

SMART

**INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2016**

J. SMART & CO. (CONTRACTORS) PLC

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profit for the six months to 31st January 2016 amounted to £531,000 compared with £559,000 for the corresponding period last year. Group turnover increased by 14%. Own work capitalised increased by 156%.

In accordance with our normal practice, there has been no revaluation of our investment properties at the end of the half year. We believe that a half year revaluation would have had little effect on the figures.

Residential forward sales and reservations have been buoyant at our City Park Development at Pilton Drive, Edinburgh, but will have no effect on revenue until the second half of the current year.

The first phase of our speculative industrial development at Bellshill Industrial Estate, Glasgow is making good progress with promising initial interest.

Current site progress in contracting is satisfactory.

INTERIM DIVIDEND

The Board announces an interim dividend of 0.92p per share (2015, 0.92p) to be paid on 31st May 2016 to shareholders on the register at the close of business on 6th May 2016. The interim dividend will cost the Company no more than £422,000.

FUTURE PROSPECTS

We have approximately the same amount of work in hand in contracting compared with this time last year. Margins are no better.

Private residential sales numbers for the current financial year will be more than the previous year.

Occupancy levels and letting prospects in our industrial properties generally remain healthy. While there is a slight improvement in our office property occupancy levels, void levels here remain unacceptably high.

The Scottish Government's decision to levy rates on empty industrial property, together with the uncertain political and economic climate, may have a negative effect on the year end valuation of our property portfolio, which would in turn reduce the potential headline profit for the current financial year.

Bearing in mind that there is at present no prospect of a repeat of last year's profit of £1,318,000 on property sales and joint venture property sales, underlying profit for the year is unlikely to achieve last year's figure of £3,755,000.

