J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2009

J. Smart & Co. (Contractors) PLC

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

SUBSIDIARY COMPANIES
McGowan & Co. (Contractors) Limited
Cramond Real Estate Company Limited
Thomas Menzies (Builders) Limited
Concrete Products (Kirkcaldy) Limited
C. & W. Assets Limited

REGISTRARS AND TRANSFER OFFICE
Equinti Limited,
34 South Gyle Crescent,
South Gyle Business Park,
Edinburgh
EH12 9EB

BANKERS
Bank of Scotland,
38 St Andrew Square,
Edinburgh,
EH2 2YR.

AUDITORS
French Duncan LLP,
Chartered Accountants,
375 West George Street,
Glasgow,
G2 4LW.

SOLICITORS
Russel & Aitken LLP,
27 Rutland Square,
Edinburgh,
EH1 2BU.

Bell & Scott LLP,
16 Hill Street,
Edinburgh,
EH2 3LD.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the Registered Office, 28 Cramond Road South, Edinburgh on *17th December 2009 at 12 noon,* for the following purposes:

1. To receive and consider the Annual Report and Statement of Accounts for the year ended 31st July 2009.
2. To receive and consider the Report on Directors' Remuneration for the year ended 31st July 2009.
3. To declare a Dividend.
4. To re-elect L. E. Glenday as a Director, who retires by rotation.
5. To authorise fees payable to the Directors.
6. To re-elect the Auditors.
7. To authorise the Directors to determine the remuneration of the Auditors.
8. To transact any other business of an Annual General Meeting.

A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of him. A proxy need not be a member. Forms of proxy, if used, must be lodged at the Registered Office at least 24 hours before the time fixed for the Meeting.

There are no Directors' service contracts in existence.

BY ORDER OF THE BOARD
A. D. McCLURE, SECRETARY
28 Cramond Road South,
Edinburgh EH4 6AB

17th November 2009

Note: The Dividend, if approved, will be paid on 21st December 2009 to shareholders on the Register at the close of business on 4th December 2009.

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

As forecast and due to the requirement of the International Financial Reporting Standards that any unrealised deficit in revalued property be included in the Income Statement, I am obliged to report for the first time in the Company's history a headline group loss before tax of £1,208,000. This compares with a profit for last year of £5,871,000 which also included an unrealised deficit in revalued property. If the impact of revalued property on the figures is disregarded then a truer reflection of group performance emerges in the form of an underlying profit before tax of £4,468,000 (no property sales) for the year under review which compares with a figure for the previous year of £8,526,000 (including £3,890,000 profit from property sales).

The value of investment properties at the beginning of the year was £68,148,000 (cost £35,452,000). Additions during the year cost £3,577,000. The net deficit on the year end valuation was £5,779,000 leaving a value of £65,946,000 (cost £39,029,000).

The Board is recommending a Final Dividend of 9.35p nett making a total for the year of 13.85p nett which compares with 13.50p nett for the previous year. The dividends will cost the Company £1,165,000.

Loss adjusted for pension scheme deficit, dividends paid and fair value reserve when deducted from opening shareholders' funds brings the total equity of the Group to £92,307,000.

TRADING ACTIVITIES

Group construction work carried out and share of Joint Ventures' turnover increased by 2%, own work capitalised increased by 88% and other operating income increased by 7%. Group revenue remained the same. Total Group profit decreased by 121%. Underlying Group profit excluding an unrealised deficit in revalued property decreased by 48%.

Turnover in contracting increased and a small profit was achieved. Private housing sales were negligible. Sales in precast concrete manufacture decreased and a small loss was made.

The mixed commercial and residential development in McDonald Road, Edinburgh and the second phase of our industrial development at Bilston Glen near Edinburgh are almost finished. The second office block at Glenbervie Business Park, Larbert is complete and 75% let.

FUTURE PROSPECTS

In spite of a slight erosion in tenant numbers our occupation levels are holding up quite well considering the general economic situation, and rental income is expected to increase slightly in the current year. There appears to be genuine interest in the commercial and industrial space we have built recently. Only time will tell if this interest translates into tenancies.

At McDonald Road the 25% affordable portion of the residential development has been handed over to a Housing Association. It is too early to say whether or not the promising start made to private house sales here will be maintained.

