

SMART

**INTERIM REPORT
FOR THE SIX MONTHS TO
31st JANUARY 2018**

J. SMART & CO. (CONTRACTORS) PLC

CHAIRMAN'S REVIEW

INTERIM REPORT

Unaudited Group profit for the six months to 31st January 2018 amounted to £921,000 compared with £652,000 for the corresponding period last year. Group turnover decreased by 31%.

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 no material effect on the figures.

There were no private residential sales this half year as the first completions at our current private housing development at West Bowling Green Street, Edinburgh are not due until after the end of the current financial year.

The second phases of the industrial developments at Inchwood Park, Bathgate and West Edinburgh Business Park are now complete.

Our serviced office company, Smart Serviced Offices Limited, has refurbished a further suite at Links Place, Leith, Edinburgh to provide co-working accommodation.

The current site progress in contracting is satisfactory.

INTERIM DIVIDEND

The Board announces an interim dividend of 0.95p per share (2017, 0.95p) to be paid on 1st June 2018 to shareholders on the register at the close of business on 11th May 2018. The interim dividend will cost the Company no more than £423,000.

FUTURE PROSPECTS

We have less work in hand in contracting than the same time last year. Margins are no better than last year. Our social housing contract at Ferrymuir, as predicted, has been unnecessarily delayed, but will start imminently.

There will be no private residential sales this financial year, but the interest in the first release of flats at West Bowling Green Street has been positive.

The letting and re-letting of the majority of our industrial properties continues to be buoyant. The first phase of our joint venture industrial development at Gartcosh is due to start in the near future. Lettings of our office properties has seen a welcome, but marginal, improvement.

It is not possible to make an accurate forecast of the year end figures, but it is evident that our reduced turnover will result in the underlying profit for the financial year being less than the previous year.