11th April 2016

J.M. SMART
Chairman

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
Notes			
Group construction work carried out	10,746	9,443	21,556
Less: Own construction work capitalised	<u>(1,254)</u>	<u>(489)</u>	<u>(737)</u>
REVENUE	9,492	8,954	20,819
Cost of sales	<u>(8,949)</u>	<u>(8,402)</u>	<u>(18,061)</u>
GROSS PROFIT	543	552	2,758
Other operating income	2,744	2,588	5,241
Net operating expenses	<u>(2,842)</u>	<u>(2,811)</u>	<u>(5,839)</u>
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES	445	329	2,160
Profit arising on sale of investment properties	–	11	60
Net deficit on valuation of investment properties	<u>–</u>	<u>–</u>	<u>(211)</u>
OPERATING PROFIT	445	340	2,009
Share of profits in Joint Ventures	15	142	1,306
Income from available for sale financial assets	7	15	28
Profit on sale of available for sale financial assets	–	1	1
Finance income	<u>64</u>	<u>61</u>	<u>200</u>
PROFIT BEFORE TAX	531	559	3,544
Taxation	5 <u>(105)</u>	<u>(87)</u>	<u>(546)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>426</u>	<u>472</u>	<u>2,998</u>
EARNINGS PER SHARE – BASIC AND DILUTED	7 <u>0.93p</u>	<u>1.01p</u>	<u>6.45p</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
Profit for the period	<u>426</u>	<u>472</u>	<u>2,998</u>
Other comprehensive loss			
Items that may be subsequently reclassified to Income Statement:			
Fair value adjustment of available for sale financial assets	(57)	(24)	(46)
Tax adjustment on fair value reserve	<u>—</u>	<u>—</u>	<u>—</u>
Total items which may be subsequently reclassified to Income Statement	<u>(57)</u>	<u>(24)</u>	<u>(46)</u>
Items that will not be subsequently reclassified to Income Statement:			
Actuarial loss recognised in defined benefit pension scheme	—	—	(1,003)
Deferred taxation on actuarial loss	<u>—</u>	<u>—</u>	<u>201</u>
Total items that will not be reclassified subsequently to Income Statement	<u>—</u>	<u>—</u>	<u>(802)</u>
Total other comprehensive loss	<u>(57)</u>	<u>(24)</u>	<u>(848)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>369</u>	<u>448</u>	<u>2,150</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>369</u>	<u>448</u>	<u>2,150</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2015		919	89	(46)	87,987	88,949
Profit for the period		–	–	–	426	426
Other comprehensive loss		–	–	(57)	–	(57)
Total comprehensive (loss)/income for period		–	–	(57)	426	369
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(3)	–	–	(139)	(142)
Transfer to Capital Redemption Reserve		–	3	–	(3)	–
Dividends	6	–	–	–	(425)	(425)
Total transactions with owners		<u>(3)</u>	<u>3</u>	<u>–</u>	<u>(567)</u>	<u>(567)</u>
As at 31st January 2016		<u>916</u>	<u>92</u>	<u>(103)</u>	<u>87,846</u>	<u>88,751</u>
As at 1st August 2014		936	72	–	87,474	88,482
Profit for the period		–	–	–	472	472
Other comprehensive loss		–	–	(24)	–	(24)
Total comprehensive (loss)/income for period		–	–	(24)	472	448
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(5)	–	–	(228)	(233)
Transfer to Capital Redemption Reserve		–	5	–	(5)	–
Dividends	6	–	–	–	(428)	(428)
Total transactions with owners		<u>(5)</u>	<u>5</u>	<u>–</u>	<u>(661)</u>	<u>(661)</u>
As at 31st January 2015		<u>931</u>	<u>77</u>	<u>(24)</u>	<u>87,285</u>	<u>88,269</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2014		936	72	–	87,474	88,482
Profit for the period		–	–	–	2,998	2,998
Other comprehensive loss		–	–	(46)	(802)	(848)
Total comprehensive (loss)/income for period		<u>–</u>	<u>–</u>	<u>(46)</u>	<u>2,196</u>	<u>2,150</u>
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(17)	–	–	(814)	(831)
Transfer to Capital Redemption Reserve		–	17	–	(17)	–
Dividends	6	–	–	–	(852)	(852)
Total transactions with owners		<u>(17)</u>	<u>17</u>	<u>–</u>	<u>(1,683)</u>	<u>(1,683)</u>
As at 31st July 2015		<u>919</u>	<u>89</u>	<u>(46)</u>	<u>87,987</u>	<u>88,949</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,347	1,281	1,382
Investment properties	64,516	63,286	63,231
Investments in Joint Ventures	282	1,428	267
Available for sale financial assets	280	354	337
Retirement benefit surplus	1,472	1,629	1,472
Deferred tax assets	27	23	27
	<u>67,924</u>	<u>68,001</u>	<u>66,716</u>
CURRENT ASSETS			
Inventories	8,521	7,133	5,735
Trade and other receivables	6,338	8,086	4,508
Current tax asset	6	758	995
Monies held on deposit	4,508	–	3,502
Cash and cash equivalents	20,013	21,143	26,047
	<u>39,386</u>	<u>37,120</u>	<u>40,787</u>
TOTAL ASSETS	<u>107,310</u>	<u>105,121</u>	<u>107,503</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1,830	1,707	1,830
CURRENT LIABILITIES			
Trade and other payables	5,441	5,177	4,000
Bank overdraft	11,288	9,968	12,724
	<u>16,729</u>	<u>15,145</u>	<u>16,724</u>
TOTAL LIABILITIES	<u>18,559</u>	<u>16,852</u>	<u>18,554</u>
NET ASSETS	<u>88,751</u>	<u>88,269</u>	<u>88,949</u>
EQUITY			
Called up share capital	916	931	919
Capital redemption reserve	92	77	89
Fair value reserve	(103)	(24)	(46)
Retained earnings	87,846	87,285	87,987
TOTAL EQUITY	<u>88,751</u>	<u>88,269</u>	<u>88,949</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
CASH FLOWS FROM OPERATING ACTIVITIES	9	(2,554)	(332)	4,991
Tax received/(paid)		<u>884</u>	<u>143</u>	<u>(233)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(1,670)</u>	<u>(189)</u>	<u>4,758</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(154)	(79)	(483)
Additions to investment properties		(31)	(177)	(236)
Expenditure on own work capitalised – investment properties		(1,254)	(489)	(737)
Sale of property, plant and equipment		20	18	78
Sale of investment properties		–	1,000	1,000
Purchase of available for sale financial assets		–	(378)	(383)
Proceeds of sale of available for sale financial assets		–	3,997	3,997
Increase in monies held on deposit		(1,006)	–	(3,502)
Interest received		64	61	117
Dividend received from Joint Ventures		–	2	2,327
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(2,361)</u>	<u>3,955</u>	<u>2,178</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of own shares		(142)	(233)	(831)
Dividends paid		(425)	(428)	(852)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(567)</u>	<u>(661)</u>	<u>(1,683)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(4,598)</u>	<u>3,105</u>	<u>5,253</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>13,323</u>	<u>8,070</u>	<u>8,070</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>8,725</u>	<u>11,175</u>	<u>13,323</u>

