

SMART

**INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2012**

J. SMART & CO. (CONTRACTORS) PLC

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profit for the six months to 31st January 2012 amounted to £1,457,000 (no property sales) compared with a profit of £3,376,000 (including £1,872,000 profit from property sales) for the corresponding period last year. Group turnover increased by 78%. Own work capitalised increased by 26%.

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 that this would have resulted in a reduced headline profit figure as calculated in accordance with the International Financial Reporting Standards.

Private dwelling sales were negligible in the period under review. Our mixed commercial and residential development at Robertson Avenue continues apace. The first phase of our industrial development at Bathgate is almost complete and attracting interest.

Margins in contracting are proving to be slim.

INTERIM DIVIDEND

The Board announces an interim dividend of 0.92p per share (2011 equivalent 0.92p) to be paid on 4th June 2012 to shareholders on the register at the close of business on 11th May 2012. The interim dividend will cost the Company £462,000.

FUTURE PROSPECTS

We have less work in hand in contracting than at this time last year. Turnover for the year will be more than last year, however the prospects for future workload are uncertain.

After a difficult first half to the financial year private dwelling sales have achieved a modest revival over the last two months.

Occupancy levels in commercial and industrial property have deteriorated marginally since the end of the last financial year, however interest in industrial space has slowly picked up since January. Whether this will translate into a significant improvement in occupancy levels remains to be seen.

All sectors of your Company's activities remain in recession. A further reduction in the value of our property portfolio is anticipated at the end of the year which in accordance with the dictates of the International Financial Reporting Standards will adversely affect the headline figure for the full year. I expect that underlying profit for the year will be less than last year.

29th March 2012

J.M. SMART
Chairman

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	Notes	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
Group construction work carried out and share of Joint Ventures' turnover		13,757	7,746	19,588
Less: Share of Joint Ventures' turnover		(67)	–	–
Less: Own construction work capitalised		<u>(1,755)</u>	<u>(1,393)</u>	<u>(2,587)</u>
REVENUE		11,935	6,353	17,001
Cost of sales		<u>(10,561)</u>	<u>(5,065)</u>	<u>(13,176)</u>
GROSS PROFIT		1,374	1,288	3,825
Other operating income		2,737	2,772	5,523
Net operating expenses		<u>(2,891)</u>	<u>(2,788)</u>	<u>(5,851)</u>
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES		1,220	1,272	3,497
Profit arising on sale of investment properties		–	1,872	1,929
Net deficit on valuation of investment properties		–	–	<u>(5,336)</u>
OPERATING PROFIT		1,220	3,144	90
Share of profits in Joint Ventures		113	116	42
Income from available for sale financial assets		61	55	140
Finance income		63	61	384
Finance costs		–	–	–
PROFIT BEFORE TAX		1,457	3,376	656
Taxation	5	<u>(170)</u>	<u>(945)</u>	<u>358</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		<u>1,287</u>	<u>2,431</u>	<u>1,014</u>
EARNINGS PER SHARE – BASIC AND DILUTED	7	<u>2.55p</u>	<u>4.82p</u>	<u>2.01p</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
Actuarial gain recognised on defined benefit pension scheme	–	–	1,847
Deferred taxation on actuarial gain	<u>–</u>	<u>–</u>	<u>(601)</u>
NET SURPLUS RECOGNISED DIRECTLY IN EQUITY	–	–	1,246
Profit for the period	<u>1,287</u>	<u>2,431</u>	<u>1,014</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	<u>1,287</u>	<u>2,431</u>	<u>2,260</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>1,287</u>	<u>2,431</u>	<u>2,260</u>