The amount of contract work in hand is less than at this time last year, prices have tumbled and it is clear that prospective contracts are thin on the ground.

Bearing the foregoing in mind, there are too many uncertainties to forecast the outcome for the current year with any degree of accuracy at this stage.

J. M. SMART
Chairman

17th November 2009

DIRECTORS

J.M. Smart, Chairman and Managing Director Aged 65
Joined the Company in 1967
Appointed Director in 1978 and appointed Chairman in 1988

K.H. Hastings Aged 63
Joined the Company in 1974
Appointed Director in 1985

A.D. McClure Aged 63
Joined the Company in 1964
Appointed Director in 1987

L.E. Glenday Aged 61
Joined the Company in 1972
Appointed Director in 2001

The Directors submit their Annual Report and Statement of Accounts for the year ended 31st July 2009.

RESULTS AND DIVIDENDS

The loss of the Group for the year after charging taxation amounted to . . .		£1,158,000
The Directors have made the following appropriations:		
Paying a Final Dividend for 2008 of 10.50p per share (2007, 10.15p) after waivers	£517,000	
Paying an Interim Dividend for 2009 of 4.50p per share (2008, 3.00p) after waivers	222,000	
		£739,000

Certain shareholders have waived the Final Dividend for 2008 and the Interim Dividend for 2009 aggregating £773,000.

The Directors recommend a Final Dividend for the year of 9.35p per share, making a total for the year of 13.85p.

The Final Dividend, if approved, will be paid to all Members on the Share Register of the Company at the close of business on 4th December 2009. Dividend warrants will be posted on 18th December 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group and Parent Company financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and IFRS as adopted by the European Union. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the Report of the Directors, Report on Directors' Remuneration and Corporate Governance Statement that comply with that law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' STATEMENT PURSUANT TO DISCLOSURE AND TRANSPARENCY RULE 4.1.12

Each of the Directors confirms, to the best of their knowledge:

That the Consolidated Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of assets, liabilities, financial position and profit or loss of the Group and Company; and

That the Business Review contained in this report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its Subsidiaries are building and civil engineering contracting of all types, building for sale of private houses, carrying out of industrial and commercial developments and redevelopments for sale or lease. Other activities of Subsidiaries are the manufacture for sale of concrete building products and investment holding.

The company has interests in Joint Venture Companies as follows:

Name of Joint Venture Company	Percentage of interest held	Joint Venture Party
Edinburgh Industrial Estates Limited	50%	EDI (Industrial) Limited
Prestonfield Development Company Limited	50%	Walker Holdings (Scotland) Limited
Northrigg Limited	50%	William Sanderson
Duff Street Limited	50%	Kiltane Developments Limited
Invertiel Developments Limited	50%	Macdonald Estates PLC
Primrose Developments Limited	50%	Macdonald Estates PLC

Full details of the Joint Venture companies are given in note 14 to the accounts.

BUSINESS REVIEW

Group operations during the year were as follows:

BUILDING

Several housing contracts for housing associations and contracts for industrial units for our Joint Venture company Prestonfield Development Company Limited. Private housing development at McDonald Road, Edinburgh.

PLUMBING

All plumbing and domestic heating sub-contract work in above projects.

CIVIL ENGINEERING

Small to medium sized civil engineering contracts for Local Authorities, Enterprise Companies, private housebuilders, private clients and emergency call-out and remedial works for the Coal Authority.

BUSINESS REVIEW (contd.)

INVESTMENT PROPERTY

Income from rent and service charges received from tenants of industrial and commercial properties owned in the central belt of Scotland. Property sales amounted to £nil. Acquired a commercial site and two industrial properties. Continued with office development at McDonald Road, Edinburgh. Completed our second speculative office block at Glenbervie Business Park, Larbert now 75% let. Commenced the second phase of our industrial development at Bilston Glen near Edinburgh.

PRECAST CONCRETE

Manufacture and sale of hydraulically pressed concrete products (kerbs, paving slabs, etc.). Sales to builders merchants, contractors, housebuilders and private individuals.

FINANCIAL

Income from interest on cash deposits and dividends and profits from sale of equity investments. The Company's equity investment portfolio was affected by the fall in stock market values resulting in certain shares suffering permanent or long term impairment.

