

**SMART**

**INTERIM REPORT  
FOR THE SIX MONTHS TO  
31<sup>st</sup> JANUARY 2009**

## CHAIRMAN'S REVIEW

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### INTERIM REPORT

Unaudited Group profits for the six months to 31st January 2009 amounted to £2,556,000 compared with profits of £6,566,000 for the corresponding period last year. Turnover increased by 2%. Turnover and own work capitalised combined increased by 7%.

The decrease in profits before tax is due to the fact that the figures did not benefit from the profits from land and property sales generated in the previous two half years. In accordance with our normal practice there has been no revaluation of our investment properties at the end of the half year. Had such a revaluation been carried out and applied to the figures the recent further deterioration in property values would have resulted in a loss being recorded.

Private house sales were negligible during the half year. 80% of the residential Joint Venture with Kiltane Developments Ltd at Duff Street, Edinburgh has either been sold or let. Our Joint Venture of industrial units with Walker Group at Prestonfield Park, Edinburgh is complete and substantially let.

### INTERIM DIVIDEND

The Board has decided to adjust the interim dividend in relation to the final dividend. It is important to understand that as a result the final dividend will be less than last year. However the total dividends for the full year should not be less than last year. Therefore the Board announces an interim dividend of 4.50p per share (2008, 3.00p) to be paid on 8th June 2009 to shareholders on the register at the close of business on 15th May 2009. After waivers by members holding approximately 51% of the shares the interim dividend will cost the Company £222,000.

### FUTURE PROSPECTS

While we have adequate contracting work in hand it is less than at this time last year and at the last year end. Most of the work has been negotiated.

Private house sales will be negligible this year.

The mixed commercial and residential development in McDonald Road, Edinburgh is well advanced and the office accommodation is attracting interest. The second office block at Glenberrie Business Park, Larbert and the second phase of our industrial development at Bilston Glen near Edinburgh will finish this year. Both developments are attracting serious interest.

Although we still have substantial cash reserves the recent significant falls in interest rates are having an adverse affect on our finance income. Our rental roll is not being eroded and we expect our rental income for the full year to be higher than last year. At this stage it seems unlikely that the recent significant deterioration in industrial and commercial property values will be reversed before the end of the year. Accordingly it is likely that the requirement of the International Financial Reporting Standards that unrealised gains/losses in revalued property be included in the Income Statement will erase this year's profits resulting in a headline loss for the year.

Disregarding the impact of revalued property, I anticipate that subject to unforeseen circumstances the underlying profit for the year will be not less than £4,000,000.

*30th March 2009*

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

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED INCOME STATEMENT

	<b>6 Months ended 31.1.09 (Unaudited) £000</b>	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
Notes			
<b>REVENUE</b>			
Group and Share of Joint Ventures' turnover	<b>12,596</b>	12,316	<i>27,012</i>
Less: Share of Joint Ventures' turnover	<b>(29)</b>	—	<i>(1,596)</i>
	<b>12,567</b>	12,316	<i>25,416</i>
Own work capitalised	<b>1,928</b>	1,251	<i>2,157</i>
	<b>14,495</b>	13,567	<i>27,573</i>
Cost of sales	<b>(12,598)</b>	(11,625)	<i>(24,447)</i>
<b>GROSS PROFIT</b>	<b>1,897</b>	1,942	<i>3,126</i>
Other operating income	<b>2,805</b>	2,598	<i>5,228</i>
Net operating expenses	<b>(2,703)</b>	(2,845)	<i>(5,101)</i>
<b>OPERATING PROFIT BEFORE PROFIT ON SALE AND NET REVALUATION DEFICIT ON INVESTMENT PROPERTIES</b>	<b>1,999</b>	1,695	<i>3,253</i>
Profit arising on sale of investment properties	—	4,155	<i>3,890</i>
Net deficit on valuation of investment properties	—	—	<i>(2,655)</i>
<b>OPERATING PROFIT</b>	<b>1,999</b>	5,850	<i>4,488</i>
Share of profits in Joint Ventures	<b>31</b>	14	<i>45</i>
Income from investments	<b>32</b>	30	<i>79</i>
Profit on sale of investments	—	9	<i>33</i>
Finance income	<b>504</b>	714	<i>1,358</i>
Finance costs	<b>(10)</b>	(51)	<i>(154)</i>
<b>PROFIT BEFORE TAX</b>	<b>2,556</b>	6,566	<i>5,849</i>
Taxation	4 <b>(716)</b>	(1,970)	<i>(518)</i>
<b>PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>1,840</b>	4,596	<i>5,331</i>
<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>	6 <b>18.25p</b>	45.59p	<i>52.88p</i>

