

# SMART

INTERIM REPORT  
FOR THE SIX MONTHS TO  
31<sup>st</sup> JANUARY 2010

## CHAIRMAN'S REVIEW

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### INTERIM REPORT

Unaudited Group profits for the six months to 31st January 2010 amounted to £2,250,000 compared with profits of £2,556,000 for the corresponding period last year. Group construction work and share of Joint Ventures' turnover decreased by 11%. Own work capitalised decreased by 21%.

In accordance with our normal practice there has been no revaluation of our investment properties at the end of the half year. Property values have stabilised, however, and if a revaluation had been carried out the effect on the figures would have been minimal.

Private house sales have been slow but steady. The industrial development at Bilston Glen near Edinburgh is complete and the commercial development at McDonald Road, Edinburgh is virtually complete. Both developments are, as yet, unlet.

### INTERIM DIVIDEND

The Board announces an interim dividend of 4.50p per share (2009, 4.50p) to be paid on 7th June 2010 to shareholders on the register at the close of business on 14th May 2010. The interim dividend will cost the Company £454,000.

### FUTURE PROSPECTS

Due to the effect of the recession we are now operating at well below normal capacity in contracting and there is considerable downward pressure on prices obtainable. There seems to be little prospect of an increase in turnover here over the next twelve months.

I am reasonably confident that the steady trickle of private house sales in the first half of the current financial year will continue. We have just commenced a small speculative office block in Perth. There appears to be positive interest in the recently completed commercial and industrial space referred to above. However, the erosion in existing tenant numbers reported in the last annual review is gathering pace and rental income for the current year is now expected to be less than the previous year.

At this stage I do not anticipate that property values will fluctuate significantly between now and the end of the year. Accordingly the material effect of property revaluations on year end profit figures that has been a feature of recent years should not be repeated this year.

Subject to unforeseen circumstances, I expect that the underlying profit for the year will approximate to last year's underlying profit of £4,468,000.

*30th March 2010*

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

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED INCOME STATEMENT

	<b>6 Months ended 31.1.10 (Unaudited) £000</b>	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
Group construction work carried out and share of Joint Ventures' turnover	<b>12,711</b>	14,524	29,616
Less: Share of Joint Ventures' turnover	<b>—</b>	(29)	(165)
Less: Own construction work capitalised	<b>(1,529)</b>	(1,928)	(4,050)
<b>REVENUE</b>	<b>11,182</b>	12,567	25,401
Cost of sales	<b>(9,188)</b>	(10,670)	(21,707)
<b>GROSS PROFIT</b>	<b>1,994</b>	1,897	3,694
Other operating income	<b>2,678</b>	2,805	5,568
Net operating expenses	<b>(2,707)</b>	(2,703)	(5,230)
<b>OPERATING PROFIT BEFORE NET REVALUATION DEFICIT ON INVESTMENT PROPERTIES</b>	<b>1,965</b>	1,999	4,032
Net deficit on valuation of investment properties	<b>—</b>	—	(5,779)
<b>OPERATING PROFIT/(LOSS)</b>	<b>1,965</b>	1,999	(1,747)
Share of profits in Joint Ventures	<b>130</b>	28	217
Income from available for sale financial assets	<b>39</b>	32	66
Profit/(Loss) on sale of available for sale financial assets	<b>57</b>	—	(55)
Impairment of available for sale financial assets	<b>—</b>	—	(365)
Finance income	<b>59</b>	497	677
Finance costs	<b>—</b>	—	(1)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>2,250</b>	2,556	(1,208)
Taxation	4 <b>(630)</b>	(716)	50
<b>PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<b>1,620</b>	1,840	(1,158)
<b>EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED</b>	6 <b>16.07p</b>	18.25p	(11.49)p

