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COMPANIES HOUSE

J. SMART & CO. (CONTRACTORS) PLC

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COMPANIES HOUSE

ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
TO
31st JULY 2013

J. Smart & Co. (Contractors) PLC

DIRECTORS

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

D. W. SMART

A. H. ROSS

J. R. SMART

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
EDINBURGH INDUSTRIAL ESTATES 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 *19th December 2013* 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 2013.
2. To receive and consider the Report on Directors' Remuneration for the year ended 31st July 2013.
3. To declare a Final Dividend of 2.01p per share.
4. To re-elect D.W. Smart as a Director, who retires in accordance with provision B.7.1 of UK Corporate Governance Code.
5. To re-elect J. R. Smart 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 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

19th November 2013

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

Profit for the year was again adversely affected by a reduction in the value of our property portfolio as dictated by the International Financial Reporting Standards. Headline profit turned out at £829,000 which compares with a headline profit of £55,000 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 £3,956,000 (including £2,244,000 profit from property sales and a contribution from joint ventures relating to property sales) which compares with the figure for underlying profit last year of £4,097,000 (no property sales). As forecast in the interim report, once property sales are stripped out of the figures, underlying profit is well below that of last year.

The Board is recommending a Final Dividend of 2.01p nett making a total for the year of 2.93p nett which compares with 2.90p nett for the previous year. After waivers by members holding over 50% of the shares, the Final Dividend will cost the Company £430,000.

Profit adjusted for pension scheme surplus, dividends paid and fair value reserve adjustment when added to opening shareholders' funds brings the total equity of the Group to £91,125,000.

TRADING ACTIVITIES

Group construction work carried out decreased by 20%, own work capitalised decreased by 33%. Group revenue decreased by 19% and headline Group profit increased fifteenfold. Underlying Group profit excluding the unrealised reduction in revalued property decreased by 3%.

Turnover in contracting was less than last year and a loss was sustained. Private dwelling sales were down on the previous year, although there has been a revival in sales since July 2013. Sales in precast concrete manufacture remained static, although the loss was reduced.

The Robertson Avenue development in Edinburgh is all but complete and while the office block is so far unlet, residential sales are currently proceeding satisfactorily.

Occupancy levels at our established industrial and commercial properties remain stable and we are seeing increased interest in our recent unlet developments.

OTHER MATTERS

In January 2013 Mr L. E. Glenday, having attained his seniority, retired from the Board. Mr Glenday served our Company for 41 years, 12 as a Director, during which time his hard work, loyalty, dedication and the negotiating skills he demonstrated in his role as Quantity Surveying Director, were major factors in the Group's success. My sincere personal thanks go to Lionel for his tenacious and determined 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 while there is work in the pipeline it seems clear that turnover in contracting during the current year will approximate to half that of last year.

Residential sales are currently promising. We are about to commence Phase I of an industrial development at South Gyle, Edinburgh. South Gyle is a very well established industrial and commercial area where we believe letting prospects are favourable.

It is too early to forecast the outcome of the current year with any degree of accuracy. However, notwithstanding that leased property values and occupation levels are currently stable and residential sales satisfactory, it is evident that the anticipated reduction in contracting turnover will significantly limit the recovery of overhead costs, leading to a substantial impairment in profitability for the current year.

J.M. SMART

J. Smart & Co. (Contractors) PLC

DIRECTORS

J.M. Smart, Chairman and Managing Director Aged 69
Joined the Company in 1967
Appointed Director in 1978 and appointed Chairman in 1988

L.E. Glenday Aged 65
Joined the Company in 1972
Appointed Director in 2001
Retired as a Director on 22nd January 2013

D.W. Smart Aged 40
Joined the Company in 1998
Appointed Director in 2010

A.H. Ross Aged 51
Joined the Company in 1989
Appointed Director in 2012

J. R. Smart Aged 43
Joined the Company in 2002
Appointed Director on 23rd January 2013

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

REPORT OF THE DIRECTORS

31st JULY 2013

The Directors submit their Annual Report and Statement of Accounts for the year ended 31st July 2013.

RESULTS AND DIVIDENDS

The profit of the Group for the year after charging taxation amounted to £384,000

Dividends paid in the year were:

Paying a Final Dividend for 2012 of 1.98p per 2p share (2011, 9.70p per 10p share)	£968,000
Paying an Interim Dividend for 2013 of 0.92p per 2p share (2012, 0.92p per 2p share)	<u>435,000</u>
	<u>£1,403,000</u>

The Directors recommend a Final Dividend for the year of 2.01p per share, making a total for the year of 2.93p.

The Final Dividend, if approved, will be paid to all Members on the Share Register of the Company at the close of business on 29th November 2013. Dividend warrants will be posted on 20th December 2013.

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
Prestonfield Development Company Limited	50%	Westerwood Limited
Northrigg Limited	50%	William Sanderson
Duff Street Limited	50%	Kiltane Developments Limited
Invertiel 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 (continued)

31st JULY 2013

BUSINESS REVIEW (continued)

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 and land sales 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.

SUMMARY

	Revenue £000	Profit/ (Loss) £000	Profit/(Loss) excluding unrealised deficit on revalued property £000
Construction activities	20,595	(2,698)	(2,698)
Investment activities	5,383	1,089	4,216
Joint Ventures	-	2,438	2,438
	<u>25,978</u>	<u>829</u>	<u>3,956</u>

Group external construction revenue decreased from £22,586,000 to £18,381,000 a decrease of £4,205,000 and internal own work capitalised decreased from £3,329,000 to £2,214,000. Rental income from investment properties, excluding that from Joint Ventures, together with service charges and insurance receivable decreased from £5,518,000 to £5,383,000.

The net deficit on valuation of investment properties as at 31st July 2013 amounted to £3,127,000 as compared to a net deficit for the previous year of £4,042,000.

During the year investment property sales generated profits of £124,000, there were no sales in the previous year.

The above movements have resulted in an Operating Loss for the Group for the year of £2,111,000 as compared to £685,000 in the previous year.

The Group's share of profits in Joint Ventures amounted to £2,438,000 as compared to a loss of £15,000 in the previous year.

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

REPORT OF THE DIRECTORS (continued)

31st JULY 2013

BUSINESS REVIEW (continued)

SUMMARY (continued)

Income from financial assets including profit arising on sale of financial assets together with finance income less finance costs amounted to £502,000 as compared to £755,000 for the previous year.

Group Profit before tax amounted to £829,000 for the year as compared to £55,000 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 £3,956,000 as compared to £4,097,000 for the previous year.

GROUP FINANCIAL PERFORMANCE INDICATORS

	2013	2012
	£000	£000
Revenue	18,381	22,586
Own work capitalised	2,214	3,329
Other operating income	5,383	5,518
Share of Joint Ventures' profits/(losses)	2,438	(15)
Group investment income including profit on sale of available for sale financial assets	502	755
Profit before tax	829	55
Profit excluding unrealised deficit in revalued property	3,956	4,097
Net Assets	91,125	91,309

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 (continued)

31st JULY 2013

BUSINESS REVIEW (continued)

PRINCIPAL RISK FACTORS (continued)

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.

Reduction in bank interest rates results in 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.

