

SMART

INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2007

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profits for the six months to 31st January 2007 amounted to £4,194,000 compared with profits of £3,026,000 for the corresponding period last year. Turnover decreased by 25%. Turnover and own work capitalised combined decreased by 5%.

The 39% increase in profits before tax compared with the corresponding period last year is entirely due to our share of the large increase in profits from the joint venture company Edinburgh Industrial Estates Limited arising from investment property sales flagged up in the last annual report. Private house sales are similar to those in the last half year. The construction of the two industrial units at Cardonald Business Park and Helen Street, Glasgow and the refurbishment of the office development at Links Place, Edinburgh are well advanced.

INTERIM DIVIDEND

The Board announces an interim dividend of 3.00p per share (2006, 3.00p) to be paid on 9th July 2007 to shareholders on the register at the close of business on 15th June 2007. After waivers by members holding approximately 51% of the shares, the interim dividend will cost the Company £147,000.

FUTURE PROSPECTS

The amount of work in hand in contracting is the same as at this time last year and more than at the end of last year. Most of the work has been negotiated.

Private house sales will be less than last year.

Investment values in industrial and commercial property have stabilised and negligible growth is anticipated this year. Accordingly, the significant boost that the recent requirement to book unrealised profits in revalued property gave to the profit figures for the last two financial years will not occur this year.

The contribution from our share of joint venture profits in the half year under review will not be repeated in the second half.

Bearing the foregoing in mind and subject to unforeseen or exceptional circumstances, it is anticipated that profit for the full year will be not less than £6,000,000.

23rd April 2007

J.M. SMART
Chairman

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	6 Months ended 31.1.07 (Unaudited) Notes	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
REVENUE	9,610	12,843	26,149
Own work capitalised	<u>2,617</u>	<u>49</u>	<u>98</u>
	12,227	12,892	26,247
Cost of sales	<u>(9,514)</u>	<u>(10,771)</u>	<u>(21,378)</u>
GROSS PROFIT	2,713	2,121	4,869
Other operating income	2,387	3,103	5,819
Net operating expenses	<u>(3,159)</u>	<u>(2,569)</u>	<u>(5,307)</u>
OPERATING PROFIT BEFORE PROFITS ON SALE AND NET REVALUATION GAINS ON INVESTMENT PROPERTIES	1,941	2,655	5,381
Profit arising on sale of investment properties	91	—	899
Net gain on valuation of investment properties	<u>—</u>	<u>—</u>	<u>5,546</u>
OPERATING PROFIT	2,032	2,655	11,826
Share of profits in Joint Ventures	1,889	206	1,651
Income from investments	26	27	84
Decrease in amount written off investments	<u>—</u>	21	<u>—</u>
Profit/(Loss) on sale of investments	77	—	(40)
Finance income	286	182	382
Finance costs	<u>(116)</u>	<u>(65)</u>	<u>(143)</u>
PROFIT BEFORE TAX	4,194	3,026	13,760
Taxation	4 <u>(1,258)</u>	<u>(908)</u>	<u>(3,131)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,936	2,118	10,629
EARNINGS PER SHARE – BASIC AND DILUTED	6 <u>29.12p</u>	<u>21.01p</u>	<u>105.43p</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	6 Months ended 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
Notes			
Actuarial loss recognised on defined benefit pension schemes	—	—	(1,538)
Deferred taxation on actuarial loss	—	—	461
NET DEFICIT RECOGNISED DIRECTLY IN EQUITY	—	—	(1,077)
Profit for the period	<u>2,936</u>	<u>2,118</u>	<u>10,629</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	<u>2,936</u>	<u>2,118</u>	<u>9,552</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>2,936</u>	<u>2,118</u>	<u>9,552</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	6 Months ended 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
Notes			
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	<u>2,936</u>	2,118	9,552
Fair value adjustment net of tax	49	—	177
Dividends	5 (483)	(468)	(615)
	<u>2,502</u>	1,650	9,114
Opening shareholders' funds	<u>84,080</u>	74,597	74,597
Adoption of IAS32 and 39	—	—	369
Closing shareholders' funds	<u>86,582</u>	<u>76,247</u>	<u>84,080</u>

