Dividends are recognised when they are paid.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

2. SEGMENTAL INFORMATION

IFRS 8: Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allow the allocation of resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors.

All revenue arises from activities within the UK and therefore the Board of Directors does not consider the business from a geographical perspective. The operating segments are based on activity and performance of an operating segment is based on a measure of operating (loss)/profit.

	External Revenue	Internal Revenue	Total Revenue	Operating (Loss)/Profit	
	£000	£000	£000	2012 £000	2011 £000
2012					
Construction activities . . .	24,684	3,329	28,013	(25)	—
Investment activities . . .	5,518	—	5,518	(660)	—
	<u>30,202</u>	<u>3,329</u>	<u>33,531</u>	<u>(685)</u>	<u>—</u>
2011					
Construction activities . . .	17,001	2,587	19,588	—	51
Investment activities . . .	5,523	—	5,523	—	39
	<u>22,524</u>	<u>2,587</u>	<u>25,111</u>	<u>—</u>	<u>90</u>
OPERATING (LOSS)/PROFIT				(685)	90
Share of results of Joint Ventures				(15)	42
Finance and investment income.				755	524
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX				<u>55</u>	<u>656</u>

Internal revenue relates to own work capitalised, all other internal transactions are eliminated on consolidation. The Company had sales under construction activities from two customers amounting to £10,721,000.

OTHER SEGMENTAL INFORMATION

	Non-Current Asset Additions £000	Depreciation £000	Segment Assets £000	Segment Liabilities £000
2012				
Construction activities . . .	230	363	26,223	5,016
Investment activities . . .	3,423	—	77,022	7,917
Joint Ventures . . .	—	—	997	—
			<u>104,242</u>	<u>12,933</u>
Allocation of corporation tax debtor			(805)	(805)
			<u>103,437</u>	<u>12,128</u>
2011				
Construction activities . . .	363	426	26,796	4,267
Investment activities . . .	5,487	—	89,282	15,263
Joint Ventures . . .	—	—	1,012	—
			<u>117,090</u>	<u>19,530</u>
Allocation of corporation tax debtor			(1,114)	(1,114)
			<u>115,976</u>	<u>18,416</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

3. OTHER OPERATING INCOME

	2012 £000	2011 £000
Rental income	5,316	5,334
Less: Joint Ventures' income	(316)	(312)
	<u>5,000</u>	<u>5,022</u>
Service charges and insurance receivable.	518	501
	<u>5,518</u>	<u>5,523</u>
Direct property costs	(2,121)	(2,060)
Net rental income	<u>3,397</u>	<u>3,463</u>

Direct property costs included £620,000 (2011, £569,000) in respect of investment properties that did not generate rental income in the year.

4. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:

Wages, salaries and short term benefits.	9,005	7,088
Social security costs	877	665
Post-employment benefits	822	836
	<u>10,704</u>	<u>8,589</u>

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

	No.	No.
Construction and related services.	244	187
Office and management	25	26
	<u>269</u>	<u>213</u>

Directors' remuneration:

	£000	£000
– Salaries and short term benefits	601	635
– Post-employment benefits	67	76
– Fees	–	–
	<u>668</u>	<u>711</u>

All of the Directors except J. M. Smart are members of the Group's defined benefit pension scheme.

Key management is comprised solely of the Directors of the Company.

5. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

Cost of inventories recognised as an expense	16,169	9,696
Staff costs (per note 4)	10,704	8,589
Hire of plant and machinery	332	451
Depreciation of owned assets	363	426
Profit on disposal of property, plant and equipment	(6)	(16)
Auditors' remuneration and expenses – audit services	<u>120</u>	<u>119</u>

The auditors' fees for the Parent Company are £52,000 (2011, £51,000).

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

6. INCOME FROM INVESTMENTS

	2012 £000	2011 £000
Available for sale financial assets	128	140

7. FINANCE INCOME

Receivable: Interest on short term deposits	96	123
Other interest	7	10
Pension scheme	490	251
	<u>593</u>	<u>384</u>

8. TAXATION

UK Corporation Tax		
Current tax on income for the year	620	991
Corporation tax over provided in previous years	–	(20)
	<u>620</u>	<u>971</u>
Deferred taxation (note 21)	(34)	(1,329)
	<u>586</u>	<u>(358)</u>
Current Tax Reconciliation		
Profit on ordinary activities before tax	55	656
Share of losses/(profits) of Joint Ventures	15	(42)
	<u>70</u>	<u>614</u>
Current tax at 25.33% (2011, 27.33%)	18	168
Effects of:		
Expenses not deductible for tax purposes	15	5
Depreciation in excess of capital allowances	1	32
Non taxable income	(32)	(38)
Effect of indexation allowances	915	(214)
Effect of change on tax rate	(331)	(291)
Adjustments to tax charge in respect of prior years	–	(20)
	<u>586</u>	<u>(358)</u>

The rate of corporation tax reduced from 26% to 24% during the year. The effective rate of tax has been calculated as the average rate applicable over the period.