30th April 2018

D.W. SMART
Chairman

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED INCOME STATEMENT

	6 Months ended 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
Notes			
Group construction activities	8,390	12,195	25,419
Less: Own construction work capitalised	<u>(1,623)</u>	<u>(209)</u>	<u>(2,559)</u>
REVENUE	6,767	11,986	22,860
Cost of sales	<u>(5,246)</u>	<u>(11,240)</u>	<u>(19,406)</u>
GROSS PROFIT	1,521	746	3,454
Other operating income	2,898	2,941	6,090
Net operating expenses	<u>(3,569)</u>	<u>(3,119)</u>	<u>(6,925)</u>
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET SURPLUS ON VALUATION OF INVESTMENT PROPERTIES	850	568	2,619
Profit arising on sale of investment properties	–	–	613
Net surplus on valuation of investment properties	<u>–</u>	<u>–</u>	<u>614</u>
OPERATING PROFIT	850	568	3,846
Share of profits in Joint Ventures	14	20	42
Income from available for sale financial assets	16	10	32
Profit on sale of available for sale financial assets	–	6	22
Finance income	<u>41</u>	<u>48</u>	<u>95</u>
PROFIT BEFORE TAX	921	652	4,037
Taxation	5 <u>(180)</u>	<u>(135)</u>	<u>(310)</u>
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>741</u>	<u>517</u>	<u>3,727</u>
EARNINGS PER SHARE – BASIC AND DILUTED	7 <u>1.66p</u>	<u>1.14p</u>	<u>8.26p</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months ended 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
Profit for the period	<u>741</u>	<u>517</u>	<u>3,727</u>
Other comprehensive income			
Items that may be subsequently reclassified to Income Statement:			
Fair value adjustment of available for sale financial assets	<u>38</u>	<u>34</u>	<u>65</u>
Total items which may be subsequently reclassified to Income Statement	<u>38</u>	<u>34</u>	<u>65</u>
Items that will not be subsequently reclassified to Income Statement:			
Actuarial gain recognised in defined benefit pension scheme	–	–	3,306
Deferred taxation on actuarial gain	<u>–</u>	<u>–</u>	<u>(680)</u>
Total items that will not be reclassified subsequently to Income Statement	<u>–</u>	<u>–</u>	<u>2,626</u>
Total other comprehensive income	<u>38</u>	<u>34</u>	<u>2,691</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>779</u>	<u>551</u>	<u>6,418</u>
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	<u>779</u>	<u>551</u>	<u>6,418</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 2017		896	112	9	92,841	93,858
Profit for the period		–	–	–	741	741
Other comprehensive income		–	–	38	–	38
Total comprehensive income for period		–	–	38	741	779
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(5)	–	–	(256)	(261)
Transfer to Capital Redemption Reserve		–	5	–	(5)	–
Dividends	6	–	–	–	(967)	(967)
Total transactions with owners		(5)	5	–	(1,228)	(1,228)
As at 31st January 2018		<u>891</u>	<u>117</u>	<u>47</u>	<u>92,354</u>	<u>93,409</u>
As at 1st August 2016		906	102	(56)	87,884	88,836
Profit for the period		–	–	–	517	517
Other comprehensive income		–	–	34	–	34
Total comprehensive income for period		–	–	34	517	551
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(3)	–	–	(178)	(181)
Transfer to Capital Redemption Reserve		–	3	–	(3)	–
Dividends	6	–	–	–	(418)	(418)
Total transactions with owners		(3)	3	–	(599)	(599)
As at 31st January 2017		<u>903</u>	<u>105</u>	<u>(22)</u>	<u>87,802</u>	<u>88,788</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Notes	Share Capital £000	Capital Redemption Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2016		906	102	(56)	87,884	88,836
Profit for the period		–	–	–	3,727	3,727
Other comprehensive income		–	–	65	2,626	2,691
Total comprehensive income for period		–	–	65	6,353	6,418
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled		(10)	–	–	(540)	(550)
Transfer to Capital Redemption Reserve		–	10	–	(10)	–
Dividends	6	–	–	–	(846)	(846)
Total transactions with owners		<u>(10)</u>	<u>10</u>	<u>–</u>	<u>(1,396)</u>	<u>(1,396)</u>
As at 31st July 2017		<u>896</u>	<u>112</u>	<u>9</u>	<u>92,841</u>	<u>93,858</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 Months ended 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
NON-CURRENT ASSETS			
Property, plant and equipment	1,406	1,365	1,431
Investment properties	66,435	64,937	64,799
Investments in Joint Ventures	319	283	305
Available for sale financial assets	1,041	1,003	1,000
Retirement benefit surplus	3,862	33	3,862
Deferred tax assets	58	41	58
	<u>73,121</u>	<u>67,662</u>	<u>71,455</u>
CURRENT ASSETS			
Inventories	5,241	2,804	2,881
Trade and other receivables	5,500	6,557	5,723
Monies held on deposit	4,045	4,529	2,536
Cash and cash equivalents	24,734	26,013	26,524
	<u>39,520</u>	<u>39,903</u>	<u>37,664</u>
TOTAL ASSETS	<u>112,641</u>	<u>107,565</u>	<u>109,119</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1,926	1,389	1,923
CURRENT LIABILITIES			
Trade and other payables	4,297	4,731	4,385
Corporation tax liabilities	151	121	162
Bank overdraft	12,858	12,536	8,791
	<u>17,306</u>	<u>17,388</u>	<u>13,338</u>
TOTAL LIABILITIES	<u>19,232</u>	<u>18,777</u>	<u>15,261</u>
NET ASSETS	<u>93,409</u>	<u>88,788</u>	<u>93,858</u>
EQUITY			
Called up share capital	891	903	896
Capital redemption reserve	117	105	112
Fair value reserve	47	(22)	9
Retained earnings	92,354	87,802	92,841
TOTAL EQUITY	<u>93,409</u>	<u>88,788</u>	<u>93,858</u>

J. SMART & CO. (CONTRACTORS) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 Months ended 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
CASH FLOWS FROM OPERATING ACTIVITIES	9	(1,208)	34	2,205
Tax paid		<u>(191)</u>	<u>(157)</u>	<u>(454)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(1,399)</u>	<u>(123)</u>	<u>1,751</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(183)	(189)	(487)
Additions to investment properties		(13)	–	(20)
Expenditure on own work capitalised – investment properties		(1,623)	(209)	(2,559)
Sale of property, plant and equipment		57	39	70
Sale of investment properties		–	–	3,735
Purchase of available for sale financial assets		–	(674)	(674)
Proceeds of sale of available for sale financial assets		–	37	87
(Increase)/decrease in monies held on deposit		(1,509)	990	2,983
Interest received		<u>41</u>	<u>48</u>	<u>86</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(3,230)</u>	<u>42</u>	<u>3,221</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of own shares		(261)	(181)	(550)
Dividends paid		<u>(967)</u>	<u>(418)</u>	<u>(846)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(1,228)</u>	<u>(599)</u>	<u>(1,396)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(5,857)</u>	<u>(680)</u>	<u>3,576</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>17,733</u>	<u>14,157</u>	<u>14,157</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>11,876</u>	<u>13,477</u>	<u>17,733</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 2018 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 2018 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 2018 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 2017, 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 2017 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 auditor. 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, available for sale financial assets and assets held by defined benefit pension scheme.

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 2017, 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.

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Interpretations effective in period

The following new standards, amendments to standards and interpretations relevant to the Group were issued by the International Accounting Standards Board and are mandatory for the Group for the first time in the financial year to 31st July 2018:

- IAS 7 (amended): Statement of Cash Flows.
- IAS 12 (amended): Income Taxes.