- 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 (continued)

31st JULY 2013

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 2013 a valuation of the Group's non-investment heritable properties was carried out by Group Directors. This valuation, which has not been incorporated into these accounts, showed a net surplus over the cost of these properties after depreciation of £1,704,000 as at 31st July 2013.

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 (2012, £35,000). Donations to local causes amounted to £16,000 (2012, £17,000) and donations to national charities amounted to £19,000 (2012, £18,000).

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 (continued)

31st JULY 2013

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 18, 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 2013 and their beneficial interests in the share capital of the Company were as follows:

	<i>1st August 2012</i> <i>Ordinary shares of 2p each</i> <i>Beneficial holdings</i>	<i>31st July 2013</i> <i>Ordinary shares of 2p each</i> <i>Beneficial holdings</i>
J. M. Smart	1,198,500	1,198,500
D. W. Smart	11,863,500	11,863,500
A. H. Ross	100,000	100,000
J. R. Smart	11,863,500	11,863,500

L. E. Glenday retired as a Director on 22nd January 2013. As at 1st August 2012 he had a beneficial holding in 225,000 Ordinary Shares of 2p in the Company.

- (ii) D. W. Smart 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) J. R. Smart was appointed as a director on 23rd January 2013 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 2013 and 25th October 2013.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

The Company's authorised and issued ordinary share capital as at 31st July 2013 comprises a single class of ordinary shares. The Company was authorised by shareholders, at the 2012 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 2,354,000 Ordinary Shares of 2p under this authority, for a total consideration of £1,845,000. The purpose of the market purchase is to enhance the earnings per share and/or the equity shareholders' funds per share. The shares purchased were subsequently cancelled. The shares purchased and cancelled represented 5% of the Company's issued share capital at the start of the year.

This authority is renewable and the Directors will seek renewal of this authority at the 2017 Annual General Meeting.

As far as the Directors are aware, other than the Directors, the Company has been notified that as at 31st July 2013 and as at 25th October 2013, 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	3.44
A. J. Whitehead	1,579,485	3.35

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

REPORT OF THE DIRECTORS (continued)

31st JULY 2013

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 (continued)

31st JULY 2013

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 L. E. Glenday retired from the Company, and J.R. Smart 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 4 formal Board Meetings in the year, attendance at these meetings was as follows:

J. M. Smart	4
L. E. Glenday (retired 22nd January 2013)	2
D. W. Smart	4
A. H. Ross	4
J.R. Smart (appointed 23rd January 2013)	1

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 (continued)

31st JULY 2013

CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

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 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 (continued)

31st JULY 2013

CORPORATE GOVERNANCE (continued)

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

- 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.

19th November 2013

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

DIRECTORS' STATEMENTS OF RESPONSIBILITY

31st JULY 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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 Group and Parent Company financial statements for each financial year. Under that law they have prepared the Group and Parent Company 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 Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and Parent Company 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 a Report of the Directors, Report on Directors' Remuneration and Corporate Governance Statement that comply with that law and those 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.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that the Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the 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.

19th November 2013

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

P. SWEENEY,
Patricia Sweeney Secretary

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

REPORT ON DIRECTORS' REMUNERATION

31st JULY 2013

The Directors' Remuneration Report for the year to 31st July 2013 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 2013.

Directors' Remuneration (Audited Information)

	Salary and Fees £000	Taxable Benefits £000	Total 2013 £000	Total 2012 £000
J. M. Smart	123	10	133	130
A. D. McClure ¹	—	—	—	200
L. E. Glenday ²	209	5	214	130
D. W. Smart	90	6	96	88
A. H. Ross	90	6	96	53
J. R. Smart ³	44	3	47	—

1. A. D. McClure retired from the Board on 19th December 2011. Included in the total for 2012 above is £150,000 being a gratuity payment on retirement.

2. L. E. Glenday retired from the Board on 22nd January 2013. Included in Salary and fees above is £150,000 being a gratuity payment on retirement.

3. J. R. Smart was appointed to the Board on 23rd January 2013.

Directors' Pension Benefits (Audited Information)

	Gross increase in accrued pension £000	Total accrued pension 31/7/13 £000	Transfer Value of accrued pension at 31/7/13 £000	Transfer Value of accrued pension at 31/7/12 £000	Total change in value during period £000
D. W. Smart	5	18	207	118	45
A. H. Ross	6	26	369	266	59

J. R. Smart is a member of the Group Personal Pension Plan and the Company made a contribution to the Plan during the period of his directorship of £3,000.

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

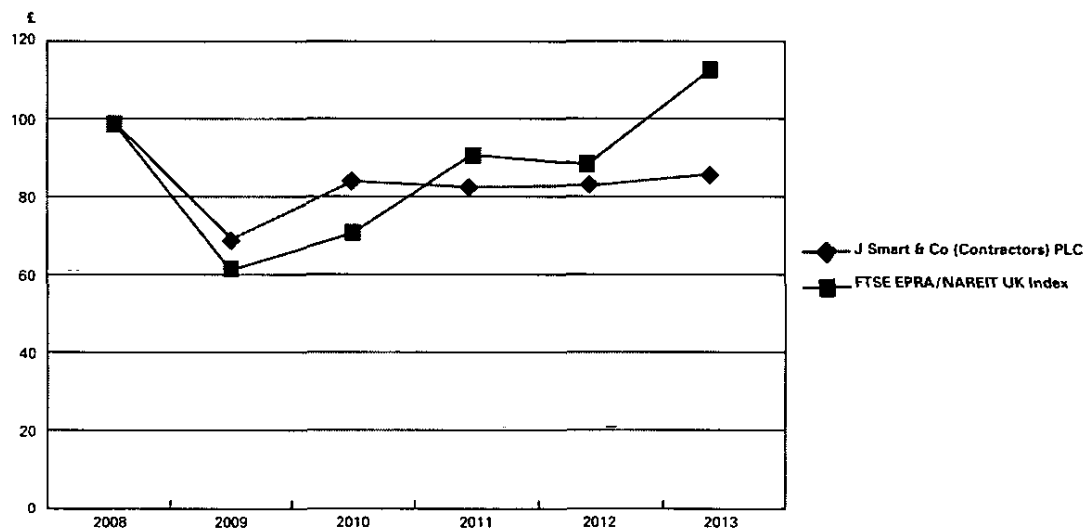
REPORT ON DIRECTORS' REMUNERATION (continued)

31st JULY 2013

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 2013. 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.