In addition to amounts charged to the Income Statement, a deferred tax credit of £937,000 (2011, charge – (£601,000)) relating to actuarial (losses)/ gains on defined benefit pension scheme has been recognised directly to Equity.

Also a deferred tax credit of £5,000 (2011, charge – (£45,000)) relating to the movement in fair value of available for sale financial assets has been recognised directly to Equity.

In calculating the deferred tax assets and liabilities the Company and Group has adopted IAS 12 (revised), Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

There are no income tax consequences attached to dividends paid or proposed by the Company to its shareholders.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

9. (LOSS)/PROFIT FOR THE FINANCIAL YEAR

	2012 £000	2011 £000
Dealt with in the accounts of the Parent Company	590	3,529
Retained by Subsidiary and Joint Venture Companies	(1,121)	(2,515)
	<u>(531)</u>	<u>1,014</u>

10. DIVIDENDS

2010 Final Dividend of 9.60p per 10p share	—	968
2011 Interim Dividend of 4.60p per 10p share.	—	464
2011 Final Dividend of 9.70p per 10p share	978	—
2012 Interim Dividend of 0.92p per 2p share	462	—
	<u>1,440</u>	<u>1,432</u>
Proposed 2012 Final Dividend of 1.98p per 2p share (2011, 9.70p per 10p share)	<u>980</u>	<u>978</u>

The proposed Final Dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. (LOSS)/EARNINGS PER SHARE

	(Loss)/Profit attributable to Equity shareholders £000	Basic (Loss)/ Earnings per share
Year to 31st July 2012	<u>(531)</u>	<u>(1.06)p</u>
Year to 31st July 2011	<u>1,014</u>	<u>2.01p</u>

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to equity shareholders by the weighted average number of shares in issue during the year.

On 21st December 2011 there was a subdivision of the Company's shares resulting in 5 New Ordinary Shares of 2p for 1 Old Ordinary Share of 10p. The earnings per share calculation for the year to 31st July 2011 is based on the number of New Ordinary Shares of 2p effectively in issue at that date.

The weighted average number of shares in issue as at 31st July 2012 amounted to 50,201,047 (2011, 50,410,000).

There is no difference between basic and diluted (loss)/earnings per share.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

12. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2011	739	5,452	6,191
Additions	—	230	230
Transfer to investment properties	(25)	—	(25)
Disposals	—	(136)	(136)
At 31st July 2012	<u>714</u>	<u>5,546</u>	<u>6,260</u>
Depreciation:			
At 1st August 2011	462	4,439	4,901
Provided during year	16	347	363
Disposals	—	(126)	(126)
At 31st July 2012	<u>478</u>	<u>4,660</u>	<u>5,138</u>
Net book value:			
At 31st July 2012	<u>236</u>	<u>886</u>	<u>1,122</u>
Cost:			
At 1st August 2010	739	5,438	6,177
Additions	—	363	363
Disposals	—	(349)	(349)
At 31st July 2011	<u>739</u>	<u>5,452</u>	<u>6,191</u>
Depreciation:			
At 1st August 2010	446	4,340	4,786
Provided during year	16	410	426
Disposals	—	(311)	(311)
At 31st July 2011	<u>462</u>	<u>4,439</u>	<u>4,901</u>
Net book value:			
At 31st July 2011	<u>277</u>	<u>1,013</u>	<u>1,290</u>

As referred to in the Report of the Directors, the Group's non-investment heritable properties were revalued at 31st July 2012. This revaluation which has not been incorporated into these accounts, showed a net surplus over the cost of those properties after depreciation of £1,688,000 as at 31st July 2012.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