JOINT VENTURES

Income from rent and service charges received from tenants of industrial and residential properties owned in Edinburgh. Prestonfield Development Company Limited completed the second and final phase of five industrial units at Prestonfield Business Park, Edinburgh, which are 90% let. Duff Street Limited's flatted development at Duff Street, Edinburgh is 100% sold or let.

SUMMARY

	Revenue £000	(Loss)/Profit £000	Profit excluding unrealised (deficits)/gains in revalued property £000
Construction activities	29,451	140	140
Investment activities	5,568	(1,565)	4,214
Joint Ventures	165	217	114
	35,184	(1,208)	4,468

Group revenue during the year decreased by £15,000, rental income excluding Joint Ventures, increased by £340,000, profit from property sales decreased by £3,890,000 and net deficit on valuation of properties increased by £3,124,000, resulting in an Operating Loss of £1,747,000. The Group's share of profits in Joint Ventures increased by £145,000 and finance and investment income including loss on sale and impairment of equity investments less finance costs decreased by £989,000 resulting in Loss before Taxation of £1,208,000 compared with the profit of £5,871,000 for the previous year. Excluding unrealised (deficits)/gains in revalued property results in a profit of £4,468,000 before tax for the year under review compared with a profit of £8,526,000 for the previous year.

BUSINESS REVIEW (contd.)

GROUP FINANCIAL PERFORMANCE INDICATORS

	2009 £000	Movement	*2008 £000*
Revenue	25,401	–	*25,416*
Own work capitalised	4,050	88%	*2,157*
Other operating income (Group rental income including service charges)	5,568	7%	*5,228*
(Loss)/Profit before tax	(1,208)	(121%)	*5,871*
Profit excluding unrealised (deficits)/gains in revalued property	4,468	(48%)	*8,526*
Profit excluding unrealised (deficits)/gains in revalued property and profit from property sales	4,468	(4%)	*4,636*
Group investment income including (loss)/profit on sale of available for sale financial assets and impairment	322	(75%)	*1,311*
Share of Joint Ventures' profits excluding unrealised gain in revalued property	114	58%	*72*
Group Balance Sheet	92,307	(5%)	*97,314*

PRINCIPAL RISK FACTORS

RISK AND IMPACT	MEASURE
Main focus in contracting is on social housing which can be highly competitive putting pressure on turnover and margins (there have been material but unquantifiable increases in the risk and impact).	• Genuine "All Trades" Contractor employing own plant and directly employed operatives to carry out all basic trades. • No "labour-only" sub-contractors. • Long serving site supervisory staff promoted through the ranks. • Specialist trades sub-contracted to pool of tried and tested sub-contractors who are paid in full on or ahead of time. • Clients receive pre-contract design advice to resolve potential technical problems. • As property and private residential developers we identify sites unsuitable for private development and offer them to Housing Associations to negotiate package. We believe the above measures ensure a high standard of service, quality and progress which permits our clients to employ us on a partnering "best value" basis where price is not the only criterion and repeat business results.
Cuts in funding reduce or suspend the social housing programme resulting in reduced contracting workload and substantial redundancies (there have been material but unquantifiable increases in the risk and impact).	• Take up slack by diverting staff and workforce to private commercial and residential developments held in reserve. • Unlike a pure "contractor" we can take the portion of affordable housing required by the Planning Authority on a private residential development to a Housing Association resulting in reciprocal business and increased workload. • We now have six Joint Ventures in private development four of which we carry out the work for and are actively pursuing more.

BUSINESS REVIEW (contd.)

PRINCIPAL RISK FACTORS (contd.)

RISK AND IMPACT	MEASURE
Inability to find tenants for new development space and loss of existing tenants leads to reduction of revenue and capital resources.	• By restricting our operations to the central belt of Scotland we are only involved in familiar locations we understand. • Secure a pre-let before commencement of development. • Only commence speculative development after a careful assessment of the local market and once we are reasonably certain of securing tenants. • Freshen up existing developments from time to time in order to retain and attract tenants and maintain market interest.
Free availability of credit leads to rise in cost of developable land and property to unsustainable levels resulting in heavy losses or insolvency when the "bubble" bursts and credit is withdrawn.	• Avoid overpaying for land or property. • Do not over extend resources by over committing to development while the market hots up. • Build up liquidity for the tough times ahead by selective selling of land and/or developed property at or near the top of the market.
Possible failure of bank threatens the Group's existence due to loss of cash reserves.	• Spread cash reserves among several banks placing more with the strongest. • Invest a proportion of cash in equities.
Massive reduction in bank and interest rates results in significant loss of Group revenue from cash on deposit.	• Seek out best interest rates obtainable from banks consistent with security of borrower. • Consider investing a proportion of cash in high yielding property with strong covenant. • Increase investment in equities paying attention to yield, high/low price history and security of investment.