19th November 2013

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY
P. SWEENEY,

Patricia Sweeney Secretary

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

INDEPENDENT REPORT OF THE AUDITORS

31st JULY 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of J. Smart & Co. (Contractors) PLC for the year ended 31st July 2013 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 15), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 Annual 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 (continued)

31st JULY 2013

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 13, in relation to going concern;
- 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.
19th November 2013

French Duncan LLP

PAULA GALLOWAY
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 2013

	Notes	2013 £000	2012 £000
Group construction work carried out		20,595	25,915
Less: Own construction work capitalised		<u>(2,214)</u>	<u>(3,329)</u>
REVENUE ^{1 2}		18,381	22,586
Cost of sales ²		<u>(17,313)</u>	<u>(18,645)</u>
GROSS PROFIT		1,068	3,941
Other operating income	3	5,383	5,518
Net operating expenses		<u>(5,559)</u>	<u>(6,102)</u>
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES		892	3,357
Profit on sale of investment properties		124	–
Net deficit on valuation of investment properties		<u>(3,127)</u>	<u>(4,042)</u>
OPERATING LOSS	5	(2,111)	(685)
Share of profits/(losses) in Joint Ventures	14	2,438	(15)
Income from available for sale financial assets	6	138	128
Profit on sale of available for sale financial assets		8	34
Finance income	7	<u>356</u>	<u>593</u>
PROFIT BEFORE TAX		829	55
Taxation	8	<u>(445)</u>	<u>(586)</u>
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS	9	<u>384</u>	<u>(531)</u>
EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED	11	<u>0.80p</u>	<u>(1.06)p</u>

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

1. Revenue excludes the share of Joint Ventures' revenue of £6,523,000 (2012, £67,000).

2. 2012 Revenue and Cost of sales have been amended to revise income recognition on private housing in accordance with the requirements of IAS18: Revenue. There is no impact on reported profit.

The notes on pages 28 to 56 form an integral part of these accounts.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31st JULY 2013

	2013 £000	2012 £000
Profit/(Loss) for the year	384	(531)
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
Fair value adjustment of available for sale financial assets	736	46
Tax adjustment on fair value reserve	<u>(108)</u>	<u>5</u>
Total items which may be reclassified subsequently to Income Statement	<u>628</u>	<u>51</u>
Items that will not be reclassified subsequently to Income Statement:		
Actuarial gain/(loss) recognised in defined benefit pension scheme	2,926	(4,517)
Deferred taxation on actuarial (gain)/loss	<u>(874)</u>	<u>937</u>
Total items that will not be reclassified subsequently to Income Statement	<u>2,052</u>	<u>(3,580)</u>
Total other comprehensive income/(loss)	<u>2,680</u>	<u>(3,529)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>3,064</u>	<u>(4,060)</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>3,064</u>	<u>(4,060)</u>

The notes on pages 28 to 56 form an integral part of these accounts.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 31st JULY 2013

	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
At 1st August 2011	1,008	—	407	96,145	97,560
Loss for the year	—	—	—	(531)	(531)
Other comprehensive income/(loss)	—	—	51	(3,580)	(3,529)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	—	—	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)
At 31st July 2012	989	19	458	89,843	91,309
Profit for the year	—	—	—	384	384
Other comprehensive income	—	—	628	2,052	2,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	628	2,436	3,064
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY					
Shares purchased and cancelled	(47)	—	—	(1,798)	(1,845)
Transfer to Capital Redemption Reserve	—	47	—	(47)	—
Dividends	—	—	—	(1,403)	(1,403)
TOTAL TRANSACTIONS WITH OWNERS	(47)	47	—	(3,248)	(3,248)
At 31st July 2013	942	66	1,086	89,031	91,125

The notes on pages 28 to 56 form an integral part of these accounts.

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

COMPANY STATEMENT OF CHANGES IN EQUITY as at 31st JULY 2013

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 2011	1,008	–	22,760	23,768
Profit for the year	–	–	590	590
Other comprehensive loss	–	–	(3,580)	(3,580)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	–	–	(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)
At 31st July 2012	989	19	17,579	18,587
Profit for the year	–	–	766	766
Other comprehensive income	–	–	2,052	2,052
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	2,818	2,818
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(47)	–	(1,798)	(1,845)
Transfer to Capital Redemption Reserve	–	47	(47)	–
Dividends	–	–	(1,403)	(1,403)
TOTAL TRANSACTIONS WITH OWNERS	(47)	47	(3,248)	(3,248)
At 31st July 2013	942	66	17,149	18,157

The notes on pages 28 to 56 form an integral part of these accounts.


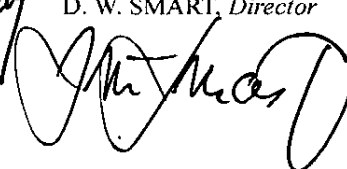
J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31st JULY 2013

	Notes	2013 £000	2012 £000
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,279	1,122
Investment properties	13	62,325	70,437
Investments in Joint Ventures	14	819	997
Available for sale financial assets	16	3,817	2,988
Retirement benefit surplus	27	2,567	–
Deferred tax assets	22	109	557
		<u>70,916</u>	<u>76,101</u>
CURRENT ASSETS			
Inventories	17	13,620	10,654
Trade and other receivables	18	6,650	6,921
Current tax asset		90	–
Cash at bank and in hand		15,157	9,761
		<u>35,517</u>	<u>27,336</u>
TOTAL ASSETS		<u>106,433</u>	<u>103,437</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	–	1,490
Deferred tax liabilities	22	2,049	2,180
		<u>2,049</u>	<u>3,670</u>
CURRENT LIABILITIES			
Trade and other payables	20	3,595	3,961
Current tax liabilities		–	32
Bank overdraft		9,664	4,465
		<u>13,259</u>	<u>8,458</u>
TOTAL LIABILITIES		<u>15,308</u>	<u>12,128</u>
NET ASSETS		<u>91,125</u>	<u>91,309</u>
EQUITY			
Called up share capital	23	942	989
Capital redemption reserve		66	19
Fair value reserve		1,086	458
Retained earnings		89,031	89,843
TOTAL EQUITY		<u>91,125</u>	<u>91,309</u>

Approved by the Board on
19th November 2013

Company Registration No. SC025130

 J. M. SMART, Director
 D. W. SMART, Director

The notes on pages 28 to 56 form an integral part of these accounts.



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

COMPANY STATEMENT OF FINANCIAL POSITION as at 31st JULY 2013

	Notes	2013 £000	2012 £000
NON-CURRENT ASSETS			
Property, plant and equipment	12	760	596
Investments in Subsidiaries and Joint Ventures	14	1,235	733
Retirement benefit surplus	27	2,567	–
Deferred tax assets	22	20	387
		<u>4,582</u>	<u>1,716</u>
CURRENT ASSETS			
Inventories	17	13,380	10,336
Trade and other receivables	18	7,538	9,032
Current tax asset		1,993	776
Cash at bank and in hand		1	1,045
		<u>22,912</u>	<u>21,189</u>
TOTAL ASSETS		<u>27,494</u>	<u>22,905</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	–	1,490
Deferred tax liabilities	22	571	68
		<u>571</u>	<u>1,558</u>
CURRENT LIABILITIES			
Trade and other payables	20	2,278	2,760
Bank overdraft		6,488	–
		<u>8,766</u>	<u>2,760</u>
TOTAL LIABILITIES		<u>9,337</u>	<u>4,318</u>
NET ASSETS		<u>18,157</u>	<u>18,587</u>
EQUITY			
Called up share capital	23	942	989
Capital redemption reserve		66	19
Retained earnings		17,149	17,579
TOTAL EQUITY		<u>18,157</u>	<u>18,587</u>

Approved by the Board on
19th November 2013

Company Registration No. SC025130



 J.M. SMART, Director
 D. W. SMART, Director

The notes on pages 28 to 56 form an integral part of these accounts.