12. PROPERTY, PLANT AND EQUIPMENT (contd.)

(b) COMPANY

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2011	179	2,516	2,695
Additions	—	211	211
Disposals	—	(122)	(122)
Group transfer disposals	—	(14)	(14)
At 31st July 2012	<u>179</u>	<u>2,591</u>	<u>2,770</u>
Depreciation:			
At 1st August 2011	92	1,990	2,082
Provided during year	3	214	217
Disposals	—	(113)	(113)
Group transfer disposals	—	(12)	(12)
At 31st July 2012	<u>95</u>	<u>2,079</u>	<u>2,174</u>
Net book value:			
At 31st July 2012	<u>84</u>	<u>512</u>	<u>596</u>
Cost:			
At 1st August 2010	179	2,404	2,583
Additions	—	236	236
Disposals	—	(124)	(124)
At 31st July 2011	<u>179</u>	<u>2,516</u>	<u>2,695</u>
Depreciation:			
At 1st August 2010	89	1,866	1,955
Provided during year	3	228	231
Disposals	—	(104)	(104)
At 31st July 2011	<u>92</u>	<u>1,990</u>	<u>2,082</u>
Net book value:			
At 31st July 2011	<u>87</u>	<u>526</u>	<u>613</u>

As referred to in the Report of the Directors, the Company's non-investment heritable properties were revalued at 31st July 2012. This revaluation which has not been incorporated into these accounts, showed a net surplus over the cost of those properties after depreciation of £1,342,000 as at 31st July 2012.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

13. INVESTMENT PROPERTIES

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Total £000
Cost or valuation:			
At 1st August 2011	64,699	7,887	72,586
Additions	3,400	23	3,423
Transfer from property, plant and equipment	25	–	25
Transfer to inventories	(1,555)	–	(1,555)
Transfers	1,035	(1,035)	–
Deficit on valuation	(3,770)	(272)	(4,042)
At 31st July 2012	<u>63,834</u>	<u>6,603</u>	<u>70,437</u>
Cost or valuation:			
At 1st August 2010	67,731	6,829	74,560
Additions	4,456	1,031	5,487
Disposals	(2,125)	–	(2,125)
Transfers	(42)	42	–
Deficit on valuation	(5,321)	(15)	(5,336)
At 31st July 2011	<u>64,699</u>	<u>7,887</u>	<u>72,586</u>

The Group's completed investment properties were valued on the basis of market value on 31st July 2012 in accordance with the RICS Valuation Standards by J. M. Smart, MRICS and D. W. Smart, MRICS both of whom are Directors of the Parent Company. Open market value represents the estimated amount for which property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, and does not account for costs of disposals.

In accordance with IAS 40: Investment Property, completed investment properties are revalued annually and the aggregate surplus or deficit is taken to the Income Statement and no depreciation is provided in respect of these properties.

The Group had obligations of £1,162,000 in respect of developments and repair costs of investment properties at the Balance Sheet date.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

14. INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	2012 £000	2011 £000	2012 £000	2011 £000
Shares in Subsidiaries at Cost	—	—	708	708
Joint Ventures	997	1,012	25	25
	<u>997</u>	<u>1,012</u>	<u>733</u>	<u>733</u>

(a) JOINT VENTURES

	<i>Group</i>	
	2012 £000	2011 £000
Share of Assets:		
Share of Non-Current Assets	3,241	3,241
Share of Current Assets	1,693	1,988
	<u>4,934</u>	<u>5,229</u>
Share of Liabilities:		
Share of Non-Current Liabilities	—	—
Share of Current Liabilities.	3,937	4,217
	<u>3,937</u>	<u>4,217</u>
Share of Net Assets	<u>997</u>	<u>1,012</u>
Turnover	67	—
Cost of Sales	(328)	(178)
Net rental incomes	316	312
Net operating expenses	(25)	(35)
Operating profit	30	99
Finance income	1	1
Finance costs	(3)	(4)
Profit before tax	28	96
Taxation	(43)	(54)
(Loss)/Profit after tax	<u>(15)</u>	<u>42</u>

The Group's share of retained profits in the Joint Ventures at 31st July 2012 amounted to £972,000 (2011, £987,000).

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

14. INVESTMENTS (contd.)

(a) JOINT VENTURES (contd.)