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

J. Smart & Co. (Contractors) PLC is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the six months ended 31st January 2016 comprise the Company and its Subsidiaries, together referred to as the Group, and the Group's interest in jointly controlled entities.

The condensed consolidated interim financial statements for the six months to 31st January 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34: Interim Financial Reporting as adopted by the European Union.

The condensed consolidated interim financial statements for the six months to 31st January 2016 do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year to 31st July 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The statutory financial statements for the year to 31st July 2015 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, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements have not been audited or reviewed by the Company's auditors. A copy of the interim financial statements will be available on the Company's website www.jsmart.co.uk.

2. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required for investment properties and available for sale financial assets.

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 2015, with the exception of the policies regarding the accounting for pension scheme obligations and investment properties revaluations.

For the condensed consolidated interim financial statements the assets and liabilities of the pension scheme are estimated to be unchanged from the values included at the previous year end. Also, 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 condensed consolidated interim financial statements.

NOTES TO INTERIM FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Interpretations effective in period

There are no new standards or amendments to standards or interpretations issued by the International Accounting Standards Board which are mandatory for the Group for the first time in the financial year to 31st July 2016.

Estimates and assumptions

The preparation of the condensed consolidated interim 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, 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.

Going concern

The Directors have a reasonable expectation that the Company and Group as a whole have adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of these accounts. For this reason, the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

3. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which could have a material impact on the Group's performance for the remainder of the current financial year remain the same as those detailed in the Group's Annual Report and Financial Statements for the year to 31st July 2015.

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION

The Group has identified operating segments on the basis of internal reporting components that are regularly reviewed by the chief operating decision maker to allow the allocation of resources to segments and assess their performance. The Board of Directors has been recognised as the chief operating decision maker.

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 Revenue £000	Internal Revenue £000	Total Revenue £000	Operating Profit / (Loss)		
				31.1.16 £000	31.1.15 £000	31.7.15 £000
31st JANUARY 2016 (Unaudited)						
Construction activities	9,492	1,254	10,746	(1,190)	–	–
Investment activities	<u>2,744</u>	<u>–</u>	<u>2,744</u>	<u>1,635</u>	<u>–</u>	<u>–</u>
	<u>12,236</u>	<u>1,254</u>	<u>13,490</u>	<u>445</u>	<u>–</u>	<u>–</u>
31st JANUARY 2015 (Unaudited)						
Construction activities	8,954	489	9,443	–	(1,213)	–
Investment activities	<u>2,588</u>	<u>–</u>	<u>2,588</u>	<u>–</u>	<u>1,553</u>	<u>–</u>
	<u>11,542</u>	<u>489</u>	<u>12,031</u>	<u>–</u>	<u>340</u>	<u>–</u>
31st JULY 2015 (Audited)						
Construction activities	20,819	737	21,556	–	–	(949)
Investment activities	<u>5,241</u>	<u>–</u>	<u>5,241</u>	<u>–</u>	<u>–</u>	<u>2,958</u>
	<u>26,060</u>	<u>737</u>	<u>26,797</u>	<u>–</u>	<u>–</u>	<u>2,009</u>
OPERATING PROFIT				445	340	2,009
Share of results of Joint Ventures				15	142	1,306
Finance and investment income and profit on sale of available for sale financial assets				<u>71</u>	<u>77</u>	<u>229</u>
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>531</u>	<u>559</u>	<u>3,544</u>

5. TAXATION

The tax charge for the 6 months to 31st January 2016 is based on the corporation tax rate at 20.00% (2015, 20.67%).