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31st JULY 2013

	Notes	2013 £000	2012 £000
CASH FLOWS FROM OPERATING ACTIVITIES	24 (a)	(1,842)	984
Tax paid on profits		<u>(1,232)</u>	<u>(823)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(3,074)</u>	<u>161</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(544)	(230)
Additions to investment properties		(879)	(94)
Sale of property, plant and equipment		51	16
Sale of investment properties		8,202	–
Expenditure on own work capitalised - investment properties		(2,214)	(3,329)
Purchase of available for sale financial assets		(277)	(49)
Proceeds of sale of available for sale financial assets		192	159
Acquisition of investment in subsidiary, net of cash acquired		(227)	–
Interest received		100	103
Dividend received from Joint Venture		<u>2,115</u>	<u>–</u>
NET CASH FROM INVESTING ACTIVITIES		<u>6,519</u>	<u>(3,424)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(1,845)	(751)
Dividends paid		<u>(1,403)</u>	<u>(1,440)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>(3,248)</u>	<u>(2,191)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>197</u>	<u>(5,454)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24 (b)	<u>5,296</u>	<u>10,750</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	24 (b)	<u>5,493</u>	<u>5,296</u>

The notes on pages 28 to 56 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 2013

	Notes	2013 £000	2012 £000
CASH FLOWS FROM OPERATING ACTIVITIES	25 (a)	(3,033)	(4,894)
Tax (paid)/received		<u>(426)</u>	<u>354</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(3,459)</u>	<u>(4,540)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(427)	(211)
Sale of property, plant and equipment		59	9
Acquisition of investment in subsidiary		(463)	—
Interest received		<u>6</u>	<u>7</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(825)</u>	<u>(195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(1,845)	(751)
Dividends paid		<u>(1,403)</u>	<u>(1,440)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>(3,248)</u>	<u>(2,191)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(7,532)</u>	<u>(6,926)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25 (b)	<u>1,045</u>	<u>7,971</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	25 (b)	<u>(6,487)</u>	<u>1,045</u>

The notes on pages 28 to 56 form an integral part of these accounts.

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

NOTES TO THE ACCOUNTS

31st JULY 2013

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 2013

There was only one new standard which was mandatory for the first time for the year to 31st July 2013, being IAS 1 (amended), Presentation of Financial Statements which has resulted in a change to the presentation of the Consolidated Statement of Comprehensive Income. The comparative amounts in the Consolidated Statement of Comprehensive Income have been reclassified to conform with the current year's presentation.

In the year to 31st July 2012 the Company and Group adopted early IAS 12 (revised) Income tax relating to Deferred Tax and the recovery of underlying assets, although mandatory adoption was not required until the year to 31st July 2013.

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 Group and Company financial statements.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

- IFRS 10 Consolidated Financial Statements – amended for investment entities (effective for accounting periods beginning on or after 1st January 2013).
- IFRS 12 Disclosure of Interests in Other Entities – amended for investment 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).
- IAS 19 (amended) Employee Benefits (effective for accounting periods beginning on or after 1st January 2013).

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, other than with regards to IAS 19 (amended): Employee Benefits as noted below.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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

In the year to 31st July 2014, IAS 19 (amended): Employee Benefits will be adopted for the first time and will result in a change to the measurement and presentation of defined benefit pension expense/income and other disclosures relating to defined benefit pensions. The change to the measurement of the pension expense/income will result in replacing the interest cost and expected return on scheme assets with a single net finance cost or return which is determined by applying the same discount rate used to determine the defined benefit obligations to the net defined benefit liability or asset. The Directors are still assessing the implication of applying the revised standard on the results and financial position of the Group.

BASIS OF PREPARATION

The accounts have been prepared on a going concern basis and 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 Directors in accordance with the RICS Valuation Standards. The valuations are subjective due to, among other factors, the individual nature of the property, its location and the expected future rental income. As a result, the valuation of the Group's investment property portfolio incorporated into the financial statements is subject to a degree of uncertainty and is made on the basis of assumptions which may prove to be inaccurate.

The assumptions used by the Directors are market standard assumptions in accordance with the RICS Valuation Standards and include matters such as tenure and tenancy details, ground conditions of the properties and their structural conditions, prevailing market yields and comparable market conditions. If any of the assumptions used by the Directors prove to be incorrect this could result in the valuation of the Group's investment property portfolio differing from the valuation incorporated into the financial statements and the difference could have a material effect on the financial statements.

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 (continued)

31st JULY 2013

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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.

BUSINESS COMBINATIONS AND GOODWILL

Subsidiaries acquired in the year are accounted for using the acquisition method of accounting. Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The consideration transferred for the acquisition is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable assets acquired and liabilities assumed, the difference is recognised directly in the Income Statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is subject to annual impairment review.

Acquisition related costs are expensed as incurred.

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 7 and 8 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

INVESTMENT PROPERTIES

Investment properties are properties, either owned by the Group or where the Group is a lessee under a finance lease, which are held for long-term rental income or for capital appreciation or both. Also, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties, whether completed or under development, are initially recognised at cost and revalued at the Balance Sheet date to fair value as determined by the Directors in accordance with the RICS Valuation Standards.

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.

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.

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 1/3% reducing balance
Office furniture and fittings	- 20% to 33 1/3% reducing balance
Motor vehicles	- 33 1/3% reducing balance

IMPAIRMENT REVIEWS

PROPERTY, PLANT AND EQUIPMENT

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

The Group assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If an indication exists the Group makes an estimate of the recoverable amount of each asset group, being the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

IMPAIRMENT REVIEWS (continued)

If there is an indication that previously recognised impairment losses may have decreased or no longer exist, a reversal of the loss may be made. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the Income Statement.

GOODWILL

Goodwill is reviewed for impairment annually. Impairment is determined by reference to the recoverable amount of the operating segment, where this is less than the carrying value of the operating segment an impairment loss is recognised immediately in the Income Statement. This loss cannot be reversed in future periods.

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.

Variations and claims are included in Revenue where it is probable that the amount, which can be measured reliably, will be recovered from the customer.

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.

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.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

DEFERRED TAXATION (continued)

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. Where future rentals are material, the properties are capitalised and treated as finance leases in accordance with IAS 17: Leases, otherwise 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.

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 amounts received and receivable for work done in the year. The measurement and stage of completion of long-term contracts are based on external valuations issued by third party surveyors.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

REVENUE (continued)

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 housing sales is recognised when transactions are legally completed.

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. For the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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 (continued)

31st JULY 2013

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 results.

	External	Internal	Total	Operating	
	Revenue	Revenue	Revenue	Loss	
	£000	£000	£000	2013 £000	2012 £000
2013					
Construction activities	18,381	2,214	20,595	(2,961)	—
Investment activities	5,383	—	5,383	850	—
	<u>23,764</u>	<u>2,214</u>	<u>25,978</u>	<u>(2,111)</u>	<u>—</u>
2012					
Construction activities	22,586	3,329	25,915	—	(25)
Investment activities	5,518	—	5,518	—	(660)
	<u>28,104</u>	<u>3,329</u>	<u>31,433</u>	<u>—</u>	<u>(685)</u>
OPERATING LOSS				(2,111)	(685)
Share of results of Joint Ventures				2,438	(15)
Finance and investment income				502	755
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX				<u>829</u>	<u>55</u>

Internal revenue relates to own work capitalised, all other internal transactions are eliminated on consolidation. The Group had sales under construction activities from three customers amounting to £11,000,000, (2012, two customers - £10,721,000).