<i>Name of Joint Venture</i>	<i>Registered in and Principal Country of Operation</i>	<i>J. Smart & Co. (Contractors) PLC Interest in Joint Venture's Capital</i>
Edinburgh Industrial Estates Limited	Scotland	50%
Prestonfield Development Company Limited	Scotland	50%
Northrigg Limited	Scotland	50%
Duff Street Limited	Scotland	50%
Invertel Developments Limited	Scotland	50%

<i>Name of Joint Venture</i>	<i>Jointly managed with</i>	<i>Issued Share capital</i>	<i>Issued shares held by J. Smart & Co. (Contractors) PLC</i>
Edinburgh Industrial Estates Limited	EDI (Industrial) Limited	50,000 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	25,000 B Shares
Prestonfield Development Company Limited	Westerwood Limited	2 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	1 B Share
Northrigg Limited	William Sanderson	2 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	1 A Share
Duff Street Limited	Kiltane Developments Limited	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares
Invertel Developments Limited	Macdonald Estates PLC	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares

All of the Joint Venture companies were established for the purposes of property development and all have accounting years ending on 31st July.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

14. INVESTMENTS (contd.)

(b) SUBSIDIARIES

At 31st July 2012 the Company held the entire issued share capital of the following companies, all of which are registered in and operate in Scotland:

	<i>Nature of business</i>
McGowan & Co. (Contractors) Limited	Plumbing contractors
Cramond Real Estate Company Limited	Investment holding
Thomas Menzies (Builders) Limited	Civil Engineering contractors
Concrete Products (Kirkcaldy) Limited	Manufacture of concrete building products
C. & W. Assets Limited	Property company

15. AVAILABLE FOR SALE FINANCIAL ASSETS

	<i>Group</i>	
	2012	2011
	£000	£000
Listed investments	2,988	3,018

Fair value movement on shares held at 31st July 2012 before tax amounted to £57,000 (2011, £236,000).

16. INVENTORIES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£000	£000	£000	£000
Long-term contract balances	5,173	2,998	5,102	2,874
Land held for development	5,208	3,880	5,208	3,880
Raw materials and consumables	182	126	26	26
Finished goods	91	74	—	—
	<u>10,654</u>	<u>7,078</u>	<u>10,336</u>	<u>6,780</u>

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amount of costs incurred and recognised profits less recognised losses to date	15,740	5,649	14,550	5,588
Advances received	(15,078)	(5,691)	(13,600)	(5,256)
Net value of contracts in progress	<u>662</u>	<u>(42)</u>	<u>950</u>	<u>332</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

17. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£000	£000	£000	£000
CURRENT ASSETS:				
Trade debtors	1,411	1,949	330	565
Amounts owed by Subsidiaries	—	—	3,358	2,624
Other receivables	400	117	419	4
Prepayments and accrued income	455	504	373	432
Amounts recoverable on contracts	664	444	561	256
Loans to Joint Venture companies	3,991	4,361	3,991	4,361
	<u>6,921</u>	<u>7,375</u>	<u>9,032</u>	<u>8,242</u>

The loans to Joint Venture companies (note 14(a)) are repayable on demand. The Group has charged interest on one loan to a Joint Venture Company at a rate of 1% above the Group's banker's base rate.

18. 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 monies, obligations and liabilities owing or incurred to the bank.

19. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES:

Payments received on account	—	123	—	123
Trade creditors	1,701	1,414	1,346	1,081
Amounts owed to Subsidiaries	—	—	188	37
Other taxes and social security costs	299	342	171	139
Other creditors and accruals	1,961	2,497	1,055	1,353
	<u>3,961</u>	<u>4,376</u>	<u>2,760</u>	<u>2,733</u>

20. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of bank balances and cash, available for sale financial assets, trade receivables and trade payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

The carrying amount of these assets approximates to their fair value.

CREDIT RISK

In relation to the Group's financial assets, the Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

21. DEFERRED TAXATION

DEFERRED TAX ASSETS GROUP

	Retirement Benefit Obligations £000	Other £000	Total £000
As at 1st August 2010	363	356	719
Credited/(Charged) to Income Statement	1,519	(103)	1,416
Charged to Equity	(1,882)	—	(1,882)
As at 31st July 2011	—	253	253
Charged to Income Statement	(1,874)	(39)	(1,913)
Credited to Equity	2,217	—	2,217
As at 31st July 2012	343	214	557

COMPANY

	Retirement Benefit Obligations £000	Other £000	Total £000
As at 1st August 2010	363	207	570
Credited/(Charged) to Income Statement	1,519	(151)	1,368
Charged to Equity	(1,882)	—	(1,882)
As at 31st July 2011	—	56	56
Charged to Income Statement	(1,874)	(12)	(1,886)
Credited to Equity	2,217	—	2,217
As at 31st July 2012	343	44	387