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	<b>6 Months ended 31.1.09 (Unaudited) £000</b>	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
Actuarial gain recognised on defined benefit pension scheme	—	—	1,381
Deferred taxation on actuarial gain	—	—	(387)
<b>NET SURPLUS RECOGNISED DIRECTLY IN EQUITY</b>	—	—	994
Profit for the period	<u>1,840</u>	<u>4,596</u>	<u>5,331</u>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>	<u>1,840</u>	<u>4,596</u>	<u>6,325</u>
<b>ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<u>1,840</u>	<u>4,596</u>	<u>6,325</u>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<b>6 Months ended 31.1.09 (Unaudited) £000</b>	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
Notes			
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>	<b>1,840</b>	4,596	6,325
Fair value adjustment net of tax	(318)	(182)	(499)
Dividends	5 (517)	(500)	(647)
	<u>1,005</u>	<u>3,914</u>	<u>5,179</u>
Opening shareholders' funds	<u>97,314</u>	<u>92,135</u>	<u>92,135</u>
Closing shareholders' funds	<u>98,319</u>	<u>96,049</u>	<u>97,314</u>

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED BALANCE SHEET

	<b>6 Months ended 31.1.09 (Unaudited) £000</b>	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<b>6,201</b>	1,493	<i>4,331</i>
Investment properties	<b>68,797</b>	72,649	<i>68,148</i>
Investments in Joint Ventures	<b>2,095</b>	2,040	<i>2,067</i>
Financial assets	<b>1,126</b>	1,728	<i>1,533</i>
Trade and other receivables	<b>4,036</b>	2,176	<i>3,176</i>
Deferred tax assets	<b>950</b>	1,561	<i>936</i>
	<b><u>83,205</u></b>	<u>81,647</u>	<u><i>80,191</i></u>
<b>CURRENT ASSETS</b>			
Inventories	<b>10,039</b>	8,970	<i>8,184</i>
Trade and other receivables	<b>3,796</b>	3,721	<i>3,833</i>
Cash at bank and in hand	<b>14,789</b>	22,793	<i>18,390</i>
	<b><u>28,624</u></b>	<u>35,484</u>	<u><i>30,407</i></u>
<b>TOTAL ASSETS</b>	<b><u>111,829</u></b>	<u>117,131</u>	<u><i>110,598</i></u>
<b>NON-CURRENT LIABILITIES</b>			
Retirement benefit obligations	<b>1,089</b>	5,280	<i>1,089</i>
Deferred tax liabilities	<b>5,834</b>	7,706	<i>5,944</i>
	<b><u>6,923</u></b>	<u>12,986</u>	<u><i>7,033</i></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>5,871</b>	6,164	<i>5,518</i>
Current tax liabilities	<b>716</b>	1,932	<i>733</i>
	<b><u>6,587</u></b>	<u>8,096</u>	<u><i>6,251</i></u>
<b>TOTAL LIABILITIES</b>	<b><u>13,510</u></b>	<u>21,082</u>	<u><i>13,284</i></u>
<b>NET ASSETS</b>	<b><u>98,319</u></b>	<u>96,049</u>	<u><i>97,314</i></u>
<b>EQUITY</b>			
Called up share capital	<b>1,008</b>	1,008	<i>1,008</i>
Fair Value Reserve	<b>(445)</b>	190	<i>(127)</i>
Retained earnings	<b>97,756</b>	94,851	<i>96,433</i>
<b>TOTAL EQUITY</b>	<b><u>98,319</u></b>	<u>96,049</u>	<u><i>97,314</i></u>

## CONSOLIDATED CASH FLOW STATEMENT

		<b>6 Months ended 31.1.09 (Unaudited) £000</b>	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
	Notes			
Cash flows from operating activities	7	<b>(65)</b>	2,459	543
Tax paid on profits		<u>(733)</u>	<u>(908)</u>	<u>(2,066)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u><b>(798)</b></u>	<u>1,551</u>	<u>(1,523)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment		<b>(186)</b>	(155)	(758)
Purchase of investment properties		<b>(641)</b>	(34)	(6)
Sale of property, plant and equipment		<b>8</b>	9	69
Sale of investment properties		—	6,335	6,188
Expenditure on own work capitalised		<b>(1,928)</b>	(1,251)	(2,157)
Purchase of investments		<b>(36)</b>	(325)	(639)
Proceeds of sale of investments		—	60	145
Interest received		<b>497</b>	635	1,257
Interest paid		—	—	(7)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<u><b>(2,286)</b></u>	<u>5,274</u>	<u>4,092</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid		<u>(517)</u>	<u>(500)</u>	<u>(647)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u><b>(517)</b></u>	<u>(500)</u>	<u>(647)</u>
<b>(DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK</b>		<u><b>(3,601)</b></u>	<u>6,325</u>	<u>1,922</u>
<b>CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD</b>		<u><b>18,390</b></u>	<u>16,468</u>	<u>16,468</u>
<b>CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD</b>		<u><b>14,789</b></u>	<u>22,793</u>	<u>18,390</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These interim financial statements do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The statutory financial statements for the year to 31st July 2008 have been filed with the Registrar of Companies and a copy may be obtained from Companies House. These have been audited and contain an unqualified audit opinion and do not contain a statement under Sections 237(2) or (3) of the Companies Act 1985.