OTHER SEGMENTAL INFORMATION

	Non-Current	Depreciation	Segment	Segment
	Asset Additions		Assets	Liabilities
	£000	£000	£000	£000
2013				
Construction activities	544	360	32,089	11,202
Investment activities	3,093	—	75,444	6,025
Joint Ventures	—	—	819	—
			<u>108,352</u>	<u>17,227</u>
Allocation of corporation tax debtor			(1,919)	(1,919)
			<u>106,433</u>	<u>15,308</u>
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>

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

3. OTHER OPERATING INCOME

	2013	2012
	£000	£000
Rental income	4,901	5,000
Service charges and insurance receivable	482	518
	<u>5,383</u>	<u>5,518</u>
Direct property costs	(1,495)	(2,121)
Net rental income	<u>3,888</u>	<u>3,397</u>

Direct property costs included £513,000 (2012, £620,000) 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	9,496	9,005
Social security costs	982	877
Post-employment benefits	852	822
	<u>11,330</u>	<u>10,704</u>

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

	No.	No.
Construction and related services	258	244
Office and management	25	25
	<u>283</u>	<u>269</u>

Directors' remuneration:

	£000	£000
– Salaries and short term benefits	586	601
– Post-employment benefits	58	67
	<u>644</u>	<u>668</u>

D. W. Smart and A. H. Ross are members of the Group's defined benefit pension scheme.

J. R. Smart is a member of the Group's defined contribution Group Personal Pension Plan.

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

5. OPERATING LOSS

This is stated after charging/(crediting):

Cost of inventories recognised as an expense	15,965	21,210
Staff costs (per note 4)	11,330	10,704
Hire of plant and machinery	547	332
Contingent rents	73	71
Depreciation of owned assets	360	363
Profit on disposal of property, plant and equipment	(24)	(6)
Auditors' remuneration and expenses – audit services	114	120

The auditors' fees for the Parent Company are £50,000 (2012, £52,000).

2012 Revenue and Cost of sales have been equally amended by £2,098,000 to revise for income recognition on private housing in accordance with IAS 18: Revenue. There was no impact on reported profit for that year.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

6. INCOME FROM INVESTMENTS	2013	2012
	£000	£000
Dividend income from available for sale financial assets	138	128
	<u>138</u>	<u>128</u>
7. FINANCE INCOME		
Receivable: Interest on short term deposits	69	96
Other interest	31	7
Pension scheme	256	490
	<u>356</u>	<u>593</u>
8. TAXATION		
UK Corporation Tax		
Current tax on income for the year	1,113	620
Corporation tax over provided in previous years	(3)	–
	<u>1,110</u>	<u>620</u>
Deferred taxation (note 22)	(665)	(34)
	<u>445</u>	<u>586</u>
Current Tax Reconciliation		
Profit on ordinary activities before tax	829	55
Share of (profits)/losses of Joint Ventures	(2,438)	15
	<u>(1,609)</u>	<u>70</u>
Current tax at 23.67% (2012, 25.33%).	(381)	18
Effects of:		
Expenses not deductible for tax purposes	16	15
Depreciation in excess of capital allowances	16	1
Non taxable income	(34)	(32)
Deferred tax asset not recognised	1,197	–
Effect of indexation allowances.	(112)	915
Effect of change in tax rate	(254)	(331)
Adjustments to tax charge in respect of prior years	(3)	–
	<u>445</u>	<u>586</u>

The Finance Act 2013, which received Royal Assent on 17th July 2013 states that the UK corporation tax rate will reduce to 23% for financial years commencing 1st April 2013 with further reductions to 21% for financial years commencing 1st April 2014 and to 20% for financial years commencing 1st April 2015.

The effective corporation tax rate is 23.67% (2012, 25.33%) being the average rate applicable over the period. Deferred tax provisions have been calculated using the 20% rate.

In addition to amounts charged to the Income Statement, a deferred tax charge of £874,000 (2012, credit – £937,000) relating to actuarial gains/(losses) on defined benefit pension scheme has been recognised directly to Equity. Also a deferred tax charge of £108,000 (2012, credit – £5,000) relating to the movement in fair value of available for sale financial assets has been recognised directly to Equity.

The value of the deferred tax asset in respect of Capital Losses not recognised in the financial statements amounted to £1,197,000 (2012, £nil).

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 (continued)

31st JULY 2013

9. PROFIT /(LOSS) FOR THE FINANCIAL YEAR

	2013 £000	2012 £000
Dealt with in the accounts of the Parent Company	766	590
Retained by Subsidiary and Joint Venture Companies	(382)	(1,121)
	<u>384</u>	<u>(531)</u>

10. DIVIDENDS

2011 Final Dividend of 9.70p per 10p share	–	978
2012 Interim Dividend of 0.92p per 2p share	–	462
2012 Final Dividend of 1.98p per 2p share	968	–
2013 Interim Dividend of 0.92p per 2p share	435	–
	<u>1,403</u>	<u>1,440</u>
Proposed 2013 Final Dividend of 2.01p per 2p share (2012, 1.98p per 2p share), after waivers.	430	980

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. EARNINGS/(LOSS) PER SHARE

	Profit/(Loss) attributable to Equity shareholders £000	Basic Earnings/ (Loss) per share
Year to 31st July 2013	<u>384</u>	<u>0.80p</u>
Year to 31st July 2012	<u>(531)</u>	<u>(1.06)p</u>

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

The weighted average number of shares in issue as at 31st July 2013 amounted to 48,299,000 (2012, 50,201,000).

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

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

12. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2012	714	5,546	6,260
Additions	182	362	544
Disposals	—	(348)	(348)
At 31st July 2013	<u>896</u>	<u>5,560</u>	<u>6,456</u>
Depreciation:			
At 1st August 2012	478	4,660	5,138
Provided during year	18	342	360
Disposals	—	(321)	(321)
At 31st July 2013	<u>496</u>	<u>4,681</u>	<u>5,177</u>
Net book value:			
At 31st July 2013	<u>400</u>	<u>879</u>	<u>1,279</u>
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>

As referred to in the Report of the Directors, the Group's non-investment heritable properties were revalued at 31st July 2013. This revaluation which has not been incorporated into these accounts, showed a net surplus over the cost of those properties after depreciation of £1,704,000 as at 31st July 2013.

Included within Freehold Land and Buildings is land costing £13,000 (2012, £13,000) which is not depreciated.

