

**J SMART & CO (CONTRACTORS) PLC AND SUBSIDIARY COMPANIES  
ACCOUNTS FOR THE YEAR ENDED 31st JULY 2011  
PRELIMINARY STATEMENT**

**ACCOUNTS**

As forecast in the interim report, headline group profit for the year before tax, including an unrealised deficit in revalued property as required by International Financial Reporting Standards, turned out lower than last year at £656,000. This compares with a headline profit for last year of £3,984,000. 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 £5,992,000 (including £1,929,000 profit from property sales) which compares with the corresponding figure for underlying profit last year of £4,588,000 (no property sales).

The value of investment properties at the beginning of the year was £74,560,000 (cost £48,247,000). The net deficit on the year end valuation was £5,336,000 leaving a value of £72,586,000 (cost £51,609,000).

The Board is recommending a Final Dividend of 9.70p nett making a total for the year of 14.30p nett, which compares with 14.10p nett for the previous year. The dividend will cost the Company £978,000.

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 £97,560,000.

**TRADING ACTIVITIES**

Group construction work carried out and share of Joint Ventures' turnover decreased by 17%, own work capitalised decreased by 3%, Group revenue decreased by 19% and headline Group profit decreased by 84%. Underlying Group profit excluding an unrealised deficit in revalued property increased by 31%.

Turnover in contracting was again lower, however a profit was achieved again. The slow pick up in private house sales since January mentioned in the interim report continued until the year end. Sales in precast concrete manufacture fell once more and a loss was incurred.

During the year we commenced a mixed commercial and predominantly private residential development at Robertson Avenue, Edinburgh and an industrial development at Bathgate. Commercial and industrial letting remains difficult.

**FUTURE PROSPECTS**

The general outlook is still uncertain. Occupancy levels in our commercial and industrial space are eroding, albeit slowly. Rental income may be slightly lower than last year's figure.

The slow but steady progress in private house sales experienced in the second half of the year under review has now halted.

While we have an adequate amount of contracting work in hand at present, margins will be difficult to achieve.

The uncertainties generated by the recession make it impossible to forecast the outcome for the current financial year with any degree of accuracy, however it is likely that underlying profit will be less than last year.

**J.M. SMART**  
*Chairman*

## CONSOLIDATED INCOME STATEMENT for the year ended 31st JULY 2011

	2011 £000	2010 £000
Group construction work carried out and share of Joint Ventures' turnover	19,588	23,690
Less: Share of Joint Ventures' turnover	-	-
Less: Own construction work capitalised	<u>(2,587)</u>	<u>(2,668)</u>
<b>Revenue</b>	<b>17,001</b>	<b>21,022</b>
Cost of sales	<u>(13,176)</u>	<u>(16,662)</u>
<b>Gross Profit</b>	<b>3,825</b>	<b>4,360</b>
Other operating income	5,523	5,521
Net operating expenses	<u>(5,851)</u>	<u>(5,490)</u>
<b>Operating Profit before profit on sale and net valuation deficit of investment properties</b>	<b>3,497</b>	<b>4,391</b>
Profit on sale of investment properties	1,929	-
Net deficit on valuation of investment properties	<u>(5,336)</u>	<u>(604)</u>
<b>Operating Profit</b>	<b>90</b>	<b>3,787</b>
Share of profits in Joint Ventures	42	201
Income from available for sale financial assets	140	89
Profit on sale of available for sale financial assets	-	95
Finance income	384	120
Finance costs	-	(308)
<b>Profit before tax</b>	<b>656</b>	<b>3,984</b>
Taxation	<u>358</u>	<u>(250)</u>
<b>Profit attributable to equity shareholders</b>	<b><u>1,014</u></b>	<b><u>3,734</u></b>
<b>Earnings per share – Basic and Diluted</b>	<b><u>10.06p</u></b>	<b><u>37.04p</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31st JULY 2011**

	<b>2011</b>	<i>2010</i>
	<b>£000</b>	<i>£000</i>
Actuarial gain recognised on defined benefit pension scheme	<b>1,847</b>	<i>2,489</i>
Deferred taxation on actuarial gain	<b>(601)</b>	<i>(767)</i>
<b>Net surplus recognised directly in equity</b>	<b>1,246</b>	<i>1,722</i>
Profit for year	<b>1,014</b>	<i>3,734</i>
<b>Total recognised income and expense for the year</b>	<b>2,260</b>	<i>5,456</i>
<b>Attributable to equity shareholders</b>	<b>2,260</b>	<i>5,456</i>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
as at 31st July 2011**

	Share Capital £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2009	1,008	41	91,258	92,307
Total recognised Income and Expense	-	-	5,456	5,456
Fair value adjustment	-	217	-	217
Tax adjustment on fair value reserve	-	(42)	-	(42)
Dividends	-	-	(1,397)	(1,397)
As at 31st July 2010	1,008	216	95,317	96,541
Total recognised Income and Expense	-	-	2,260	2,260
Fair value adjustment	-	236	-	236
Tax adjustment on fair value reserve	-	(45)	-	(45)
Dividends	-	-	(1,432)	(1,432)
As at 31st July 2011	<b>1,008</b>	<b>407</b>	<b>96,145</b>	<b>97,560</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31st JULY 2011**