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 1 August 2011		1,008	–	407	96,145	97,560
Total recognised Income and Expense		–	–	–	1,287	1,287
Fair value adjustment		–	–	(98)	–	(98)
Tax adjustment on fair value reserve		<u>–</u>	<u>–</u>	<u>28</u>	<u>–</u>	<u>28</u>
Total comprehensive income		<u>–</u>	<u>–</u>	<u>(70)</u>	<u>1,287</u>	<u>1,217</u>
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(3)	–	–	(107)	(110)
Transfer to capital redemption reserve		–	3	–	(3)	–
Dividends	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>(978)</u>	<u>(978)</u>
Total transactions with owners		<u>(3)</u>	<u>3</u>	<u>–</u>	<u>(1,088)</u>	<u>(1,088)</u>
As at 31 January 2012		<u>1,005</u>	<u>3</u>	<u>337</u>	<u>96,344</u>	<u>97,689</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Notes	Capital			Retained Earnings £000	Total £000
		Share Capital £000	Redemption Reserve £000	Fair Value Reserve £000		
As at 1 August 2010		1,008	–	216	95,317	96,541
Total recognised Income and Expense		–	–	–	2,431	2,431
Fair value adjustment		–	–	252	–	252
Tax adjustment on fair value reserve		–	–	(71)	–	(71)
Total comprehensive income		–	–	181	2,431	2,612
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		–	–	–	–	–
Transfer to capital redemption reserve		–	–	–	–	–
Dividends	6	–	–	–	(968)	(968)
Total transactions with owners		–	–	–	(968)	(968)
As at 31 January 2011		<u>1,008</u>	<u>–</u>	<u>397</u>	<u>96,780</u>	<u>98,185</u>
As at 1 August 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)
Total comprehensive income		–	–	191	2,260	2,451
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		–	–	–	–	–
Transfer to capital redemption reserve		–	–	–	–	–
Dividends	6	–	–	–	(1,432)	(1,432)
Total transactions with owners		–	–	–	(1,432)	(1,432)
As at 31 July 2011		<u>1,008</u>	<u>–</u>	<u>407</u>	<u>96,145</u>	<u>97,560</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,305	1,312	1,290
Investment properties	74,411	75,097	72,586
Investments in Joint Ventures	1,125	1,086	1,012
Available for sale financial assets	2,920	2,981	3,018
Retirement benefit surplus	1,660	–	1,660
Deferred tax assets	253	719	253
	<u>81,674</u>	<u>81,195</u>	<u>79,819</u>
CURRENT ASSETS			
Inventories	8,516	8,074	7,078
Trade and other receivables	7,660	7,494	7,375
Corporation tax asset	–	–	–
Cash at bank and in hand	14,276	19,529	21,704
	<u>30,452</u>	<u>35,097</u>	<u>36,157</u>
TOTAL ASSETS	<u>112,126</u>	<u>116,292</u>	<u>115,976</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	–	1,344	–
Deferred tax liabilities	2,824	4,072	2,852
	<u>2,824</u>	<u>5,416</u>	<u>2,852</u>
CURRENT LIABILITIES			
Trade and other payables	4,266	2,970	4,376
Current tax liabilities	130	619	234
Bank overdraft	7,217	9,102	10,954
	<u>11,613</u>	<u>12,691</u>	<u>15,564</u>
TOTAL LIABILITIES	<u>14,437</u>	<u>18,107</u>	<u>18,416</u>
NET ASSETS	<u>97,689</u>	<u>98,185</u>	<u>97,560</u>
EQUITY			
Called up share capital	1,005	1,008	1,008
Capital redemption reserve	3	–	–
Fair value reserve	337	397	407
Retained earnings	96,344	96,780	96,145
TOTAL EQUITY	<u>97,689</u>	<u>98,185</u>	<u>97,560</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
CASH FLOWS FROM OPERATING ACTIVITIES	8	(378)	(2,218)	1,951
Tax paid on profits		<u>(274)</u>	<u>(300)</u>	<u>(710)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>(652)</u>	<u>(2,518)</u>	<u>1,241</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(196)	(101)	(363)
Additions to investment properties		(70)	(1,226)	(2,900)
Sale of property, plant and equipment		7	15	54
Sale of investment properties		–	3,954	4,054
Expenditure on own work capitalised – investment properties		(1,755)	(1,393)	(2,587)
Purchase of available for sale financial assets		–	(125)	(178)
Proceeds of sale of available for sale financial assets		–	–	–
Interest received		63	61	133
Interest paid		–	–	–
Dividends received from Joint Venture		–	665	665
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		<u>(1,951)</u>	<u>1,850</u>	<u>(1,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of own shares		(110)	–	–
Dividends paid		<u>(978)</u>	<u>(968)</u>	<u>(1,432)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,088)</u>	<u>(968)</u>	<u>(1,432)</u>
DECREASE IN CASH, CASH EQUIVALENTS AND BANK		<u>(3,691)</u>	<u>(1,636)</u>	<u>(1,313)</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD		<u>10,750</u>	<u>12,063</u>	<u>12,063</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD		<u>7,059</u>	<u>10,427</u>	<u>10,750</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 2012 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 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services 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 2012 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 2011, 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 2011 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.

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 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 2011, with the exception of the following policies regarding the accounting for pension scheme surplus 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.

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.

Interpretations effective in period

The following new standards and amendments to standards are mandatory for the first time for the financial year to 31st July 2012 but have no impact on the Group:

- Amendment to IFRS 7 – Financial Instruments : Disclosures
- Revised IAS 24 – Related Party Disclosures
- Amendment to IFRIC 14 – Prepayments of Minimum Funding Requirement.

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

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.

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, 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 2011.

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 profit.