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>6 Months ended 31.1.10 (Unaudited) £000</b>	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<u>1,620</u>	<u>1,840</u>	<u>(1,158)</u>
<b>Other comprehensive income</b>			
Actuarial loss recognised on defined benefit pension scheme	—	—	(4,553)
Deferred taxation on actuarial loss	<u>—</u>	<u>—</u>	<u>1,275</u>
Total other comprehensive income/(expense)	<u>—</u>	<u>—</u>	<u>(3,278)</u>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>	<u>1,620</u>	<u>1,840</u>	<u>(4,436)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<b>6 Months ended 31.1.10 (Unaudited) £000</b>	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>	<b>1,620</b>	1,840	(4,436)
Fair value adjustment net of tax	115	(318)	(197)
Impairment of available for sale financial assets taken to Income Statement	—	—	365
Dividends	5 (943)	(517)	(739)
	<u>792</u>	<u>1,005</u>	<u>(5,007)</u>
Opening shareholders' funds	<u>92,307</u>	97,314	97,314
Closing shareholders' funds	<u>93,099</u>	<u>98,319</u>	<u>92,307</u>

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED BALANCE SHEET

	<b>6 Months ended 31.1.10 (Unaudited) £000</b>	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6,970	6,201	6,715
Investment properties	66,281	68,797	65,946
Investments in Joint Ventures	1,563	2,095	2,284
Available for sale financial assets	2,169	1,126	1,914
Trade and other receivables	—	4,036	—
Deferred tax assets	1,534	950	1,778
	<u>78,517</u>	<u>83,205</u>	<u>78,637</u>
<b>CURRENT ASSETS</b>			
Inventories	8,246	10,039	8,476
Trade and other receivables	9,194	3,796	7,001
Cash at bank and in hand	21,845	24,013	23,234
	<u>39,285</u>	<u>37,848</u>	<u>38,711</u>
<b>TOTAL ASSETS</b>	<u>117,802</u>	<u>121,053</u>	<u>117,348</u>
<b>NON-CURRENT LIABILITIES</b>			
Retirement benefit obligations	4,468	1,089	4,468
Deferred tax liabilities	4,563	5,834	4,763
	<u>9,031</u>	<u>6,923</u>	<u>9,231</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5,195	5,871	4,872
Current tax liabilities	443	716	163
Bank overdraft	10,034	9,224	10,775
	<u>15,672</u>	<u>15,811</u>	<u>15,810</u>
<b>TOTAL LIABILITIES</b>	<u>24,703</u>	<u>22,734</u>	<u>25,041</u>
<b>NET ASSETS</b>	<u>93,099</u>	<u>98,319</u>	<u>92,307</u>
<b>EQUITY</b>			
Called up share capital	1,008	1,008	1,008
Fair value reserve	156	(445)	41
Retained earnings	91,935	97,756	91,258
<b>TOTAL EQUITY</b>	<u>93,099</u>	<u>98,319</u>	<u>92,307</u>

# J SMART & CO. (CONTRACTORS) PLC

## CONSOLIDATED CASH FLOW STATEMENT

	<b>6 Months ended 31.1.10 (Unaudited) £000</b>	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>556</b>	(65)	2,632
Tax paid on profits	<u>(350)</u>	<u>(733)</u>	<u>(1,333)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b><u>206</u></b>	<b><u>(798)</u></b>	<b><u>1,299</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(159)	(186)	(493)
Additions to investment properties	(514)	(641)	(2,044)
Sale of property, plant and equipment	36	8	64
Sale of investment properties	1,384	—	—
Expenditure on own work capitalised – investment properties	(84)	(8)	(1,533)
Expenditure on own work capitalised – property under construction	(1,445)	(1,920)	(2,517)
Purchase of available for sale financial assets	(258)	(36)	(580)
Proceeds of sale of available for sale financial assets	219	—	11
Interest received	59	497	602
Interest paid	—	—	(1)
Dividends received from Joint Venture	850	—	—
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b><u>88</u></b>	<b><u>(2,286)</u></b>	<b><u>(6,491)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(943)	(517)	(739)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b><u>(943)</u></b>	<b><u>(517)</u></b>	<b><u>(739)</u></b>
<b>DECREASE IN CASH, CASH EQUIVALENTS AND BANK</b>	<b><u>(649)</u></b>	<b><u>(3,601)</u></b>	<b><u>(5,931)</u></b>
<b>CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD</b>	<b><u>12,459</u></b>	<b><u>18,390</u></b>	<b><u>18,390</u></b>
<b>CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD</b>	<b><u>11,810</u></b>	<b><u>14,789</u></b>	<b><u>12,459</u></b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The statutory financial statements for the year to 31st July 2009 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 Section 498 of the Companies Act 2006.

