

SMART

INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2011

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profits for the six months to 31st January 2011 amounted to £3,376,000 (including £1,872,000 profit from property sales) compared with profits of £2,250,000 (no property sales) for the corresponding period last year. Group turnover decreased by 39%. Own work capitalised decreased by 9%.

In accordance with our normal practice there has been no revaluation of our investment properties at the end of the half year. Had a revaluation been carried out then we believe there would have been a reduction in the profit figure.

Private dwelling sales were nil in the period under review. Our speculative office developments in Perth and McDonald Road, Edinburgh are complete but remain unlet.

Margins in contracting were hit by the adverse weather conditions, the redundancy programme now completed and the effect of reduced turnover.

INTERIM DIVIDEND

The Board announces an interim dividend of 4.60p per share (2010, 4.50p) to be paid on 6th June 2011 to shareholders on the register at the close of business on 13th May 2011. The interim dividend will cost the Company £464,000.

FUTURE PROSPECTS

We have substantially more work in hand in contracting than at this time last year, albeit at challenging prices, and we are starting to gear up again although turnover for the year is again expected to be less than last year.

Notwithstanding the bleak experience of the first six months of the current financial year, private house sales have slowly picked up in the last two months. Whether or not this trend will continue, only time will tell.

Insofar as our property portfolio is concerned, we are now losing tenants slightly quicker than we can replace them. Finding tenants for new space continues to be a struggle.

Bearing in mind the likelihood of a reduction in the value of our property portfolio at the year end, I expect that headline Group profits for the year, including an anticipated deficit in revalued property as required by the International Financial Reporting Standards, will be less than the corresponding figure for last year. However, subject to unforeseen circumstances, I anticipate that underlying profits for the year, including profits from property sales, will exceed last year's underlying profits.

25th March 2011

J.M. SMART
Chairman

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
Notes			
Group construction work carried out and share of Joint Ventures' turnover	7,746	12,711	23,690
Less: Share of Joint Ventures' turnover	—	—	—
Less: Own construction work capitalised	<u>(1,393)</u>	<u>(1,529)</u>	<u>(2,668)</u>
REVENUE	6,353	11,182	21,022
Cost of sales	<u>(5,065)</u>	<u>(9,188)</u>	<u>(16,662)</u>
GROSS PROFIT	1,288	1,994	4,360
Other operating income	2,772	2,678	5,521
Net operating expenses	<u>(2,788)</u>	<u>(2,707)</u>	<u>(5,490)</u>
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET VALUATION DEFICIT ON INVESTMENT PROPERTIES	1,272	1,965	4,391
Profit arising from sale of investment properties	1,872	—	—
Net deficit on valuation of investment properties	—	—	<i>(604)</i>
OPERATING PROFIT	3,144	1,965	3,787
Share of profits in Joint Ventures	116	130	201
Income from available for sale financial assets	55	39	89
Profit on sale of available for sale financial assets	—	57	95
Finance income	61	59	120
Finance costs	—	—	<i>(308)</i>
PROFIT BEFORE TAX	3,376	2,250	3,984
Taxation	4 <u>(945)</u>	<u>(630)</u>	<u>(250)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,431	1,620	3,734
EARNINGS PER SHARE – BASIC AND DILUTED	6 24.11p	16.07p	<i>37.04p</i>

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
PROFIT FOR THE PERIOD	2,431	1,620	3,734
Other comprehensive income			
Actuarial gain recognised on defined benefit pension scheme	—	—	2,489
Deferred taxation on actuarial gain	—	—	(767)
Total other comprehensive income	—	—	1,722
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,431	1,620	5,456

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	2,431	1,620	5,456
Fair value adjustment	252	160	217
Tax adjustment on fair value reserve	(71)	(45)	(42)
Dividends	(968)	(943)	(1,397)
	1,644	792	4,234
Opening shareholders' funds	96,541	92,307	92,307
Closing shareholders' funds	98,185	93,099	96,541

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,312	6,970	1,391
Investment properties	75,097	67,665	74,560
Investments in Joint Ventures	1,086	1,563	1,635
Available for sale financial assets	2,981	2,169	2,604
Deferred tax assets	719	1,534	719
	<u>81,195</u>	<u>79,901</u>	<u>80,909</u>
CURRENT ASSETS			
Inventories	8,074	8,246	7,324
Trade and other receivables	7,494	9,194	6,632
Corporation tax asset	—	—	26
Cash at bank and in hand	19,529	21,845	22,197
	<u>35,097</u>	<u>39,285</u>	<u>36,179</u>
TOTAL ASSETS	<u>116,292</u>	<u>119,186</u>	<u>117,088</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	1,344	4,468	1,344
Deferred tax liabilities	4,072	4,563	4,001
	<u>5,416</u>	<u>9,031</u>	<u>5,345</u>
CURRENT LIABILITIES			
Trade and other payables	2,970	6,579	5,068
Current tax liabilities	619	442	—
Bank overdraft	9,102	10,035	10,134
	<u>12,691</u>	<u>17,056</u>	<u>15,202</u>
TOTAL LIABILITIES	<u>18,107</u>	<u>26,087</u>	<u>20,547</u>
NET ASSETS	<u>98,185</u>	<u>93,099</u>	<u>96,541</u>
EQUITY			
Called up share capital	1,008	1,008	1,008
Fair value reserve	397	156	216
Retained earnings	96,780	91,935	95,317
TOTAL EQUITY	<u>98,185</u>	<u>93,099</u>	<u>96,541</u>