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

21. DEFERRED TAXATION

DEFERRED TAX LIABILITIES (contd.) GROUP

	Accelerated Capital Allowances £000	Fair Value Reserve £000	Valuation Surplus on Investment Properties £000	Retirement Benefit Obligations £000	Other Timing Differences £000	Total £000
At 1st August 2010	1,549	32	2,300	—	120	4,001
Charged/(Credited) to Equity	—	45	—	(1,281)	—	(1,236)
(Credited)/Charged to Income Statement	(19)	—	(1,580)	1,696	(10)	87
At 31st July 2011	1,530	77	720	415	110	2,852
Charged/(Credited) to Equity	—	(5)	—	1,280	—	1,275
Credited to Income Statement	(83)	—	(155)	(1,695)	(14)	(1,947)
At 31st July 2012	1,447	72	565	—	96	2,180

COMPANY

At 1st August 2010	—	89	89
Credited to Equity	(1,281)	—	(1,281)
Charged/(Credited) to Income Statement	1,696	(8)	1,688
At 31st July 2011	415	81	496
Charged to Equity	1,280	—	1,280
Credited to Income Statement	(1,695)	(13)	(1,708)
At 31st July 2012	—	68	68

22. SHARE CAPITAL

	2012		2011	
	Number	£000	Number	£000
Issued and fully paid ordinary shares of 2p each (2011, 10p each)				
At start of year – ordinary 10p shares	10,082,000	1,008	10,082,000	1,008
Subdivision of shares on 21st December 2011	40,328,000	—	—	—
	50,410,000	1,008	10,082,000	1,008
Purchased and cancelled	938,000	19	—	—
At end of year	49,472,000	989	10,082,000	1,008

During the year to 31st July 2012 the Company purchased for cancellation 938,000 ordinary shares of 2p each with a nominal value of £19,000 for a consideration of £751,000.

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting and each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

23. STATEMENT OF CHANGES IN EQUITY

GROUP

	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2010	1,008	—	216	95,317	96,541
Total recognised Income and Expense	—	—	—	2,260	2,260
Fair value adjustment	—	—	236	—	236
Tax on fair value adjustment	—	—	(45)	—	(45)
Total comprehensive income	—	—	191	2,260	2,451
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY					
Shares purchased and cancelled	—	—	—	—	—
Transfer to capital redemption reserve	—	—	—	—	—
Dividends.	—	—	—	(1,432)	(1,432)
Total transactions with owners	—	—	—	(1,432)	(1,432)
As at 31st July 2011	1,008	—	407	96,145	97,560
Total recognised Income and Expense	—	—	—	(4,111)	(4,111)
Fair value adjustment	—	—	46	—	46
Tax on fair value adjustment	—	—	5	—	5
Total comprehensive income	—	—	51	(4,111)	(4,060)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY					
Shares purchased and cancelled	(19)	—	—	(732)	(751)
Transfer to capital redemption reserve	—	19	—	(19)	—
Dividends.	—	—	—	(1,440)	(1,440)
Total transactions with owners	(19)	19	—	(2,191)	(2,191)
As at 31st July 2012	989	19	458	89,843	91,309

Capital Redemption Reserve relates to the nominal value of issued shares purchased and cancelled by the Company.

Fair Value Reserve relates to the fair value movement on available for sale financial assets.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

23. STATEMENT OF CHANGES IN EQUITY (contd.)

COMPANY

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2010	1,008	—	19,417	20,425
Total recognised Income and Expense	—	—	4,775	4,775
Total comprehensive income	—	—	4,775	4,775
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	—	—	—	—
Transfer to capital redemption reserve	—	—	—	—
Dividends	—	—	(1,432)	(1,432)
Total transactions with owners	—	—	(1,432)	(1,432)
As at 31st July 2011	1,008	—	22,760	23,768
Total recognised Income and Expense	—	—	(2,990)	(2,990)
Total comprehensive income	—	—	(2,990)	(2,990)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(19)	—	(732)	(751)
Transfer to capital redemption reserve	—	19	(19)	—
Dividends	—	—	(1,440)	(1,440)
Total transactions with owners	(19)	19	(2,191)	(2,191)
As at 31st July 2012	989	19	17,579	18,587

	Notes	
Profit for financial year	9	590
Actuarial loss on defined benefit pension scheme	27	(4,517)
Deferred taxation on actuarial loss	21	937
Total recognised Income and Expense		(2,990)

Capital Redemption Reserve relates to the nominal value of issued shares purchased and cancelled by the Company.

