

SMART

INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2008

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profits for the six months to 31st January 2008 amounted to £6,566,000 compared with profits of £4,194,000 for the corresponding period last year. Turnover increased by 28%. Turnover and own work capitalised combined increased by 11%.

The increase in profits before tax is due to the sale of an undeveloped site in Glasgow. In accordance with our normal practice there has been no revaluation of our investment properties at the end of the half year. Accordingly the recent fall in property values has had no impact on the half yearly profit figures.

There were no private house sales during the half year. We completed the large speculative industrial unit at Cardonald Business Park and the large pre-let industrial unit in Helen Street, Glasgow. Helen Street is occupied and Cardonald is under offer.

INTERIM DIVIDEND

The Board announces an interim dividend of 3.00p per share (2007, 3.00p) to be paid on 9th June 2008 to shareholders on the register at the close of business on 16th May 2008. 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 more than at this time last year and more than at the end of last year. Most of the work has been negotiated.

Private house sales including our joint venture development with Keane Developments will be more than last year.

Rental income should increase slightly this year although the industrial pre-lets at our Prestonfield Park joint venture with Walker Group will make no contribution to this year's figures.

The mixed commercial and residential development in McDonald Road, Edinburgh continues but will not be completed this financial year.

The recent fall in property values referred to above is due to an increase in yields. It now appears possible that this fall may be ameliorated by increases in rental and occupation levels, although the likely value of the property portfolio at the year end is currently far from clear. The requirement of the International Financial Reporting Standards that unrealised gains/losses in revalued property be included in the Income Statement could have a significant negative impact on the headline year end profit figure which is not possible to forecast at this stage.

Disregarding the impact of revalued property, it is anticipated that subject to unforeseen circumstances, the underlying profit for the year will be not less than £8,000,000.

3rd April 2008

J.M. SMART
Chairman

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
Notes			
REVENUE	12,316	9,610	19,977
Own work capitalised	<u>1,251</u>	<u>2,617</u>	<u>4,579</u>
	13,567	12,227	24,556
Cost of sales	<u>(11,625)</u>	<u>(9,514)</u>	<u>(21,464)</u>
GROSS PROFIT	1,942	2,713	3,092
Other operating income	2,598	2,387	5,024
Net operating expenses	<u>(2,845)</u>	<u>(3,159)</u>	<u>(5,033)</u>
OPERATING PROFIT BEFORE PROFITS ON SALE AND NET REVALUATION GAINS ON INVESTMENT PROPERTIES	1,695	1,941	3,083
Profit arising on sale of investment properties	4,155	91	627
Net gain on valuation of investment properties	<u>—</u>	<u>—</u>	<u>1,944</u>
OPERATING PROFIT	5,850	2,032	5,654
Share of profits in Joint Ventures	14	1,889	1,800
Income from investments	30	26	63
Profit on sale of investments	9	77	95
Finance income	714	286	851
Finance costs	<u>(51)</u>	<u>(116)</u>	<u>(319)</u>
PROFIT BEFORE TAX	6,566	4,194	8,144
Taxation	<u>4 (1,970)</u>	<u>(1,258)</u>	<u>(1,412)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	4,596	2,936	6,732
EARNINGS PER SHARE – BASIC AND DILUTED	<u>6 45.59p</u>	<u>29.12p</u>	<u>66.77p</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
Notes			
Actuarial gain recognised on defined benefit pension scheme	—	—	2,755
Deferred taxation on actuarial gain	—	—	(826)
NET SURPLUS RECOGNISED DIRECTLY IN EQUITY	—	—	1,929
Profit for the period	<u>4,596</u>	<u>2,936</u>	<u>6,732</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	<u>4,596</u>	<u>2,936</u>	<u>8,661</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>4,596</u>	<u>2,936</u>	<u>8,661</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
Notes			
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	4,596	2,936	8,661
Fair value adjustment net of tax	(182)	49	24
Dividends	5 <u>(500)</u>	<u>(483)</u>	<u>(630)</u>
	<u>3,914</u>	<u>2,502</u>	<u>8,055</u>
Opening shareholders' funds	<u>92,135</u>	<u>84,080</u>	<u>84,080</u>
Closing shareholders' funds	<u>96,049</u>	<u>86,582</u>	<u>92,135</u>

J SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED BALANCE SHEET

	6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,493	5,099	2,537
Investment properties	72,649	75,601	72,545
Investments in Joint Ventures	2,040	6,394	1,996
Financial assets	1,728	1,686	1,695
Trade and other receivables	2,176	2,796	2,176
Deferred tax assets	1,561	2,531	1,641
	<u>81,647</u>	<u>94,107</u>	<u>82,590</u>
CURRENT ASSETS			
Inventories	8,970	3,615	7,635
Trade and other receivables	3,721	2,975	3,700
Cash and bank	22,793	8,449	16,468
	<u>35,484</u>	<u>15,039</u>	<u>27,803</u>
TOTAL ASSETS	<u>117,131</u>	<u>109,146</u>	<u>110,393</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	5,280	8,201	5,280
Deferred tax liabilities	7,706	9,754	7,843
	<u>12,986</u>	<u>17,955</u>	<u>13,123</u>
CURRENT LIABILITIES			
Trade and other payables	6,164	3,351	4,265
Current tax liabilities	1,932	1,258	870
	<u>8,096</u>	<u>4,609</u>	<u>5,135</u>
TOTAL LIABILITIES	<u>21,082</u>	<u>22,564</u>	<u>18,258</u>
NET ASSETS	<u>96,049</u>	<u>86,582</u>	<u>92,135</u>
EQUITY			
Called up share capital	1,008	1,008	1,008
Fair Value Reserve	190	542	372
Retained earnings	94,851	85,032	90,755
TOTAL EQUITY	<u>96,049</u>	<u>86,582</u>	<u>92,135</u>