RETIREMENT BENEFIT OBLIGATIONS

Note 27 to the accounts gives details of the most recent actuarial review of the Group's defined benefit pension scheme.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Full details of the movements in Property, plant and equipment and Investment properties during the year are given in notes 12 and 13 to the accounts.

At 31st July 2005 a valuation of the Group's non-investment heritable properties was carried out by Mr. K. H. Hastings, a Director of the Parent Company. This valuation, which has not been incorporated into these accounts, showed a net surplus over the cost of these properties before depreciation of £1,299,000. In the opinion of the Directors there has been no material change in the value of these properties as at 31st July 2009.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company and its Subsidiaries, as described above, will substantially change in the immediate future.

EMPLOYEE INVOLVEMENT

It is Company policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects. In achieving this policy, the Directors are aware of the need to take account of the practical and commercial considerations of the Company, and of the needs of employees.

DISABLED EMPLOYEES

The policy of the Company with regard to disabled persons is to give full and fair consideration to all applicants for employment and to all employees in relation to promotion. Wherever possible, employees who become disabled during their employment and are unable to fulfil current duties are offered suitable alternative employment.

CHARITABLE DONATIONS

During the year the Group made total charitable donations amounting to £27,000 (2008, £27,000). Donations to local causes amounted to £18,000 (2008, £18,000) and donations to national charities amounted to £9,000 (2008, £9,000).

POLITICAL DONATIONS

It is the policy of the Group not to make donations for political purposes to EU Political Parties or incur EU Political Expenditure and accordingly neither the Company nor its Subsidiaries made donations or incurred such expenditure in the year.

Under the provisions of the Political Parties, Elections, and Referendums Act 2000 a wider definition of what constitutes political donations and expenditure is given. It includes sponsorship, subscriptions, payments of expenses, paid leave for employees fulfilling public duties and support for bodies representing the community in policy review or reform. To enable the Company and its Subsidiaries to continue to support the community and such organisations and avoid breaching the legislation, authority was obtained at the 2007 Annual General Meeting to allow the Company and its Subsidiaries to make donations or incur expenditure in the EU up to an aggregate not exceeding £5,000 for each Company until the conclusion of the Annual General Meeting to be held in 2011.

CREDITOR STATEMENT POLICY

The Group's policy concerning payment of trade creditors is to settle in accordance with accepted best practice in the building industry, i.e. payment is made by the end of the month following the month of supply or delivery. Further information relating to the policy on payment of creditors may be obtained from the Group's registered office. The average number of days taken to pay creditors is 21, based on the average daily amount invoiced by suppliers during the year and the creditors balance at the year end.

DIRECTORS AND THEIR INTERESTS

(i) The Directors at 31st July 2009 and their beneficial interests in the share capital of the Company were as follows:

	1st August 2008 Ordinary shares of 10p each Beneficial holdings	*31st July 2009 Ordinary shares of 10p each Beneficial holdings*
J. M. Smart	4,711,700	4,711,700
K. H. Hastings	63,000	63,000
A. D. McClure	55,000	55,000
L. E. Glenday	45,000	45,000

(ii) Mr L. E. Glenday retires by rotation and, being eligible, offers himself for re-election.

(iii) There are no Directors' service contracts in existence.