CONSOLIDATED BALANCE SHEET

	6 Months ended 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	5,099	1,564	2,566
Investment properties	75,601	73,825	77,436
Investments in Joint Ventures	6,394	3,317	4,604
Financial assets	1,686	—	1,499
Other receivables	2,796	2,056	2,796
Deferred tax assets	2,531	—	2,531
	<u>94,107</u>	<u>80,762</u>	<u>91,432</u>
CURRENT ASSETS			
Inventories	3,615	4,758	2,305
Other investments	—	1,039	—
Trade and other receivables	2,975	3,401	2,704
Cash and bank	8,449	5,039	10,251
	<u>15,039</u>	<u>14,237</u>	<u>15,260</u>
TOTAL ASSETS	<u>109,146</u>	<u>94,999</u>	<u>106,692</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	8,201	7,028	8,201
Deferred tax liabilities	9,754	6,768	9,734
	<u>17,955</u>	<u>13,796</u>	<u>17,935</u>
CURRENT LIABILITIES			
Trade and other payables	3,351	3,965	3,331
Current tax liabilities	1,258	991	1,346
	<u>4,609</u>	<u>4,956</u>	<u>4,677</u>
TOTAL LIABILITIES	<u>22,564</u>	<u>18,752</u>	<u>22,612</u>
NET ASSETS	<u>86,582</u>	<u>76,247</u>	<u>84,080</u>
EQUITY			
Called up share capital	1,008	1,008	1,008
Fair Value Reserve	542	—	473
Retained earnings	85,032	75,239	82,599
TOTAL EQUITY	<u>86,582</u>	<u>76,247</u>	<u>84,080</u>

CONSOLIDATED CASH FLOW STATEMENT

		6 Months ended 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
Cash flows from operating activities	7	594	2,040	5,551
Tax paid on profits		<u>(1,346)</u>	<u>(590)</u>	<u>(1,520)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>(752)</u>	<u>1,450</u>	<u>4,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(189)	(348)	(662)
Purchase of investment properties		(29)	(21)	(27)
Sale of property, plant and equipment		21	19	50
Sale of investment properties		2,020	2,443	5,119
Expenditure on own work capitalised		(2,617)	(49)	(98)
Purchase of investments		(210)	—	(369)
Proceeds of sale of investments		168	—	456
Interest received		269	—	353
Interest paid		—	(1)	(1)
NET CASH USED IN INVESTING ACTIVITIES		<u>(567)</u>	<u>2,043</u>	<u>4,821</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		<u>(483)</u>	<u>(468)</u>	<u>(615)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(483)</u>	<u>(468)</u>	<u>(615)</u>
INCREASE IN CASH, CASH EQUIVALENTS AND BANK		<u>(1,802)</u>	<u>3,025</u>	<u>8,237</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD		<u>10,251</u>	<u>2,014</u>	<u>2,014</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD		<u>8,449</u>	<u>5,039</u>	<u>10,251</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These interim financial statements do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The statutory financial statements for the year to 31st July 2006 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 Sections 237(2) or (3) of the Companies Act 1985.

