

SMART

**INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2015**

J. SMART & CO. (CONTRACTORS) PLC

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profit for the six months to 31st January 2015 amounted to £559,000 compared with a profit of £441,000 for the corresponding period last year. Group turnover increased by 5%. Own work capitalised decreased by 2%.

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 sales were well down on the previous half year due to a lull between development starts. However, forward sales and reservations at our City Park Development at Pilton Drive, Edinburgh are promising.

There are no commercial or industrial developments underway at present, although we anticipate recommencing industrial development by the Autumn.

Current site progress in contracting is satisfactory.

INTERIM DIVIDEND

The Board announces an interim dividend of 0.92p per share (2014, 0.92p) to be paid on 1st June 2015 to shareholders on the register at the close of business on 8th May 2015. The interim dividend will cost the Company no more than £429,000.

FUTURE PROSPECTS

We have substantially more work in hand in contracting than at this time last year. Margins continue to be a challenge.

Private residential sales prospects are good. However, sales numbers for the current financial year will be substantially less than the previous year.

Occupancy levels and letting prospects with regard to our industrial properties are healthy. Void levels in our office properties remain unacceptably high although letting prospects here appear slightly brighter.

There are too many uncertainties to forecast the headline profit for the current year with any degree of accuracy. However, I estimate that underlying profit for the year should at least approximate to last year's underlying profit of £1,764,000.