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

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 2017.

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	31.1.18	31.1.17	31.7.17
	£000	£000	£000	£000	£000	£000
31st JANUARY 2018 (Unaudited)						
Construction activities	6,767	1,623	8,390	(632)	–	–
Investment activities	<u>2,898</u>	<u>–</u>	<u>2,898</u>	<u>1,482</u>	<u>–</u>	<u>–</u>
	<u>9,665</u>	<u>1,623</u>	<u>11,288</u>	<u>850</u>	<u>–</u>	<u>–</u>
31st JANUARY 2017 (Unaudited)						
Construction activities	11,986	209	12,195	–	(1,158)	–
Investment activities	<u>2,941</u>	<u>–</u>	<u>2,941</u>	<u>–</u>	<u>1,726</u>	<u>–</u>
	<u>14,927</u>	<u>209</u>	<u>15,136</u>	<u>–</u>	<u>568</u>	<u>–</u>
31st JULY 2017 (Audited)						
Construction activities	22,860	2,559	25,419	–	–	(673)
Investment activities	<u>6,090</u>	<u>–</u>	<u>6,090</u>	<u>–</u>	<u>–</u>	<u>4,519</u>
	<u>28,950</u>	<u>2,559</u>	<u>31,509</u>	<u>–</u>	<u>–</u>	<u>3,846</u>
OPERATING PROFIT				850	568	3,846
Share of results of Joint Ventures				14	20	42
Finance and investment income and profit on sale of available for sale financial assets				<u>57</u>	<u>64</u>	<u>149</u>
PROFIT BEFORE TAX ON ORDINARY ACTIVITIES				<u>921</u>	<u>652</u>	<u>4,037</u>

5. TAXATION

The tax charge for the 6 months to 31st January 2018 is based on the corporation tax rate at 19.00% (2017, 19.67%).

J. SMART & CO. (CONTRACTORS) PLC

NOTES TO INTERIM FINANCIAL STATEMENTS

6. DIVIDENDS	6 Months ended 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
ORDINARY DIVIDENDS			
2017 Final dividend of 2.17p	967	–	–
2017 Interim dividend of 0.95p	–	–	428
2016 Final dividend of 2.15p, after waivers	–	418	418
	<u>967</u>	<u>418</u>	<u>846</u>

The interim dividend of 0.95p per share for the year to 31st July 2018 will be paid on 1st June 2018 to shareholders on the register at 11th May 2018. The interim dividend will cost the Company no more than £423,000.

7. EARNINGS PER SHARE	6 Months ended 31.1.18 (Unaudited)	6 Months ended 31.1.17 (Unaudited)	Year ended 31.7.17 (Audited)
Profit attributable to equity shareholders (£000)	<u>741</u>	<u>517</u>	<u>3,727</u>
Basic earnings per share	<u>1.66p</u>	<u>1.14p</u>	<u>8.26p</u>
Weighted average number of shares	<u>44,624,268</u>	<u>45,216,991</u>	<u>45,098,697</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 2018 the Company purchased for immediate cancellation 236,000 Ordinary Shares of 2p.

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, available for sale financial assets and assets held by defined benefit pension scheme 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. Assets held by defined benefit pension scheme consist of equities and bonds of companies listed on quote markets and cash which all 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 31.1.18 (Unaudited) £000	6 Months ended 31.1.17 (Unaudited) £000	Year ended 31.7.17 (Audited) £000
Profit before tax	921	652	4,037
Share of profits from Joint Ventures	(14)	(20)	(42)
Depreciation	188	185	407
Unrealised valuation surplus on investment properties	–	–	(614)
Profit on sale of property, plant and equipment	(37)	(18)	(39)
Profit on sale of investment properties	–	–	(613)
Profit on sale of available for sale financial assets	–	(6)	(22)
Change in retirement benefits	–	–	(523)
Interest received	(41)	(48)	(86)
Change in inventories	(2,360)	(120)	(197)
Change in receivables	223	(188)	646
Change in payables	<u>(88)</u>	<u>(403)</u>	<u>(749)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(1,208)</u>	<u>34</u>	<u>2,205</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 2017.

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 2018 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 2018 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 2018 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 2017.

By order of the Board

D. W. SMART, *Director* **J. R. SMART, *Director***

30th April 2018

J. SMART & CO. (CONTRACTORS) PLC

DIRECTORS

D. W. SMART, *Chairman and Joint Managing Director*

J. R. SMART, *Joint Managing Director*

A. H. ROSS

P. SWEENEY

COMPANY SECRETARY

P. SWEENEY

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