(iv) Between 31st July 2009 and 4th September 2009 J. M. Smart transferred 3,681,800 of his holding to family members and trusts thus reducing his beneficial holding to 1,029,900. There were no other movements by the Directors of their beneficial holding within the period to 21st October 2009.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, other than the Directors, the Company has been notified that as at 21st October 2009, the following have interests of more than 3% in the Company's issued share capital:

	Number	*%*
Octet Investments Limited	324,480	3.22
Mr A. J. Whitehead	312,542	3.10
Mr J. R. Smart	1,972,700	19.57
Mr D. W. Smart	1,972,700	19.57

CLOSE COMPANY STATUS

On the information available, the Directors are of the opinion that the Company is not a Close Company within the provisions of the Income and Corporation Taxes Act 1988, as amended.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

This statement details how your Company has applied the main and supporting principles of corporate governance as set out in Section 1 of the June 2008 FRC Combined Code on Corporate Governance and gives reasons for any non-compliance. The Board is committed to the principles of openness, integrity and accountability in dealing with the Company's affairs and believes it has always acted with probity in the best interests of the Company, its employees and shareholders without recourse to guidance or instruction from others and fully intends to continue to do so in the future. The Board recognises that it has not complied, throughout the year, in whole or in part, with the provisions A.1.1 to A.1.4, A.2.1, A.2.2, A.3.1 to A.3.3, A.4.1 to A.4.4, A.4.6, A.5.1, A.6.1, A.7.1, A.7.2, B.1.1, B.1.3, B.1.5, B.2.1 to B.2.3, C.3.1 to C.3.6, D.1.1 and D.2.3 of the Code, details of and explanations for which are given below.

THE BOARD

Your Board consists entirely of working Directors who aggregate 159 years' service with the Company, 85 of those as Directors. The Board comprises the executive management of the Company, being the Chairman and three Executive Directors, and thus maintains full control of the Company. Decisions are accordingly taken quickly and effectively following ad hoc consultation among the Directors concerned when any matter arises. Your Board takes the view that this direct and flexible approach is preferable to the more cumbersome procedures prevalent in larger organisations and has made a considerable contribution to your Company's continuing success and ensures that this approach best serves the interests of the Company and its shareholders.

The Board held three formal meetings during the year. Two meetings were attended by all Directors and one by three Directors. A formal schedule of reserved matters is not required since the Board is the executive management of the Company, takes the decisions on all material matters and thereby exercises full direction and control.

The members of the Board have complete freedom to seek independent professional advice, at the Company's expense, when any member feels it appropriate to do so. All Directors have access to the advice and services of the Company Secretary, who is also a Director and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. All Directors express their views and make a valuable contribution to the running of the Company.

The Chairman of the Company is also the Managing Director. Bearing in mind the size of the Company, the Board sees no value in splitting the role of Chairman and Managing Director, a policy which has served your Company well over very many years.

The Board considers that increasing the manning level of the Board by 50% by the appointment of two non-executive Directors would increase costs and impose an additional administrative burden for no discernible benefit and, accordingly, would serve no useful purpose. As the Board is the executive management of the Company, it ensures that all information is supplied timeously and in a form suitable to enable it to discharge its duties. All Directors are properly briefed on all issues arising at Board meetings. As a result of the Company not appointing non-executive Directors, the Company has not established Nomination, Remuneration or Audit Committees.

Nominations for appointment of new Directors to the Board are submitted by the Chairman for approval by the other members of the Board. As all the Directors of the Company were long-serving employees of the Company at the time of their appointment, no formal tailored induction upon joining the Board was necessary. However, all Directors are free to receive any training they require for the furtherance of their duties, and the Board's policy is to encourage this.

CORPORATE GOVERNANCE (contd.)

THE BOARD (contd.)

The Company's Articles of Association require that new Directors are subject to re-election at the first Annual General Meeting after their appointment and that one-third of eligible Directors with the exception of the Managing Director seek re-election at the AGM each year.

There is no formal system of performance evaluation of the Board or its members.

As the Company has no Remuneration Committee the Chairman is responsible for fixing the remuneration packages of the Directors based on their performance and the scope of their duties and responsibilities.

ACCOUNTABILITY AND AUDIT

The Directors have sole responsibility for preparing the Annual Report and Statement of Accounts, the Interim Report, the Management Statements and other price-sensitive public reports in a balanced and understandable manner.