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

24. NOTES TO THE STATEMENT OF CASH FLOWS

GROUP

(a) RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

	2012 £000	2011 £000
Profit before tax	55	656
Share of losses/(profits) from Joint Ventures	15	(42)
Depreciation	363	426
Unrealised valuation deficit on investment properties.	4,042	5,336
Profit on sale of property, plant and equipment	(6)	(16)
Profit on sale of investment properties	—	(1,929)
Profit on sale of available for sale financial assets	(34)	—
Change in retirement benefits	(1,367)	(1,157)
Interest received	(103)	(133)
Change in inventories	(2,021)	246
Change in receivables	454	(743)
Change in payables	(414)	(693)
NET CASH GENERATED FROM OPERATIONS	984	1,951

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents	9,761	21,704
Bank overdraft	(4,465)	(10,954)
Net position	5,296	10,750

(c) ANALYSIS OF NET FUNDS

	At 1st August 2011 £000	Cash Flow £000	Other £000	At 31st July 2012 £000
Cash and cash equivalents	21,704	(11,943)	—	9,761
Bank overdraft	(10,954)	6,489	—	(4,465)
Net funds	10,750	(5,454)	—	5,296

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

25. NOTES TO THE STATEMENT OF CASH FLOWS

COMPANY

(a) RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

	2012 £000	2011 £000
Profit before tax	581	3,662
Depreciation	217	231
Loss/(Profit) on sale of property, plant and equipment	2	(7)
Change in retirement benefits	(1,367)	(1,157)
Interest received	(7)	(10)
Change in inventories	(3,556)	113
Change in receivables	(790)	998
Change in payables	26	486
NET CASH GENERATED FROM OPERATIONS	(4,894)	4,316

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents	1,045	7,971
Bank overdraft	—	—
	1,045	7,971

(c) ANALYSIS OF NET FUNDS

	At 1st August 2011 £000	Cash Flow £000	Other £000	At 31st July 2012 £000
Cash and cash equivalents	7,971	(6,926)	—	1,045
Bank overdraft	—	—	—	—
	7,971	(6,926)	—	1,045

26. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2012 or 31st July 2011.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2012 amounted to £nil (2011, £nil).

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

27. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit scheme for its employees which was closed to new members during the year to 31st July 2003. The scheme's assets are held separately from the assets of the Group and are administered and managed professionally. The last completed triennial actuarial valuation of the scheme was made at 1st November 2009 by an independent qualified Actuary. A Statement of Funding Principles has been agreed with the scheme trustees and based on these principles the technical provisions at this valuation reveals a deficit of £3,400,000, representing a funding level of 86.1%. It has also been agreed with the scheme trustees that the employer contributions to the scheme will continue at the level of 63.6% of pensionable salaries and employee contributions at 3%. The total net pension charge for the year was £608,000 (2011, £654,000). The actuarial valuation has been updated to take account of the requirements of IAS 19: Employee Benefits, in order to assess the assets and liabilities of the scheme at 31st July 2012.

The financial assumptions used to calculate scheme liabilities under IAS 19 are:

	2012	2011	2010
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	3.9%	5.3%	5.4%
Inflation rate - Retail price index	2.4%	3.5%	3.4%
Inflation rate - Consumer price index	1.6%	3.0%	—
Salary increases	2.6%	4.0%	4.9%
Pension increases	1.5%–2.6%	2.4%–3.5%	2.4%–3.4%

The mortality assumptions imply the following expectations of years of life from age 65:

Man currently aged 65	22.2	22.1	22.6
Woman currently aged 65	24.4	24.2	25.5
Man currently aged 45	23.5	23.5	24.6
Woman currently aged 45	25.9	25.8	27.4

The expected rates of return on scheme assets are determined as the aggregate weighted return for the various classes of assets held by the scheme.

The rates of return for each class were determined as follows:

- equity returns are based on yields on Gilts Index plus a margin to allow for expected outperformance;
- bonds returns are based on yields and Government and corporate debt as appropriate to the Scheme's holdings in these instruments; and
- cash returns are based on short term returns on cash deposits based on current base rates.

As at 31st July 2012 the actual return on plan assets amounted to £131,000 (2011, £2,802,000).