26th March 2015

J.M. SMART
Chairman

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	Notes	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
Group construction work carried out		9,443	9,029	24,805
Less: Own construction work capitalised		<u>(489)</u>	<u>(497)</u>	<u>(1,994)</u>
REVENUE		8,954	8,532	22,811
Cost of sales		<u>(8,402)</u>	<u>(8,373)</u>	<u>(22,521)</u>
GROSS PROFIT		552	159	290
Other operating income		2,588	2,725	5,253
Net operating expenses		<u>(2,811)</u>	<u>(2,639)</u>	<u>(5,652)</u>
OPERATING PROFIT/(LOSS) BEFORE PROFIT ON SALE AND NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES		329	245	(109)
Profit arising on sale of investment properties		11	–	–
Net deficit on valuation of investment properties		<u>–</u>	<u>–</u>	<u>(782)</u>
OPERATING PROFIT / (LOSS)		340	245	(891)
Share of profits in Joint Ventures		142	121	469
Income from available for sale financial assets		15	66	143
Profit/(loss) on sale of available for sale financial assets		1	(22)	1,299
Finance income		<u>61</u>	<u>31</u>	<u>187</u>
PROFIT BEFORE TAX		559	441	1,207
Taxation	5	<u>(87)</u>	<u>(72)</u>	<u>(182)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		472	<u>369</u>	<u>1,025</u>
EARNINGS PER SHARE – BASIC AND DILUTED	7	1.01p	<u>0.78p</u>	<u>2.18p</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
Profit for the period	<u>472</u>	<u>369</u>	<u>1,025</u>
Other comprehensive loss			
Items that may be subsequently reclassified to Income Statement:			
Fair value adjustment of available for sale financial assets	(24)	(87)	(1,266)
Tax adjustment on fair value reserve	<u>-</u>	<u>19</u>	<u>180</u>
Total items which may be subsequently reclassified to Income Statement	<u>(24)</u>	<u>(68)</u>	<u>(1,086)</u>
Items that will not be subsequently reclassified to Income Statement:			
Actuarial loss recognised in defined benefit pension scheme	-	-	(1,793)
Deferred taxation on actuarial loss	<u>-</u>	<u>-</u>	<u>358</u>
Total items that will not be reclassified subsequently to Income Statement	<u>-</u>	<u>-</u>	<u>(1,435)</u>
Total other comprehensive loss	<u>(24)</u>	<u>(68)</u>	<u>(2,521)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>448</u>	<u>301</u>	<u>(1,496)</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>448</u>	<u>301</u>	<u>(1,496)</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 1 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		(5)	5	–	(661)	(661)
As at 31 January 2015		<u>931</u>	<u>77</u>	<u>(24)</u>	<u>87,285</u>	<u>88,269</u>
As at 1 August 2013		942	66	1,086	89,031	91,125
Profit for the period		–	–	–	369	369
Other comprehensive loss		–	–	(68)	–	(68)
Total comprehensive (loss)/income for period		–	–	(68)	369	301
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(2)	–	–	(121)	(123)
Transfer to Capital Redemption Reserve		–	2	–	(2)	–
Dividends	6	–	–	–	(430)	(430)
Total transactions with owners		(2)	2	–	(553)	(553)
As at 31 January 2014		<u>940</u>	<u>68</u>	<u>1,018</u>	<u>88,847</u>	<u>90,873</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 1 August 2013		942	66	1,086	89,031	91,125
Profit for the period		–	–	–	1,025	1,025
Other comprehensive loss		–	–	(1,086)	(1,435)	(2,521)
Total comprehensive loss for period		<u>–</u>	<u>–</u>	<u>(1,086)</u>	<u>(410)</u>	<u>(1,496)</u>
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(6)	–	–	(279)	(285)
Transfer to Capital Redemption Reserve		–	6	–	(6)	–
Dividends	6	–	–	–	(862)	(862)
Total transactions with owners		<u>(6)</u>	<u>6</u>	<u>–</u>	<u>(1,147)</u>	<u>(1,147)</u>
As at 31 July 2014		<u>936</u>	<u>72</u>	<u>–</u>	<u>87,474</u>	<u>88,482</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,281	1,208	1,380
Investment properties	63,286	62,873	63,609
Investments in Joint Ventures	1,428	940	1,288
Trade and other receivables	–	1,055	–
Available for sale financial assets	354	3,902	–
Retirement benefit surplus	1,629	2,567	1,629
Deferred tax assets	23	109	23
	<u>68,001</u>	<u>72,654</u>	<u>67,929</u>
CURRENT ASSETS			
Inventories	7,133	13,425	6,246
Trade and other receivables	8,086	7,413	11,099
Current tax asset	758	316	988
Cash at bank and in hand	21,143	12,786	16,802
	<u>37,120</u>	<u>33,940</u>	<u>35,135</u>
TOTAL ASSETS	<u>105,121</u>	<u>106,594</u>	<u>103,064</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1,707	2,030	1,707
CURRENT LIABILITIES			
Trade and other payables	5,177	3,824	4,143
Bank overdraft	9,968	9,867	8,732
	<u>15,145</u>	<u>13,691</u>	<u>12,875</u>
TOTAL LIABILITIES	<u>16,852</u>	<u>15,721</u>	<u>14,582</u>
NET ASSETS	<u>88,269</u>	<u>90,873</u>	<u>88,482</u>
EQUITY			
Called up share capital	931	940	936
Capital redemption reserve	77	68	72
Fair value reserve	(24)	1,018	–
Retained earnings	87,285	88,847	87,474
TOTAL EQUITY	<u>88,269</u>	<u>90,873</u>	<u>88,482</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
CASH FLOWS FROM OPERATING ACTIVITIES	8	(332)	(883)	7,208
Tax received/(paid)		<u>143</u>	<u>(298)</u>	<u>(798)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>(189)</u>	<u>(1,181)</u>	<u>6,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(79)	(99)	(582)
Additions to investment properties		(177)	(51)	(72)
Sale of property, plant and equipment		18	9	85
Sale of investment properties		1,000	-	-
Expenditure on own work capitalised – investment properties		(489)	(497)	(1,994)
Purchase of available for sale financial assets		(378)	(406)	(406)
Proceeds of sale of available for sale financial assets		3,997	212	260
Acquisition of investment in subsidiary, net of cash acquired		-	(39)	(39)
Interest received		61	31	62
Dividend received from Joint Venture		<u>2</u>	<u>-</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES		<u>3,955</u>	<u>(840)</u>	<u>(2,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of own shares		(233)	(123)	(285)
Dividends paid		<u>(428)</u>	<u>(430)</u>	<u>(862)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>(661)</u>	<u>(553)</u>	<u>(1,147)</u>
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>3,105</u>	<u>(2,574)</u>	<u>2,577</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>8,070</u>	<u>5,493</u>	<u>5,493</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>11,175</u>	<u>2,919</u>	<u>8,070</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 2015 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 2015 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 2015 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 2014, 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 2014 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 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 2014, 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

The following new standards and amendments to standards and interpretations relevant to the Group have been issued by the International Accounting Standards Board and are mandatory for the first time for the financial year to 31st July 2015:

- IAS 32(amended): Offsetting financial assets and financial liabilities (effective for accounting periods beginning on or after 1st January 2014)
- IAS 36 (amended): Recoverable Amounts Disclosures for Non-Financial Assets (effective for accounting periods beginning on or after 1st January 2014)
- IAS 39 (amended): Financial Instruments recognition and measurement on novation of derivatives and hedge accounting (effective for accounting periods beginning on or after 1st January 2014)
- Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Ventures and IFRS 12: Disclosures of Interests in Other Entities in relation to Investment Entities (transition guidance).