### 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 2009, 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/(Loss) £000	attributable to equity shareholders £000	£000
<b>31st JANUARY 2010 (Unaudited)</b>						
Construction activities	12,711	(1,529)	11,182	118	—	—
Investment activities	2,678	—	2,678	1,847	—	—
Joint Ventures	—	—	—	130	—	—
	<u>15,389</u>	<u>(1,529)</u>	<u>13,860</u>	<u>2,095</u>	<u>—</u>	<u>—</u>
<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	—	28	—
	<u>17,329</u>	<u>(1,956)</u>	<u>15,373</u>	<u>—</u>	<u>2,027</u>	<u>—</u>
<b>31st JULY 2009 (Audited)</b>						
Construction activities	29,451	(4,050)	25,401	—	—	39
Investment activities	5,568	—	5,568	—	—	(1,786)
Joint Ventures	165	—	165	—	—	217
	<u>35,184</u>	<u>(4,050)</u>	<u>31,134</u>	<u>—</u>	<u>—</u>	<u>(1,530)</u>
<b>RESULT</b>				2,095	2,027	(1,530)
Finance and investment income				155	529	743
Finance and investment costs				—	—	(421)
<b>PROFIT/(LOSS) BEFORE TAX ON ORDINARY ACTIVITIES</b>				<u>2,250</u>	<u>2,556</u>	<u>(1,208)</u>
Tax on Profit/(Loss) on ordinary activities				(630)	(716)	50
<b>PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>				<u>1,620</u>	<u>1,840</u>	<u>(1,158)</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 4. TAXATION

The tax charge for the 6 months to 31st January 2010 is based on the corporation tax rate at 28% (2009, 28%).

### 5. DIVIDENDS

	6 Months ended 31.1.10 (Unaudited) £000	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
<b>ORDINARY DIVIDENDS</b>			
2009 Final dividend of 9.35p per share	943	—	—
2009 Interim dividend of 4.50p per share	—	—	222
2008 Final dividend of 10.50p per share	—	517	517
	<u>943</u>	<u>517</u>	<u>739</u>

Certain shareholders holding approximately 51% of the shares have waived their rights to the final dividend paid for the year to 31st July 2008 and the interim dividend paid for the year to 31st July 2009.

The interim dividend of 4.50p per share for the year to 31st July 2010 will be paid on 7th June 2010 to shareholders on the register at 14th May 2010. The interim dividend will cost the company £454,000.

### 6. EARNINGS/(LOSS) PER SHARE

	Profit/(Loss) attributable to equity shareholders £000	Basic Earnings/ (Loss) per share
6 months to 31st January 2010	<u>1,620</u>	<u>16.07p</u>
6 months to 31st January 2009	<u>1,840</u>	<u>18.25p</u>
Year to 31st July 2009	<u>(1,158)</u>	<u>(11.49)p</u>

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) 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 PROFIT/(LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES

	6 Months ended 31.1.10 (Unaudited) £000	6 Months ended 31.1.09 (Unaudited) £000	Year ended 31.7.09 (Audited) £000
Profit/(Loss) before tax	2,250	2,556	(1,208)
Share of profits from Joint Ventures	(130)	(28)	(217)
Depreciation	207	231	521
Unrealised revaluation deficits on investment properties	—	—	5,779
(Profit)/Loss on sale of property, plant and equipment	(15)	—	41
(Profit)/Loss on sale of available for sale financial assets	(57)	—	55
Impairment of available for sale financial assets	—	—	365
Change in retirement benefits	—	—	(1,174)
Interest received	(59)	(497)	(602)
Interest paid	—	—	1
Change in inventories	230	(1,855)	(292)
Change in receivables – current	(2,193)	34	8
Change in receivables – non current	—	(860)	—
Change in payables	323	354	(645)
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>556</b>	<b>(65)</b>	<b>2,632</b>

*DIRECTORS*

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

K. H. HASTINGS

A. D. McCLURE, *Secretary*

L. E. GLENDAY

*REGISTERED OFFICE*

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