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

The assets of the scheme are invested in funds managed by Newton Investment Management Limited, in direct investments via Speirs & Jeffery, in insurance policies with companies belonging to the AEGON UK Group and in bank accounts. The assets do not include any directly owned ordinary shares issued by J Smart & Co (Contractors) PLC. The analysis of the underlying investments in these policies, the expected rates of returns and reconciliation of scheme assets and liabilities to the Balance Sheet were:

	Long term rate of return expected at 31st July 2012	Value at 31st July 2012 £000	Long term rate of return expected at 31st July 2011	Value at 31st July 2011 £000	Long term rate of return expected at 31st July 2010	Value at 31st July 2010 £000
Equities	6.5%	17,366	8.3%	19,706	8.6%	16,386
Bonds	3.9%	1,712	5.3%	1,726	5.4%	2,040
Gilts	2.5%	1,985	3.9%	1,006	4.2%	517
Other	0.5%	4,014	0.5%	2,172	0.5%	2,689
Market value of assets		25,077		24,610		21,632
Present value of scheme liabilities		(26,567)		(22,950)		(22,976)
Scheme (deficit)/surplus		(1,490)		1,660		(1,344)
Related deferred tax		343		(415)		363
Net pension (liability)/surplus		(1,147)		1,245		(981)

Investments are in mixed management funds, split being 69% equity investments and 31% bonds, gilts, cash and other assets.

The following amounts are incorporated into the financial statements:

	2012 £000	2011 £000
Amounts included in operating (loss)/profit:		
Current service cost	(520)	(577)
Past service cost	—	—
Total included within operating (loss)/profit	(520)	(577)
Amounts included in finance income:		
Expected return on assets	1,705	1,487
Interest cost	(1,215)	(1,236)
Total included as net finance income	490	251

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

	2012	2011
	£000	£000
Amounts included in Consolidated Statement of Comprehensive Income:		
Actual return less assumed return on assets	(1,574)	1,315
Experience gains and losses arising on scheme liabilities	122	(480)
Changes in assumptions underlying the valuation of liabilities	(3,065)	1,012
Total actuarial (loss)/gain	<u>(4,517)</u>	<u>1,847</u>

Changes in the present value of the defined benefit obligations are as follows:

As at 1st August 2011	22,950	22,976
Current service cost	520	577
Interest cost	1,215	1,236
Charges paid	(34)	(32)
Benefit payments	(1,027)	(1,275)
Actuarial loss/(gain)	2,943	(532)
As at 31st July 2012	<u>26,567</u>	<u>22,950</u>

Changes in the fair value of plan assets are as follows:

As at 1st August 2011	24,610	21,632
Employer contributions	1,334	1,416
Employee contributions	63	67
Benefits paid	(1,027)	(1,275)
Charges paid	(34)	(32)
Expected return on plan assets	1,705	1,487
Actuarial (loss)/gain	(1,574)	1,315
As at 31st July 2012	<u>25,077</u>	<u>24,610</u>

Analysis of movement in scheme (deficit)/surplus:

As at 1st August 2011	1,660	(1,344)
Current service cost	(520)	(577)
Past service cost	—	—
Contributions	1,397	1,483
Other finance income	490	251
Actuarial (loss)/gain	(4,517)	1,847
As at 31st July 2012	<u>(1,490)</u>	<u>1,660</u>

Cumulative actuarial gains and losses recognised in Equity:

At beginning of year	1,346	(501)
Net actuarial (loss)/gain recognised in year	(4,517)	1,847
Cumulative (loss)/gain	<u>(3,171)</u>	<u>1,346</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st July 2012

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

	2012	2011	2010	2009	2008
History of experience gains and losses:					
Difference between actual return and assumed return on assets					
Amount (£000)	(1,574)	1,315	1,284	(1,086)	(1,193)
Percentage of market value of scheme assets	6.3%	5.3%	5.9%	5.9%	6.9%
Experience gains and losses arising on scheme liabilities					
Amount (£000)	122	(480)	1,736	(166)	(140)
Percentage of market value of scheme liabilities	0.5%	2.1%	7.6%	0.7%	0.8%
Total amounts included in Consolidated Statement of Comprehensive Income					
Amount (£000)	(4,517)	1,847	2,489	(4,553)	1,381
Percentage of market value of scheme liabilities	17.0%	8.1%	10.8%	19.8%	7.5%

The contribution expected to be paid by the Group during the financial year ending 31st July 2013 amounts to £1,305,000.