	2011	2010
	£000	£000
<b>Non-current assets</b>		
Property, plant and equipment	1,290	1,391
Investment properties	72,586	74,560
Investments in Joint Ventures	1,012	1,635
Available for sale financial assets	3,018	2,604
Retirement benefit surplus	1,660	-
Deferred tax asset	253	719
	<u>79,819</u>	<u>80,909</u>
<b>Current assets</b>		
Inventories	7,078	7,324
Trade and other receivables	7,375	6,632
Current tax assets	-	26
Cash at bank and in hand	21,704	22,197
	<u>36,157</u>	<u>36,179</u>
<b>Total assets</b>	<u>115,976</u>	<u>117,088</u>
<b>Non-current liabilities</b>		
Retirement benefit obligations	-	1,344
Deferred tax liabilities	2,852	4,001
	<u>2,852</u>	<u>5,345</u>
<b>Current liabilities</b>		
Trade and other payables	4,376	5,068
Current tax liabilities	234	-
Bank overdraft	10,954	10,134
	<u>15,564</u>	<u>15,202</u>
<b>Total Liabilities</b>	<u>18,416</u>	<u>20,547</u>
<b>Net Assets</b>	<u>97,560</u>	<u>96,541</u>
<b>Equity</b>		
Called up share capital	1,008	1,008
Fair value reserve	407	216
Retained earnings	96,145	95,317
	<u>97,560</u>	<u>96,541</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31st JULY 2011

	2011 £000	2010 £000
Profit before tax	656	3,984
Share of profits from Joint Ventures	(42)	(201)
Depreciation	426	456
Unrealised valuation deficit on investment properties	5,336	604
Profit on sale of property, plant and equipment	(16)	(37)
Profit on sale of investment properties	(1,929)	-
Profit on sale of available for sale financial assets	-	(95)
Change in retirement benefits	(1,157)	(635)
Interest received	(133)	(120)
Interest paid	-	-
Change in inventories	246	1,152
Change in receivables	(743)	369
Change in payables	(693)	195
	1,951	5,672
Tax paid on profits	(710)	(950)
<b>Net cash flows from operating activities</b>	<b>1,241</b>	<b>4,722</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(363)	(304)
Additions to investment properties	(2,900)	(1,418)
Sale of property, plant and equipment	54	77
Sale of investment properties	4,054	-
Expenditure on own work capitalised – investment properties	(2,587)	(2,668)
Purchase of available for sale financial assets	(178)	(597)
Proceeds of sale of available for sale financial assets	-	219
Interest received	133	120
Interest paid	-	-
Dividend from Joint Venture	665	850
<b>Net cash used in investing activities</b>	<b>(1,122)</b>	<b>(3,721)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,432)	(1,397)
<b>Net cash used in financing activities</b>	<b>(1,432)</b>	<b>(1,397)</b>
<b>Decrease in cash, cash equivalents and bank</b>	<b>(1,313)</b>	<b>(396)</b>
<b>Cash, cash equivalents and bank at beginning of period</b>	<b>12,063</b>	<b>12,459</b>
<b>Cash, cash equivalents and bank at end of period</b>	<b>10,750</b>	<b>12,063</b>

## NOTES TO THE PRELIMINARY STATEMENT

### 1. Basis of Preparation

This preliminary statement is an abridged version of the Company's full consolidated accounts, which have not yet been filed with the Registrar of Companies and have not yet been reported on by the Company's auditors.

The financial information included in this preliminary statement does not include all of the disclosures required by International Financial Reporting Standards (IFRS) or the Companies Act 2006 and accordingly does not itself comply with IFRS or the Companies Act 2006.

The company prepares its annual consolidated financial statements in accordance with IFRS and its interpretations issued by the International Accounting Standards Board as adopted by the European Union. There are no differences in the accounting policies applied in the preparation of the consolidated financial statements for the year to 31st July 2011 and the financial information included in this preliminary statement and the accounting policies disclosed in the 2010 Annual Report and Statement of Accounts.

The consolidated financial statements are prepared under the historical cost convention with the exception of investment properties and available for sale financial assets which are recognised at fair value.

The financial information for the year to 31st July 2010 is derived from the statutory accounts for that year which were submitted to the Registrar of Companies and upon which the Company's auditors provided an unqualified audit report and which did not contain a statement under S498 of the Companies Act 2006.

### 2. Dividends

	<b>2011</b>	<i>2010</i>
	<b>£000</b>	<i>£000</i>
<b>Ordinary dividends</b>		
2009 Final dividend of 9.35p per share	-	<i>943</i>
2010 Interim dividend of 4.50p per share	-	<i>454</i>
2010 Final dividend of 9.60p per share	<b>968</b>	-
2011 Interim dividend of 4.60p per share	<b>464</b>	-
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	<b>1,432</b>	<i>1,397</i>

The Company is proposing a final dividend of 9.70p per share for the year to 31st July 2011 which will cost the Company £978,000.

The dividend if approved will be paid on 19th December 2011 to shareholders on the Register at the close of business on 2nd December 2011.