### 2. ACCOUNTING POLICIES

The interim financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31st July 2008, with the exception of the following policies regarding the accounting for pension scheme deficits and investment properties revaluations.

For the interim accounts the assets and liabilities of the pension scheme are estimated to be unchanged from the values included at the previous year end.

In accordance with long standing practice, the group's investment properties are revalued annually on 31st July each year. No revaluation adjustment is made in the interim financial statements.

### 3. SEGMENTAL INFORMATION

The group's primary basis of segmentation is by activities, all construction work relates to activities in Scotland.

	Total Revenue £000	Inter Segment Revenue £000	External Revenue £000	Profit attributable to equity shareholders		
				£000	£000	£000
<b>31st JANUARY 2009 (Unaudited)</b>						
Construction activities	14,495	(1,956)	12,539	62	—	—
Investment activities	2,805	—	2,805	1,937	—	—
Joint Ventures	29	—	29	31	—	—
	<u>17,329</u>	<u>(1,956)</u>	<u>15,373</u>	<u>2,030</u>	<u>—</u>	<u>—</u>
<b>31st JANUARY 2008 (Unaudited)</b>						
Construction activities	13,567	(1,251)	12,316	—	77	—
Investment activities	2,598	—	2,598	—	5,773	—
Joint Ventures	—	—	—	—	14	—
	<u>16,165</u>	<u>(1,251)</u>	<u>14,914</u>	<u>—</u>	<u>5,864</u>	<u>—</u>
<b>31st JULY 2008 (Audited)</b>						
Construction activities	27,573	(2,157)	25,416	—	—	(14)
Investment activities	5,228	—	5,228	—	—	4,502
Joint Ventures	1,596	—	1,596	—	—	45
	<u>34,397</u>	<u>(2,157)</u>	<u>32,240</u>	<u>—</u>	<u>—</u>	<u>4,533</u>
<b>RESULT</b>				2,030	5,864	4,533
Finance and investment income				536	753	1,470
Finance and investment costs				(10)	(51)	(154)
<b>PROFIT BEFORE TAX ON ORDINARY ACTIVITIES</b>				<u>2,556</u>	<u>6,566</u>	<u>5,849</u>
Tax on profit on ordinary activities				(716)	(1,970)	(518)
<b>PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>				<u>1,840</u>	<u>4,596</u>	<u>5,331</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

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### 4. TAXATION

The tax charge for the 6 months to 31st January 2009 is based on the corporation tax rate at 28% (2008, 30%).

### 5. DIVIDENDS

	6 Months ended 31.1.09 (Unaudited) £000	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
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#### ORDINARY DIVIDENDS

2008 Final dividend declared of 10.50p per share	517	—	—
2008 Interim dividend declared of 3.00p per share	—	—	147
2007 Final dividend of 10.15p per share	—	500	500
	<u>517</u>	<u>500</u>	<u>647</u>

Certain shareholders holding approximately 51% of the shares have waived their rights to the interim and final dividends paid for the years to 31st July 2007 and 31st July 2008.

The interim dividend of 4.50p per share for the year to 31st July 2009 will be paid on 8th June 2009 to shareholders on the register at 15th May 2009. After waivers by members holding approximately 51% of the shares the interim dividend will cost the company £222,000.

### 6. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2009	<u>1,840</u>	<u>18.25p</u>
6 months to 31st January 2008	<u>4,596</u>	<u>45.59p</u>
Year to 31st July 2008	<u>5,331</u>	<u>52.88p</u>

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders by 10,082,000 shares, the number of ordinary shares in issue during the period.

There is no difference between basic and diluted earnings per share.



## NOTES TO INTERIM FINANCIAL STATEMENTS

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### 7. RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

	6 Months ended 31.1.09 (Unaudited) £000	6 Months ended 31.1.08 (Unaudited) £000	Year ended 31.7.08 (Audited) £000
Profit before tax	2,556	6,566	5,849
Share of profits from Joint Ventures	(31)	(14)	(45)
Depreciation	231	192	533
Unrealised revaluation deficit on investment properties	—	—	2,655
Profit on sale of property, plant and equipment	—	—	(31)
Profit on sale of investment properties	—	(4,155)	(3,890)
Profit on sale of investments	—	(9)	(33)
Change in retirement benefits	—	—	(2,810)
Interest received	(497)	(634)	(1,257)
Interest received by Joint Ventures	(7)	(80)	(101)
Interest paid	—	—	7
Interest paid by Joint Ventures	10	51	96
Change in inventories	(1,855)	(1,335)	(549)
Change in receivables – current	34	(22)	(133)
Change in receivables – non current	(860)	—	(1,000)
Change in payables	354	1,899	1,252
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>(65)</b>	<b>2,459</b>	<b>543</b>

*DIRECTORS*

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

K. H. HASTINGS

A. D. McCLURE, *Secretary*

L. E. GLENDAY

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