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

NOTES TO THE ACCOUNTS (continued)

31st July 2013

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) COMPANY

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2012	179	2,591	2,770
Additions	182	245	427
Disposals	–	(241)	(241)
Group transfer disposals	–	(42)	(42)
At 31st July 2013	<u>361</u>	<u>2,553</u>	<u>2,914</u>
Depreciation:			
At 1st August 2012	95	2,079	2,174
Provided during year	5	226	231
Disposals	–	(219)	(219)
Group transfer disposals	–	(32)	(32)
At 31st July 2013	<u>100</u>	<u>2,054</u>	<u>2,154</u>
Net book value:			
At 31st July 2013	<u>261</u>	<u>499</u>	<u>760</u>
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>

As referred to in the Report of the Directors, the Company's non-investment heritable properties were revalued at 31st July 2013. This revaluation which has not been incorporated into these accounts, showed a net surplus over the cost of those properties after depreciation of £1,421,000 as at 31st July 2013.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

13. INVESTMENT PROPERTIES

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Total £000
Cost or valuation:			
At 1st August 2012	63,834	6,603	70,437
Additions	2,914	179	3,093
Disposals	(8,060)	(18)	(8,078)
(Deficit)/surplus on valuation	(3,149)	22	(3,127)
At 31st July 2013	<u>55,539</u>	<u>6,786</u>	<u>62,325</u>
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>

The Group's investment properties were valued on the basis of market value on 31st July 2013 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, 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 £1,230,000 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 (continued)

31st July 2013

14. INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	2013 £000	2012 £000	2013 £000	2012 £000
Shares in Subsidiaries at Cost	–	–	1,235	708
Joint Ventures	819	997	–	25
	<u>819</u>	<u>997</u>	<u>1,235</u>	<u>733</u>

(a) JOINT VENTURES

	<i>Group</i>	
	2013 £000	2012 £000
Share of Assets:		
Share of Non-Current Assets	3,241	3,241
Share of Current Assets	1,837	1,693
	<u>5,078</u>	<u>4,934</u>
Share of Liabilities:		
Share of Non-Current Liabilities	–	–
Share of Current Liabilities	4,259	3,937
	<u>4,259</u>	<u>3,937</u>
Share of Net Assets	<u>819</u>	<u>997</u>
Turnover	6,523	67
Cost of Sales	(3,746)	(328)
Net rental income	315	316
Net operating expenses	(30)	(25)
Operating profit	3,062	30
Finance income	4	1
Finance costs	(3)	(3)
Profit before tax	3,063	28
Taxation	(625)	(43)
Share of post tax results	2,438	(15)
Dividends paid	(2,115)	–
	<u>323</u>	<u>(15)</u>

The Group's share of retained profits in the Joint Ventures at 31st July 2013 amounted to £819,000 (2012, £972,000).

Included in share of net assets at 31st July 2012 is £501,000 relating to Edinburgh Industrial Estates Limited (refer to note 15). On 6th March 2013, the Group acquired all of the issued share capital of Edinburgh Industrial Estates Limited thus making that company a wholly owned subsidiary of J Smart & Co (Contractors) PLC.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

14. INVESTMENTS (continued)

(a) JOINT VENTURES (continued)

During the year, the Group transferred land into Invertiel Developments Limited which, with the exception of one piece thereof, was then subsequently sold to a third party. This generated a profit after tax in Invertiel Developments Limited of £4,240,000 of which J Smart & Co (Contractors) PLC received half thereof.

<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>
Prestonfield Development Company Limited	Scotland	50%
Northrigg Limited	Scotland	50%
Duff Street Limited	Scotland	50%
Invertiel 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>
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
Invertiel 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.

On 6th March 2013 the Company acquired the shares held by The EDI Group Limited in Edinburgh Industrial Estates Limited. As of that date, Edinburgh Industrial Estates Limited became a wholly owned subsidiary of the Company. Refer to Note 15 for details of the Business Combination.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

14. INVESTMENTS (continued)

(b) SUBSIDIARIES

	2013	2012
	£000	£000
At 1st August 2012	708	708
Transfer from Joint Venture.	25	–
Additions.	502	–
At 31st July 2013.	<u>1,235</u>	<u>708</u>

At 31st July 2013 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
Edinburgh Industrial Estates Limited	Property development

15. BUSINESS COMBINATIONS

On 6th March 2013 the Company acquired the entire issued 'A' Ordinary Shares of property development company, Edinburgh Industrial Estates Limited. Edinburgh Industrial Estates Limited was prior to the above acquisition a Joint Venture investment of the Company. Following the acquisition on 6th March 2013, Edinburgh Industrial Estates Limited became a wholly owned subsidiary of the Company.

The business combination was to allow the Company to gain total control over Edinburgh Industrial Estates Limited.

Fair value of assets acquired:	£000
Inventories	725
Other receivables	40
Cash and cash equivalents	236
Fair value of net assets acquired	<u>1,001</u>
Fair value of previously held interest	501
	500
Goodwill	2
Consideration	<u>502</u>
Fair value of consideration:	
Cash	463
Deferred consideration.	39
Total consideration	<u>502</u>

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

15. BUSINESS COMBINATIONS (continued)

Cash impact:	£000
Total cash consideration	502
Cash acquired	(236)
	<u>266</u>
Deferred consideration	(39)
	<u>227</u>

Goodwill has arisen due to excess of the consideration given over the fair value of assets acquired at date of acquisition. The goodwill was written off in the Income Statement in the year.

The deferred consideration is payable on receipt by Edinburgh Industrial Estates Limited of amounts included in Other Receivables acquired at the acquisition date.

Edinburgh Industrial Estates Limited has contributed £nil and £nil to the Group's revenue and profit, respectively from the acquisition date. Had the acquisition occurred on 1st August 2012, the impact on the Group's revenue for the year to 31st July 2013 would have been £nil and the profit for the year would have increased £180,000.

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	<i>Group</i>	
	2013	2012
	£000	£000
Listed investments	<u>3,817</u>	<u>2,988</u>

Fair value movement on shares held at 31st July 2013 before tax amounted to £754,000 (2012, £57,000).

There has been no impairment adjustment on available for sale financial assets in this or the previous year.

Fair value of listed investments is determined by the unadjusted quoted prices of these investments in active markets as at the balance sheet date. Any changes in quoted prices in an active market at the balance sheet date will have an immediate impact on the value of the listed investments.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

17. INVENTORIES

	<i>Group</i>		<i>Company</i>	
	2013 £000	2012 £000	2013 £000	2012 £000
Long-term contract balances	58	201	–	130
Work in progress	11,644	8,472	11,644	8,472
Land held for development	1,708	1,708	1,708	1,708
Raw materials and consumables	138	182	28	26
Finished goods	72	91	–	–
	<u>13,620</u>	<u>10,654</u>	<u>13,380</u>	<u>10,336</u>
CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:				
Aggregate amount of costs incurred and recognised profits less recognised losses to date	3,781	15,011	2,702	13,339
Retentions outstanding	101	481	98	446
Advances received	<u>(3,581)</u>	<u>(15,133)</u>	<u>(2,730)</u>	<u>(13,600)</u>
Net value of contracts in progress	<u>301</u>	<u>359</u>	<u>70</u>	<u>185</u>

18. TRADE AND OTHER RECEIVABLES

CURRENT ASSETS:				
Trade receivables	1,493	1,411	462	330
Amounts owed by Subsidiaries	–	–	2,250	3,358
Other receivables	73	400	–	419
Prepayments and accrued income	406	455	322	373
Amounts recoverable on contracts	1,007	664	833	561
Loans to Joint Venture companies	3,671	3,991	3,671	3,991
	<u>6,650</u>	<u>6,921</u>	<u>7,538</u>	<u>9,032</u>

Trade receivables are shown net of provision for doubtful debts of £26,000 (2012, £4,000).