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

6. DIVIDENDS

	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
ORDINARY DIVIDENDS			
2015 Final dividend of 2.10p, after waivers	425	–	–
2015 Interim dividend of 0.92p	–	–	424
2014 Final dividend of 2.04p, after waivers	–	428	428
	<u>425</u>	<u>428</u>	<u>852</u>

The interim dividend of 0.92p per share for the year to 31st July 2016 will be paid on 31st May 2016 to shareholders on the register at 6th May 2016. The interim dividend will cost the Company no more than £422,000.

7. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2016	<u>426</u>	<u>0.93p</u>
6 months to 31st January 2015	<u>472</u>	<u>1.01p</u>
Year to 31st July 2015	<u>2,998</u>	<u>6.45p</u>

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares in issue during the period.

During the 6 months to 31st January 2016 the Company purchased for immediate cancellation 135,000 Ordinary Shares of 2p.

The earnings per share for the 6 months to 31st January 2016 is based on weighted average number of shares amounting to 45,956,844, the earnings per share for the 6 months to 31st January 2015 is based on a weighted average number of shares amounting to 46,769,057 and the earnings per share for the year to 31st July 2015 is based on a weighted average number of shares amounting to 46,515,809.

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

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

8. FAIR VALUE ASSETS

The Group's investment properties and available for sale financial assets are measured at fair value after initial recognition.

Investment properties are only valued annually by the Directors at the year end and not for the purposes of the interim financial statements. The Group considers all of its investment properties fall within 'Level 3' of the fair value hierarchy as described by IFRS 13: Fair Value Measurement. Level 3 valuations are those using inputs for the asset or liability that are not based on observable market data. The main unobservable inputs relate to estimated rental value and equivalent yield.

The Group's available for sale financial assets consisted entirely of equities of companies listed on quoted markets which fall within 'Level 1' of the fair value hierarchy. Level 1 valuations are those using inputs which are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access at the period end date.

9. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

	6 Months ended 31.1.16 (Unaudited) £000	6 Months ended 31.1.15 (Unaudited) £000	Year ended 31.7.15 (Audited) £000
Profit before tax	531	559	3,544
Share of profits from Joint Ventures	(15)	(142)	(1,306)
Depreciation	184	167	450
Unrealised valuation deficit on investment properties	–	–	211
Profit on sale of property, plant and equipment	(15)	(7)	(47)
Profit on sale of investment properties	–	(11)	(60)
Profit on sale of available for sale financial assets	–	(1)	(1)
Change in retirement benefits	–	–	(846)
Interest received	(64)	(61)	(117)
Change in inventories	(2,786)	(887)	711
Change in receivables	(1,830)	(983)	2,595
Change in payables	<u>1,441</u>	<u>1,034</u>	<u>(143)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(2,554)</u>	<u>(332)</u>	<u>4,991</u>

10. RELATED PARTY TRANSACTIONS

Related parties are consistent with those disclosed in the Group's Annual Report and Statement of Accounts for the year to 31st July 2015.

Related party transactions, including salary and benefits provided to Directors and key management, were not material to the financial position or performance of the Group for the period.

J. SMART & CO. (CONTRACTORS) PLC

STATEMENTS OF DIRECTORS' RESPONSIBILITIES

The Directors named below, confirm on behalf of the Board of Directors that to the best of their knowledge the condensed consolidated interim financial statements for the six months to 31st January 2016 have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statements include a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, being:

- an indication of important events that have occurred during the six months to 31st January 2016 and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year, and
- material related party transactions in the six months to 31st January 2016 and any material changes in the related party transactions described in the last annual report.

The Directors of the Company are listed in the Annual Report and Statement of Accounts for the year to 31st July 2015.

By order of the Board

J. M. SMART, *Director*

D. W. SMART, *Director*

11th April 2016

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

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