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (continued)

	External	Internal	Total	Operating Profit		
	Revenue	Revenue	Revenue	31.1.12	31.1.11	31.7.11
	£000	£000	£000	£000	£000	£000
31st JANUARY 2012 (Unaudited)						
Construction activities	11,935	1,755	13,690	(455)	–	–
Investment activities	<u>2,737</u>	<u>–</u>	<u>2,737</u>	<u>1,675</u>	<u>–</u>	<u>–</u>
	<u>14,672</u>	<u>1,755</u>	<u>16,427</u>	<u>1,220</u>	<u>–</u>	<u>–</u>
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>–</u>	<u>3,688</u>	<u>–</u>
	<u>9,125</u>	<u>1,393</u>	<u>10,518</u>	<u>–</u>	<u>3,144</u>	<u>–</u>
31st JULY 2011 (Audited)						
Construction activities	17,001	2,587	19,588	–	–	51
Investment activities	<u>5,523</u>	<u>–</u>	<u>5,523</u>	<u>–</u>	<u>–</u>	<u>39</u>
	<u>22,524</u>	<u>2,587</u>	<u>25,111</u>	<u>–</u>	<u>–</u>	<u>90</u>
OPERATING PROFIT				1,220	3,144	90
Share of results of Joint Ventures				113	116	42
Finance and investment income				124	116	524
Finance and investment costs				<u>–</u>	<u>–</u>	<u>–</u>
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>1,457</u>	<u>3,376</u>	<u>656</u>

5. TAXATION

The tax charge for the six months to 31st January 2012 is based on the corporation tax rate at 25.33% (2011, 28%).

6. DIVIDENDS

	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
ORDINARY DIVIDENDS			
2011 Final dividend of 9.70p per share	978	–	–
2011 Interim dividend of 4.60p per share	–	–	464
2010 Final dividend of 9.60p per share	<u>–</u>	<u>968</u>	<u>968</u>
	<u>978</u>	<u>968</u>	<u>1,432</u>

The interim dividend of 0.92p per share for the year to 31st July 2012 will be paid on 4th June 2012 to shareholders on the register at 11th May 2012. The interim dividend will cost the Company £462,000.

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

7. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2012	<u>1,287</u>	<u>2.55p</u>
6 months to 31st January 2011	<u>2,431</u>	<u>4.82p</u>
Year to 31st July 2011	<u>1,014</u>	<u>2.01p</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.

On 21st December 2011 there was a subdivision of the Company's shares resulting in 5 New Ordinary Shares of 2p for 1 Old Ordinary Share of 10p.

On 20th January 2012 the Company purchased for immediate cancellation 150,000 Ordinary Shares of 2p.

The earnings per share for the 6 months to 31st January 2012 is based on weighted average number of shares amounting to 50,401,033 and the earnings per share for the 6 months to 31st January 2011 and the year to 31st July 2011 are based on a weighted average number of shares amounting to 50,410,000.

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

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

	6 Months ended 31.1.12 (Unaudited) £000	6 Months ended 31.1.11 (Unaudited) £000	Year ended 31.7.11 (Audited) £000
Profit before tax	1,457	3,376	656
Share of profits from Joint Ventures	(113)	(116)	(42)
Depreciation	178	171	426
Unrealised valuation deficit on investment properties	–	–	5,336
Profit on sale of property, plant and equipment	(4)	(6)	(16)
Profit on sale of investment properties	–	(1,872)	(1,929)
Profit on sale of available for sale financial assets	–	–	–
Change in retirement benefits	–	–	(1,157)
Interest received	(63)	(61)	(133)
Interest paid	–	–	–
Change in inventories	(1,438)	(750)	246
Change in receivables	(285)	(862)	(743)
Change in payables	<u>(110)</u>	<u>(2,098)</u>	<u>(693)</u>
NET CASH GENERATED FROM OPERATIONS	<u>(378)</u>	<u>(2,218)</u>	<u>1,951</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

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.

Related parties are consistent with those disclosed in the Group's Annual Report and Statement of Accounts for the year to 31st July 2011.

J. SMART & CO. (CONTRACTORS) PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors named below, confirm on behalf of the Board of Directors that to the best of their knowledge that the condensed consolidated interim financial statements for the six months to 31st January 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed consolidated interim financial statement includes 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 2012 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 2012 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 2011. Since that year end, A. D. McClure retired as a Director on 19th December 2011 and A. H. Ross was appointed a Director on 1st January 2012.

By order of the Board

J. M. SMART, *Director*

L. E. GLENDAY, *Director*

29th March 2012

J. SMART & CO. (CONTRACTORS) PLC

DIRECTORS

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

A. D. McCLURE (*retired 19th December 2011*)

L. E. GLENDAY

D. W. SMART

A. H. ROSS (*appointed 1st January 2012*)

COMPANY SECRETARY

P. SWEENEY (*appointed 18th November 2011*)

REGISTERED OFFICE

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REGISTRARS AND TRANSFER OFFICE

EQUINITI LIMITED

1ST FLOOR

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