The aging of past due but not impaired trade debtors is as follows:

Less than 30 days	1,136	987	409	291
30 to 60 days	354	355	53	31
Greater than 60 days	3	69	–	8
	<u>1,493</u>	<u>1,411</u>	<u>462</u>	<u>330</u>

Trade receivables includes £509,000 (2012, £341,000) in respect of outstanding retentions.

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.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

19. 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.

20. TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	2013 £000	2012 £000	2013 £000	2012 £000
CURRENT LIABILITIES:				
Trade payables	1,386	1,701	1,045	1,346
Amounts owed to Subsidiaries	–	–	96	188
Other taxes and social security costs	469	299	189	171
Other creditors and accruals	1,740	1,961	948	1,055
	<u>3,595</u>	<u>3,961</u>	<u>2,278</u>	<u>2,760</u>

21. 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.

There is no significant impairment loss recognised or significant receivables that are past due but not impaired.

The Group has assessed that there is no significant credit risk in relation to loans to Joint Venture companies given the underlying value of the assets held by these entities.

IFRS 7: Financial Instrument Disclosures requires a company to undertake a sensitivity analysis on its financial instruments which are affected by changes in interest rates. The Group financial instruments affected by interest rate fluctuations are bank deposits and bank overdrafts. Based on the Group's net position at the year end, a 1% increase or decrease in the interest rates would change the Group's profit before tax by approximately £49,000 and £55,000 respectively (2012, £75,000 and £42,000 respectively).

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

22. DEFERRED TAXATION

DEFERRED TAX ASSETS GROUP	Retirement Benefit	Other	Total
	Obligations £000	£000	£000
At 1st August 2011	–	253	253
Charged to Income Statement	(1,874)	(39)	(1,913)
Credited to Equity	2,217	–	2,217
At 31st July 2012	343	214	557
Credited/(Charged) to Income Statement	1,874	(105)	1,769
Charged to Equity	(2,217)	–	(2,217)
At 31st July 2013	–	109	109
COMPANY			
At 1st August 2011	–	56	56
Charged to Income Statement	(1,874)	(12)	(1,886)
Credited to Equity	2,217	–	2,217
At 31st July 2012	343	44	387
Credited/(Charged) to Income Statement	1,874	(24)	1,850
Charged to Equity	(2,217)	–	(2,217)
At 31st July 2013	–	20	20

Deferred tax assets arising in respect of valuation surpluses on Investment Properties of £1,197,000 have not been recognised because it is not probable that relevant future taxable profits will be available against which the Group can use the benefits therefrom.

**DEFERRED TAX LIABILITIES
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 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
Charged/(Credited) to Equity	–	108	–	(1,343)	–	(1,235)
Charged/(Credited) to Income Statement	(162)	–	(565)	1,856	(25)	1,104
At 31st July 2013	1,285	180	–	513	71	2,049

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

22. DEFERRED TAXATION (continued)

DEFERRED TAX LIABILITIES (continued) COMPANY	Retirement	Other	Total £000
	Benefit Obligations £000	Timing Differences £000	
At 1st August 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
Credited to Equity	(1,343)	–	(1,343)
Charged/ (Credited) to Income Statement	1,856	(10)	1,846
At 31st July 2013	513	58	571

23. SHARE CAPITAL

	2013		2012	
	Number	£000	Number	£000
Issued and fully paid ordinary shares of 2p each				
At 1st August 2012	49,472,000	989	50,410,000	1,008
Purchased and cancelled	(2,354,000)	(47)	(938,000)	(19)
At 31st July 2013	47,118,000	942	49,472,000	989

During the year to 31st July 2013 the Company purchased for cancellation 2,354,000 ordinary shares of 2p each with a nominal value of £47,000 for a consideration of £1,845,000.

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.

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2013	2012
	£000	£000
Profit before tax	829	55
Share of (profits)/losses from Joint Ventures	(2,438)	15
Depreciation	360	363
Unrealised valuation deficit on investment properties	3,127	4,042
Profit on sale of property, plant and equipment	(24)	(6)
Profit on sale of investment properties	(124)	–
Profit on sale of available for sale financial assets	(8)	(34)
Change in retirement benefits	(1,131)	(1,367)
Interest received	(100)	(103)
Change in inventories	(2,235)	(2,021)
Change in receivables	311	454
Change in payables	(409)	(414)
CASH FLOWS FROM OPERATING ACTIVITIES	(1,842)	984

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	2013	2012	
	£000	£000	
(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS			
Cash and cash equivalents	15,157	9,761	
Bank overdraft	<u>(9,664)</u>	<u>(4,465)</u>	
Net position	<u>5,493</u>	<u>5,296</u>	
 (c) ANALYSIS OF NET FUNDS			
	At 1st August 2012 £000	Cash Flow £000	At 31st July 2013 £000
Cash and cash equivalents	9,761	5,396	15,157
Bank overdraft	<u>(4,465)</u>	<u>(5,199)</u>	<u>(9,664)</u>
Net funds	<u>5,296</u>	<u>197</u>	<u>5,493</u>

25. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

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

	2013	2012
	£000	£000
(Loss)/Profit before tax	(30)	581
Depreciation	231	217
(Profit)/Loss on sale of property, plant and equipment	(27)	2
Change in retirement benefits	(1,131)	(1,367)
Interest received	(6)	(7)
Change in inventories	(3,044)	(3,556)
Change in receivables	1,494	(790)
Change in payables	(520)	26
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(3,033)</u>	<u>(4,894)</u>

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

Cash and cash equivalents	1	1,045
Bank overdraft	<u>(6,488)</u>	<u>-</u>
Net funds	<u>(6,487)</u>	<u>1,045</u>

(c) ANALYSIS OF NET FUNDS

	At 1st August 2012 £000	Cash Flow £000	At 31st July 2013 £000
Cash and cash equivalents	1,045	(1,044)	1
Bank overdraft	<u>-</u>	<u>(6,488)</u>	<u>(6,488)</u>
Net Funds	<u>1,045</u>	<u>(7,532)</u>	<u>(6,487)</u>

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

26. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2013 or 31st July 2012.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2013 amounted to £nil (2012, £nil).

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 31st October 2012 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 £3,092,000, representing a funding level of 89.7%. It has also been agreed with the scheme trustees that the employer contributions to the scheme will increase to a level of 68.8% of pensionable salaries and employee contributions will remain at 3%. The total net pension charge for the year was £632,000 (2012, £608,000). 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 2013.

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

	2013	2012	2011
	Projected Unit	Projected Unit	Projected Unit
Valuation method			
Discount rate	4.3%	3.9%	5.3%
Inflation rate - Retail price index	3.1%	2.4%	3.5%
Inflation rate - Consumer price index	2.3%	1.6%	3.0%
Salary increases	3.3%	2.6%	4.0%
Pension increases	2.2% - 3.1%	1.5% - 2.6%	2.4% - 3.5%

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

Man currently aged 65	22.1	22.2	22.1
Woman currently aged 65	24.4	24.4	24.2
Man currently aged 45	23.4	23.5	23.5
Woman currently aged 45	25.9	25.9	25.8

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 2013 the actual return on plan assets amounted to £3,752,000 (2012, £131,000).