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES	7 (2,218)	1,940	5,672
Tax paid on profits	<u>(300)</u>	<u>(350)</u>	<u>(950)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(2,518)</u>	<u>1,590</u>	<u>4,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(101)	(159)	(304)
Additions to investment properties	(1,226)	(514)	(1,418)
Sale of property, plant and equipment	15	36	77
Sale of investment properties	3,954	—	—
Expenditure on own work capitalised – investment properties	(1,393)	(84)	(2,668)
Expenditure on own work capitalised – property under construction	—	(1,445)	—
Purchase of available for sale financial assets	(125)	(258)	(597)
Proceeds of sale of available for sale financial assets	—	219	219
Interest received	61	59	120
Interest paid	—	—	—
Dividends received from Joint Venture	665	850	850
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	<u>1,850</u>	<u>(1,296)</u>	<u>(3,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(968)	(943)	(1,397)
NET CASH USED IN FINANCING ACTIVITIES	<u>(968)</u>	<u>(943)</u>	<u>(1,397)</u>
DECREASE IN CASH, CASH EQUIVALENTS AND BANK	<u>(1,636)</u>	<u>(649)</u>	<u>(396)</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD	<u>12,063</u>	<u>12,459</u>	<u>12,459</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD	<u>10,427</u>	<u>11,810</u>	<u>12,063</u>

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 2010 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 2010, 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.

	External Revenue £000	Internal Revenue £000	Total Revenue £000	Operating Profit/(Loss)		
				31.1.11 £000	31.1.10 £000	31.7.10 £000
31st JANUARY 2011 (Unaudited)						
Construction activities	6,353	1,393	7,746	(544)	—	—
Investment activities	<u>2,772</u>	<u>—</u>	<u>2,772</u>	<u>3,688</u>	<u>—</u>	<u>—</u>
	<u>9,125</u>	<u>1,393</u>	<u>10,518</u>	<u>3,144</u>	<u>—</u>	<u>—</u>
31st JANUARY 2010 (Unaudited)						
Construction activities	11,182	1,529	12,711	—	118	—
Investment activities	<u>2,678</u>	<u>—</u>	<u>2,678</u>	<u>—</u>	<u>1,847</u>	<u>—</u>
	<u>13,860</u>	<u>1,529</u>	<u>15,389</u>	<u>—</u>	<u>1,965</u>	<u>—</u>
31st JULY 2010 (Audited)						
Construction activities	21,022	2,668	23,690	—	—	679
Investment activities	<u>5,521</u>	<u>—</u>	<u>5,521</u>	<u>—</u>	<u>—</u>	<u>3,108</u>
	<u>26,543</u>	<u>2,668</u>	<u>29,211</u>	<u>—</u>	<u>—</u>	<u>3,787</u>
OPERATING PROFIT				3,144	1,965	3,787
Share of results of Joint Ventures				116	130	201
Finance and investment income				116	155	304
Finance and investment costs				<u>—</u>	<u>—</u>	<u>(308)</u>
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>3,376</u>	<u>2,250</u>	<u>3,984</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

4. TAXATION

The tax charge for the 6 months to 31st January 2011 is based on the corporation tax rate at 28% (2010, 28%).

5. DIVIDENDS

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
ORDINARY DIVIDENDS			
2010 Final dividend of 9.60p per share	968	—	—
2010 Interim dividend of 4.50p per share	—	—	454
2009 Final dividend of 9.35p per share	—	943	943
	<u>968</u>	<u>943</u>	<u>1,397</u>

The interim dividend of 4.60p per share for the year to 31st July 2011 will be paid on 6th June 2011 to shareholders on the register at 13th May 2011. The interim dividend will cost the company £464,000.

6. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2011	<u>2,431</u>	<u>24.11p</u>
6 months to 31st January 2010	<u>1,620</u>	<u>16.07p</u>
Year to 31st July 2010	<u>3,734</u>	<u>37.04p</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

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

	6 Months ended 31.1.11 (Unaudited) £000	6 Months ended 31.1.10 (Unaudited) £000	Year ended 31.7.10 (Audited) £000
Profit before tax	3,376	2,250	3,984
Share of profits from Joint Ventures	(116)	(130)	(201)
Depreciation	171	207	456
Unrealised valuation deficits on investment properties	—	—	604
Profit on sale of property, plant and equipment	(6)	(15)	(37)
Profit on sale of investment properties	(1,872)	—	—
Profit on sale of available for sale financial assets	—	(57)	(95)
Change in retirement benefits	—	—	(635)
Interest received	(61)	(59)	(120)
Interest paid	—	—	—
Change in inventories	(750)	230	1,152
Change in receivables	(862)	(2,193)	369
Change in payables	<u>(2,098)</u>	<u>1,707</u>	<u>195</u>
NET CASH GENERATED FROM OPERATIONS	<u>(2,218)</u>	<u>1,940</u>	<u>5,672</u>

DIRECTORS

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

K. H. HASTINGS (*retired 20th December 2010*)

A. D. McCLURE, *Secretary*

L. E. GLENDAY

D. W. SMART (*appointed 20th December 2010*)

REGISTERED OFFICE

28 CRAMOND ROAD SOUTH,
EDINBURGH,
EH4 6AB.

REGISTRARS AND TRANSFER OFFICE

EQUINITI LIMITED,
1ST FLOOR,
34 SOUTH GYLE CRESCENT,
SOUTH GYLE BUSINESS PARK,
EDINBURGH,
EH12 9EB.