In the year to 31st July 2003 the Group commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK. The net contribution to the plan for the year was £132,000 (2011, £108,000).

28. CONTINGENT LIABILITIES

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. As at 31st July 2012 these amounted to £1,300,000.

29. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

Future minimum lease payments payable under non-cancellable operating leases:

	2012 £000	2011 £000
Within one year	72	68
In two – five years exclusively	233	227
After five years	65	93
	<u>370</u>	<u>388</u>

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £5,316,000 (2011, £5,334,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

Within one year	4,806	4,735
In two – five years exclusively	13,806	14,147
After five years	7,601	8,653
	<u>26,213</u>	<u>27,535</u>

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 2012

30. RELATED PARTY TRANSACTIONS

(a) SUBSIDIARIES

Transactions between the Company and its Subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and Subsidiaries are as follows:

	2012 £000	2011 £000	2012 £000	2011 £000
SUBSIDIARY	Sale of goods and services		Purchase of goods and services	
McGowan & Co. (Contractors) Limited	112	117	892	636
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	79	67	20	30
Concrete Products (Kirkcaldy) Limited	43	38	19	7
C. & W. Assets Limited	954	977	—	—
	<u>1,188</u>	<u>1,199</u>	<u>911</u>	<u>673</u>
SUBSIDIARY	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan & Co. (Contractors) Limited	—	—	183	37
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	—	1	1	—
Concrete Products (Kirkcaldy) Limited	—	—	4	—
C. & W. Assets Limited	3,358	2,623	—	—
	<u>3,358</u>	<u>2,623</u>	<u>188</u>	<u>37</u>

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Subsidiaries.

(b) JOINT VENTURE COMPANIES

Transactions between the Company and its Joint Ventures were as follows:

Prestonfield Development Company Limited – during the year the Company was repaid £200,000 (2011, £325,000) and advanced £nil (2011, £665,000) of the loan due from the Joint Venture company. As at 31st July 2012 the loan outstanding due from Prestonfield Development Company Limited amounted to £2,775,000 (2011, £2,975,000). The Company received no dividends in the year from the Joint Venture Company (2011, £665,000).

Northrigg Limited – during the year there were no transactions with this company. As at 31st July 2012 the loan outstanding due from Northrigg Limited amounted to £176,000 (2011, £176,000).

Duff Street Limited – during the year the Company received interest from the Joint Venture company amounting to £6,000 (2011, £8,000) on the loan to Duff Street Limited. As at 31st July 2012, £3,000 of this interest remained outstanding (2011, £4,000). Construction costs invoiced in the year to Duff Street Limited amounted to £1,000 (2011, £40,000). During the year the Company was repaid £180,000 (2011, £70,000) and advanced £nil (2011, £10,000) of the loan due from the Joint Venture company. As at 31st July 2012 the loan outstanding due from Duff Street Limited amounted to £920,000 (2011, £1,100,000).

Invertiel Developments Limited – during the year the Company advanced £10,000 (2011, £20,000) of the loan due from the Joint Venture company. As at 31st July 2012 the loan outstanding due from Invertiel Developments Limited amounted to £120,000 (2011, £110,000).

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Joint Ventures.

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

NOTES TO THE ACCOUNTS (contd.)

31st JULY 2012

30. RELATED PARTY TRANSACTIONS (contd.)

(c) DIRECTORS' INTEREST IN CONTRACTS

D. W. Smart and Subsidiary Company Director J. R. Smart, throughout the year had material beneficial interests in Plean Precast Limited, Sterling Precast Limited and The Roofing and Building Supply Co. Limited, which have interests in continuing contracts for the purchase of materials and services from and for the sale of materials and services to the Group. All transactions were at normal commercial rates.

During the year to 31st July 2012 the Group purchased materials amounting to £653,000 (2011 – £251,000) from these companies and sold materials and services amounting to £271,000 (2011 – £42,000) to these companies.

As at 31st July 2012 the Group owed these companies £54,000 (2011 – £31,000) and was owed £157,000 (2011 – £15,000).

(d) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the only key management of the Company, is set out in note 4 to the accounts with further information contained in the audited part of the Report on Directors' Remuneration.

(e) DIRECTORS' DIVIDENDS

During the year the Directors received dividends from the Company as follows:

	2012	2011
	£000	£000
J. M. Smart	34	34
A. D. McClure	5	8
L. E. Glenday	6	6
D. W. Smart	339	109
A. H. Ross	1	—