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

27. RETIREMENT BENEFIT OBLIGATIONS (continued)

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 2013	Value at 31st July 2013 £000	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
Equities	7.3%	20,349	6.5%	17,366	8.3%	19,706
Bonds	4.3%	2,115	3.9%	1,712	5.3%	1,726
Gilts	3.3%	2,157	2.5%	1,985	3.9%	1,006
Other	0.5%	4,030	0.5%	4,014	0.5%	2,172
Market value of assets		28,651		25,077		24,610
Present value of scheme liabilities		(26,084)		(26,567)		(22,950)
Scheme surplus/(deficit)		2,567		(1,490)		1,660
Related deferred tax		(513)		343		(415)
Net pension Surplus/(deficit)		2,054		(1,147)		1,245

Investments are in mixed management funds, split being 71% equity investments and 29% bonds, gilts, cash and other assets.

The following amounts are incorporated into the financial statements:

	2013 £000	2012 £000
Amounts included in operating loss:		
Current service cost	(488)	(520)
Past service cost	—	—
Total included within operating loss	(488)	(520)
Amounts included in finance income:		
Expected return on assets	1,272	1,705
Interest cost	(1,016)	(1,215)
Total included as net finance income	256	490

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

27. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2013	2012
Amounts included in Consolidated Statement of Comprehensive Income:	£000	£000
Actual return less assumed return on assets	2,480	(1,574)
Experience gains and losses arising on scheme liabilities	(130)	122
Changes in assumptions underlying the valuation of liabilities	576	(3,065)
Total actuarial gain/(loss)	<u>2,926</u>	<u>(4,517)</u>

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

At 1st August 2012	26,567	22,950
Current service cost	488	520
Interest cost	1,016	1,215
Charges paid	(36)	(34)
Benefit payments	(1,505)	(1,027)
Actuarial (gain)/loss	(446)	2,943
At 31st July 2013	<u>26,084</u>	<u>26,567</u>

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

At 1st August 2012	25,077	24,610
Employer contributions	1,308	1,334
Employee contributions	55	63
Benefits paid	(1,505)	(1,027)
Charges paid	(36)	(34)
Expected return on plan assets	1,272	1,705
Actuarial gain/(loss)	2,480	(1,574)
At 31st July 2013	<u>28,651</u>	<u>25,077</u>

Analysis of movement in scheme surplus / (deficit):

At 1st August 2012	(1,490)	1,660
Current service cost	(488)	(520)
Past service cost	—	—
Contributions	1,363	1,397
Other finance income	256	490
Actuarial gain/(loss)	2,926	(4,517)
At 31st July 2013	<u>2,567</u>	<u>(1,490)</u>

Cumulative actuarial gains and losses recognised in Equity:

At 1st August 2012	(3,171)	1,346
Net actuarial gain/(loss) recognised in year	2,926	(4,517)
At 31st July 2013	<u>(245)</u>	<u>(3,171)</u>

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

27. RETIREMENT BENEFIT OBLIGATIONS (continued)

History of experience gains and losses:	2013	2012	2011	2010	2009
Difference between actual return and assumed return on assets					
Amount (£000)	2,480	(1,574)	1,315	1,284	(1,086)
Percentage of market value of scheme assets	8.7%	6.3%	5.3%	5.9%	5.9%
Experience gains and losses arising on scheme liabilities					
Amount (£000)	(130)	122	(480)	1,736	(166)
Percentage of market value of scheme liabilities	0.5%	0.5%	2.1%	7.6%	0.7%
Total amounts included in Consolidated Statement of Comprehensive Income					
Amount (£000)	2,926	(4,517)	1,847	2,489	(4,553)
Percentage of market value of scheme liabilities	11.2%	17.0%	8.1%	10.8%	19.8%

The contribution expected to be paid by the Group during the financial year ending 31st July 2014 amounts to £1,131,000.

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 (2012. £132,000).

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 2013 these amounted to £317,000.

29. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

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

	2013	2012
	£000	£000
Within one year	71	72
In two – five years exclusively	214	233
After five years	58	65
	<u>343</u>	<u>370</u>

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £4,901,000 (2012. £5,000,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

Within one year	4,758	4,806
In two – five years exclusively	13,458	13,806
After five years	7,236	7,601
	<u>25,452</u>	<u>26,213</u>

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

NOTES TO THE ACCOUNTS (continued)

31st JULY 2013

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:

SUBSIDIARY	2013	2012	2013	2012
	£000	£000	£000	£000
	Sale of goods and services		Purchase of goods and services	
McGowan & Co. (Contractors) Limited	137	112	1,615	892
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	78	79	50	20
Concrete Products (Kirkcaldy) Limited	39	43	39	19
C. & W. Assets Limited	710	954	—	—
Edinburgh Industrial Estates Limited	—	—	725	—
	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan & Co. (Contractors) Limited	—	—	90	183
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	—	—	4	1
Concrete Products (Kirkcaldy) Limited	—	—	2	4
C. & W. Assets Limited	2,250	3,358	—	—
Edinburgh Industrial Estates Limited	—	—	—	—

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 – construction costs invoiced in the year to Prestonfield Development Company Limited amounted to £4,000 (2012, £nil). During the year the Company was repaid £200,000 (2012, £200,000) of the loan due from the Joint Venture company. As at 31st July 2013 the loan outstanding due from Prestonfield Development Company Limited amounted to £2,575,000 (2012, £2,775,000).

Northrigg Limited – during the year there were no transactions with this company. As at 31st July 2013 the loan outstanding due from Northrigg Limited amounted to £176,000 (2012, £176,000).

Duff Street Limited – during the year the Company received interest from the Joint Venture company amounting to £6,000 (2012, £6,000) on the loan to Duff Street Limited. As at 31st July 2013, £3,000 of this interest remained outstanding (2012, £3,000). Construction costs invoiced in the year to Duff Street Limited amounted to £1,000 (2012, £1,000). During the year the Company was repaid £nil (2012, £180,000) of the loan due from the Joint Venture company. As at 31st July 2013 the loan outstanding due from Duff Street Limited amounted to £920,000 (2012, £920,000).

Invertiel Developments Limited – during the year the Company was repaid £130,000 (2012, £nil) and advanced £10,000 (2012, £10,000) of the loan due from the Joint Venture company. As at 31st July 2013 the loan outstanding due from Invertiel Developments Limited amounted to £nil (2012, £120,000). The Company received a dividend of £2,115,000 (2012, £nil) in the year from the Joint Venture Company.

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 (continued)

31st JULY 2013

30. RELATED PARTY TRANSACTIONS (continued)

(c) DIRECTORS' INTEREST IN CONTRACTS

D. W. Smart and 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.

During the year to 31st July 2013 the Group purchased materials amounting to £393,000 (2012, £653,000) from these companies and sold materials and services amounting to £75,000 (2012, £271,000) to these companies.

During the year the Group sold property to The Roofing and Building Supply Co. Limited for £1,000,000 and also purchased from the same company property costing £180,000.

All transactions were at normal commercial rates.

As at 31st July 2013 the Group owed these companies £19,000 (2012, £54,000) and was owed £31,000 (2012, £157,000).

(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:

	2013	2012
	£000	£000
J. M. Smart	34	34
L. E. Glenday	4	6
D. W. Smart	344	339
A. H. Ross	3	1
J. R. Smart	109	—