The Directors anticipate that there will be no material effect on the financial statements from these Standards.

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, 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 2014.

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	Internal	Total	Operating Profit / (Loss)		
	Revenue	Revenue	Revenue	31.1.15	31.1.14	31.7.14
	£000	£000	£000	£000	£000	£000
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>1,553</u>	<u>–</u>	<u>–</u>
	<u>11,542</u>	<u>489</u>	<u>12,031</u>	<u>340</u>	<u>–</u>	<u>–</u>
31st JANUARY 2014 (Unaudited)						
Construction activities	8,532	497	9,029	–	(1,700)	–
Investment activities	<u>2,725</u>	<u>–</u>	<u>2,725</u>	<u>–</u>	<u>1,945</u>	<u>–</u>
	<u>11,257</u>	<u>497</u>	<u>11,754</u>	<u>–</u>	<u>245</u>	<u>–</u>
31st JULY 2014 (Audited)						
Construction activities	22,811	1,994	24,805	–	–	(3,547)
Investment activities	<u>5,253</u>	<u>–</u>	<u>5,253</u>	<u>–</u>	<u>–</u>	<u>2,656</u>
	<u>28,064</u>	<u>1,994</u>	<u>30,058</u>	<u>–</u>	<u>–</u>	<u>(891)</u>
OPERATING PROFIT / (LOSS)				340	245	(891)
Share of results of Joint Ventures				142	121	469
Finance and investment income and profit on sale of available for sale financial assets				77	97	1,629
Finance costs and loss on sale of available for sale financial assets				<u>–</u>	<u>(22)</u>	<u>–</u>
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>559</u>	<u>441</u>	<u>1,207</u>

5. TAXATION

The tax charge for the 6 months to 31st January 2015 is based on the corporation tax rate at 20.67% (2014, 22.33%).

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

6. DIVIDENDS

	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
ORDINARY DIVIDENDS			
2014 Final dividend of 2.04p, after waivers	428	–	–
2014 Interim dividend of 0.92p	–	–	432
2013 Final dividend of 2.01p, after waivers	–	430	430
	<u>428</u>	<u>430</u>	<u>862</u>

The interim dividend of 0.92p per share for the year to 31st July 2015 will be paid on 1st June 2015 to shareholders on the register at 8th May 2015. The interim dividend will cost the Company no more than £429,000.

7. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2015	<u>472</u>	<u>1.01p</u>
6 months to 31st January 2014	<u>369</u>	<u>0.78p</u>
Year to 31st July 2014	<u>1,025</u>	<u>2.18p</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 2015 the Company purchased for immediate cancellation 250,000 Ordinary Shares of 2p.

The earnings per share for the 6 months to 31st January 2015 is based on weighted average number of shares amounting to 46,769,057, the earnings per share for the 6 months to 31st January 2014 is based on a weighted average number of shares amounting to 47,098,504 and the earnings per share for the year to 31st July 2014 is based on a weighted average number of shares amounting to 47,023,219.

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

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

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

	6 Months ended 31.1.15 (Unaudited) £000	6 Months ended 31.1.14 (Unaudited) £000	Year ended 31.7.14 (Audited) £000
Profit before tax	559	441	1,207
Share of profits from Joint Ventures	(142)	(121)	(469)
Depreciation	167	165	446
Unrealised valuation deficit on investment properties	–	–	782
Profit on sale of property, plant and equipment	(7)	(4)	(50)
Profit on sale of investment properties	(11)	–	–
(Profit)/Loss on sale of available for sale financial assets	(1)	22	(1,299)
Change in retirement benefits	–	–	(855)
Interest received	(61)	(31)	(62)
Change in inventories	(887)	195	7,374
Change in non-current receivables	–	(1,055)	–
Change in current receivables	(983)	(763)	(453)
Change in payables	<u>1,034</u>	<u>268</u>	<u>587</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(332)</u>	<u>(883)</u>	<u>7,208</u>

9. 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 2014.

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 that the condensed consolidated interim financial statements for the six months to 31st January 2015 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 2015 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 2015 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 2014.

By order of the Board

J. M. SMART, *Director*

D. W. SMART, *Director*

26th March 2015

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

REGISTERED OFFICE

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