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 2006, 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 attributable to equity shareholders		
				£000	£000	£000
31st JANUARY 2007 (Unaudited)						
Construction activities	12,227	(2,617)	9,610	914	—	—
Investment activities	2,387	—	2,387	1,118	—	—
Joint Ventures	—	—	—	1,889	—	—
	<u>14,614</u>	<u>(2,617)</u>	<u>11,997</u>	<u>3,921</u>	<u>—</u>	<u>—</u>
31st JANUARY 2006 (Unaudited)						
Construction activities	12,892	(49)	12,843	—	484	—
Investment activities	3,103	—	3,103	—	2,171	—
Joint Ventures	—	—	—	—	206	—
	<u>15,995</u>	<u>(49)</u>	<u>15,946</u>	<u>—</u>	<u>2,861</u>	<u>—</u>
31st JULY 2006(Audited)						
Construction activities	26,247	(98)	26,149	—	—	1,694
Investment activities	5,819	—	5,819	—	—	10,132
Joint Ventures	—	—	—	—	—	1,651
	<u>32,066</u>	<u>(98)</u>	<u>31,968</u>	<u>—</u>	<u>—</u>	<u>13,477</u>
RESULT				3,921	2,861	13,477
Finance income				389	230	466
Finance cost				(116)	(65)	(183)
PROFIT BEFORE TAX				<u>4,194</u>	<u>3,026</u>	<u>13,760</u>
Taxation				(1,258)	(908)	(3,131)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS				<u>2,936</u>	<u>2,118</u>	<u>10,629</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

4. TAXATION

The tax charge for the 6 months to 31st January 2007 is based on the corporation tax rate at 30% (2006, 30%).

5. DIVIDENDS

	6 Months ended 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
ORDINARY DIVIDENDS			
2006 Final dividend declared of 9.80p per share	483	—	—
2006 Interim dividend declared of 3.00p per share	—	—	147
2005 Final dividend of 9.50p per share	—	468	468
	<u>483</u>	<u>468</u>	<u>615</u>

Certain shareholders holding approximately 51% of the shares have waived their rights to the interim and final dividends paid for the years to 31st July 2005 and 31st July 2006.

The interim dividend of 3.00p per share for the year to 31st July 2007 will be paid on 9th July 2007 to shareholders on the register at 15th June 2007. After waivers by members holding approximately 51% of the shares the interim dividend will cost the company £147,000.

6. EARNINGS PER SHARE

	Profit attributable to equity shareholders £000	Basic Earnings per share
6 months to 31st January 2007	<u>2,936</u>	<u>29.12p</u>
6 months to 31st January 2006	<u>2,118</u>	<u>21.01p</u>
Year to 31st July 2006	<u>10,629</u>	<u>105.43p</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 31.1.07 (Unaudited) £000	6 Months ended 31.1.06 (Unaudited) £000	Year ended 31.7.06 (Audited) £000
Profit before tax	4,194	3,026	13,760
Share of profits from Joint Ventures	(1889)	(206)	(1,651)
Depreciation	204	200	488
Unrealised revaluation gains on investment properties	—	—	(5,546)
Gain on sale of property, plant and equipment	(17)	(6)	(14)
Gain on sale of investment properties	(91)	(213)	(899)
(Gain)/Loss on sale of investments	(77)	(54)	40
Amounts written back to investments	—	(21)	—
Change in retirement benefits	—	—	(365)
Interest received	(269)	—	(353)
Interest received by Joint Ventures	(17)	(3)	(7)
Interest paid	—	1	1
Interest paid by Joint Ventures	115	65	142
Proceeds of sale of investments	—	194	—
Purchase of investments	—	(120)	—
Change in inventories	(1,309)	166	1,619
Change in receivables – current	(270)	(635)	62
Change in receivables – non current	—	(400)	(1,140)
Change in payables	20	46	(586)
NET CASH GENERATED FROM OPERATIONS	594	2,040	5,551

DIRECTORS

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

K. H. HASTINGS

A. D. McCLURE, *Secretary*

L. E. GLENDAY

REGISTERED OFFICE

28 CRAMOND ROAD SOUTH,

EDINBURGH,

EH4 6AB.

REGISTRARS AND TRANSFER OFFICE

LLOYDS TSB REGISTRARS SCOTLAND,

P.O. BOX 28506,

FINANCE HOUSE,

ORCHARD BRAE,

EDINBURGH,

EH4 1XZ.