CONSOLIDATED CASH FLOW STATEMENT

		6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
	Notes			
Cash flows from operating activities	7	2,459	594	<i>(1,546)</i>
Tax paid on profits		(908)	<i>(1,346)</i>	<i>(2,346)</i>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>1,551</u>	<i><u>(752)</u></i>	<i><u>(3,892)</u></i>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(155)	(189)	<i>(465)</i>
Purchase of investment properties		(34)	(29)	<i>(5)</i>
Sale of property, plant and equipment		9	21	<i>79</i>
Sale of investment properties		6,335	2,020	<i>12,046</i>
Expenditure on own work capitalised		(1,251)	(2,617)	<i>(4,579)</i>
Purchase of investments		(325)	(210)	<i>(282)</i>
Proceeds of sale of investments		60	168	<i>205</i>
Interest received		635	269	<i>740</i>
Interest paid		—	—	<i>—</i>
Dividend received from Joint Venture		—	—	<i>3,000</i>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>5,274</u>	<i><u>(567)</u></i>	<i><u>10,739</u></i>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(500)	(483)	<i>(630)</i>
NET CASH USED IN FINANCING ACTIVITIES		<u>(500)</u>	<i><u>(483)</u></i>	<i><u>(630)</u></i>
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND BANK		<u>6,325</u>	<i><u>(1,802)</u></i>	<i><u>6,217</u></i>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD		<u>16,468</u>	<i><u>10,251</u></i>	<i><u>10,251</u></i>
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD		<u>22,793</u>	<i><u>8,449</u></i>	<i><u>16,468</u></i>

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 2007 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 2007, 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.

	Inter		External Revenue £000	Profit attributable to equity shareholders		
	Total Revenue £000	Segment Revenue £000		£000	£000	£000
31st JANUARY 2008 (Unaudited)						
Construction activities	13,567	(1,251)	12,316	77	—	—
Investment activities	2,598	—	2,598	5,773	—	—
Joint Ventures	—	—	—	14	—	—
	<u>16,165</u>	<u>(1,251)</u>	<u>14,914</u>	<u>5,864</u>	<u>—</u>	<u>—</u>
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>—</u>	<u>3,921</u>	<u>—</u>
31st JULY 2007 (Audited)						
Construction activities	24,556	(4,579)	19,977	—	—	823
Investment activities	5,024	—	5,024	—	—	4,831
Joint Ventures	—	—	—	—	—	1,800
	<u>29,580</u>	<u>(4,579)</u>	<u>25,001</u>	<u>—</u>	<u>—</u>	<u>7,454</u>
RESULT				5,864	3,921	7,454
Finance and investment income				753	389	1,009
Finance and investment costs				(51)	(116)	(319)
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>6,566</u>	<u>4,194</u>	<u>8,144</u>
Tax on profit on ordinary activities				(1,970)	(1,258)	(1,412)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS				<u>4,596</u>	<u>2,936</u>	<u>6,732</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

4. TAXATION

The tax charge for the 6 months to 31st January 2008 is based on the corporation tax rate at 30% (2007, 30%).

5. DIVIDENDS

	6 Months ended 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
ORDINARY DIVIDENDS			
2007 Final dividend declared of 10.15p per share	500	—	—
2007 Interim dividend declared of 3.00p per share	—	—	147
2006 Final dividend of 9.80p per share	—	483	483
	<u>500</u>	<u>483</u>	<u>630</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 2006 and 31st July 2007.

The interim dividend of 3.00p per share for the year to 31st July 2008 will be paid on 9th June 2008 to shareholders on the register at 16th May 2008. 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 2008	<u>4,596</u>	<u>45.59p</u>
6 months to 31st January 2007	<u>2,936</u>	<u>29.12p</u>
Year to 31st July 2007	<u>6,732</u>	<u>66.77p</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 31.1.08 (Unaudited) £000	6 Months ended 31.1.07 (Unaudited) £000	Year ended 31.7.07 (Audited) £000
Profit before tax	6,566	4,194	8,144
Share of profits from Joint Ventures	(14)	(1,889)	(1,800)
Depreciation	192	204	483
Unrealised revaluation gains on investment properties	—	—	(1,944)
Gain on sale of property, plant and equipment	—	(17)	(68)
Gain on sale of investment properties	(4,155)	(91)	(627)
Gain on sale of investments	(9)	(77)	(95)
Change in retirement benefits	—	—	(166)
Interest received	(634)	(269)	(740)
Interest received by Joint Ventures	(80)	(17)	(111)
Interest paid	—	—	—
Interest paid by Joint Ventures	51	115	150
Change in inventories	(1,335)	(1,309)	(5,330)
Change in receivables – current	(22)	(270)	(376)
Change in receivables – non current	—	—	—
Change in payables	1,899	20	934
NET CASH GENERATED FROM OPERATIONS	2,459	594	(1,546)

DIRECTORS

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

K. H. HASTINGS

A. D. MCCLURE, *Secretary*

L. E. GLENDAY

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