GOING CONCERN

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

INTERNAL CONTROL

The Board is responsible for and annually reviews the Group's system of internal financial control and monitors its effectiveness. The Board's system of internal control is designed to manage the risk of failure to achieve business objectives rather than to eliminate it. By its nature any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors have established an organisational structure with clear lines of responsibility and appropriate reporting procedures, the effectiveness of which is continually reviewed by the Directors. The main features of the Group's system of internal financial control are:

- contracts, development projects, land purchase and acquisition of fixed assets are proceeded with after due consideration by the Directors;
- monthly reports are prepared for every contract and development project for review by the Directors;
- monthly Subsidiary Company reports are also prepared for consideration by the Directors; and
- treasury operations are carried out in accordance with policies and procedures approved by the Board.

During the year under review and up to the approval of the Annual Report and Statement of Accounts there has been, and continues to be, an ongoing process of identification by the Directors of the key areas of risk within the Group and of appropriate action to mitigate and monitor such risk.

INTERNAL AUDIT

The Board has considered and for the time being has concluded that an internal audit function is not necessary. The Board will continue to review the need for such a function on a regular basis.

CORPORATE GOVERNANCE (contd.)

AUDIT COMMITTEE AND AUDITORS

As stated above, the Company has not established an Audit Committee. It is the responsibility of the Chairman and Company Secretary on a continuing basis to consider how the financial reporting and internal control principles apply to the Company, to maintain an appropriate relationship with the Company's Auditors and to review the scope and results of the audit and its cost effectiveness. The Board is responsible for setting the remuneration of the Auditors. In order to ensure the continued independence and objectivity of the Group's Auditors, the Board has established policies regarding the provision of non-audit services by the Auditors. In some cases, the nature of the non-audit advice may make it more timely and cost-effective to select the Group's Auditors, who already have a good understanding of the Group. In other circumstances the decisions on the allocation of work are made on the basis of competence and cost-effectiveness. The Group's Auditors are subject to professional standards which safeguard the integrity of the auditing role performed on behalf of shareholders.

RELATIONS WITH SHAREHOLDERS

The Company has in the past and will in the future continue to enter into dialogue with institutional shareholders wherever possible and the Chairman is responsible for communications with institutional shareholders and to ensure that their views and concerns are communicated to the Board.

As no non-executive Directors are appointed to the Board there is no opportunity for shareholders to meet these Directors.

All shareholders have an opportunity at the Annual General Meeting to participate in questions and answers with the Board on matters relating to the Company.

At the Annual General Meeting separate resolutions will be proposed on each substantially separate issue and the number of proxy votes received for and against each resolution will be announced.

AUDITORS

In accordance with section 489 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of French Duncan LLP as auditors of the Company.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of each of the Directors who were Directors at the date this Report was approved:

- So far as the Directors are aware; there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- Each of the Directors has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY
A. D. McCLURE,
Secretary.

17th November 2009

The Directors' Remuneration Report for the year to 31st July 2009 is set out below, in compliance with current Listing Rules and statutory reporting requirements.

The Listing Rules require a Company to include a statement in its Annual Report and Statement of Accounts as to whether or not it has complied with Section B of the Code of Best Practice annexed to the Listing Rules. These provisions require the Company to set up a Remuneration Committee consisting exclusively of non-executive Directors to determine the executive Directors' remuneration.

For reasons set out under Corporate Governance above, your Board has appointed no non-executive Directors and therefore no Remuneration Committee.

REMUNERATION POLICY

The Company's policy on Directors' remuneration for the current and future years is that individual rewards should reflect performance and the scope of their duties and responsibilities.

DIRECTORS' REMUNERATION

The following tables show an analysis of the various elements of remuneration receivable by those Directors who served during the year ended 31st July 2009.

Directors' Remuneration
(Audited Information)

	Salary and Fees £000	Taxable Benefits £000	Total 2009 £000	Total 2008 £000
J. M. Smart	112	9	121	114
K. H. Hastings	115	9	124	119
A. D. McClure	112	9	121	116
L. E. Glenday	112	9	121	116

Directors' Pension Benefits
(Audited Information)

	Gross increase in accrued pension £	Total accrued pension at 31/7/09 £	Transfer Value of accrued pension at 31/7/09 £	Transfer Value of accrued pension at 31/7/08 £	Total change in value during period £
K. H. Hastings . .	6,201	67,928	1,175,206	900,197	271,638
A. D. McClure . .	5,058	65,949	1,102,352	842,236	256,835
L. E. Glenday . .	5,174	62,876	1,024,455	763,448	257,726

No Director receives fees or bonuses.

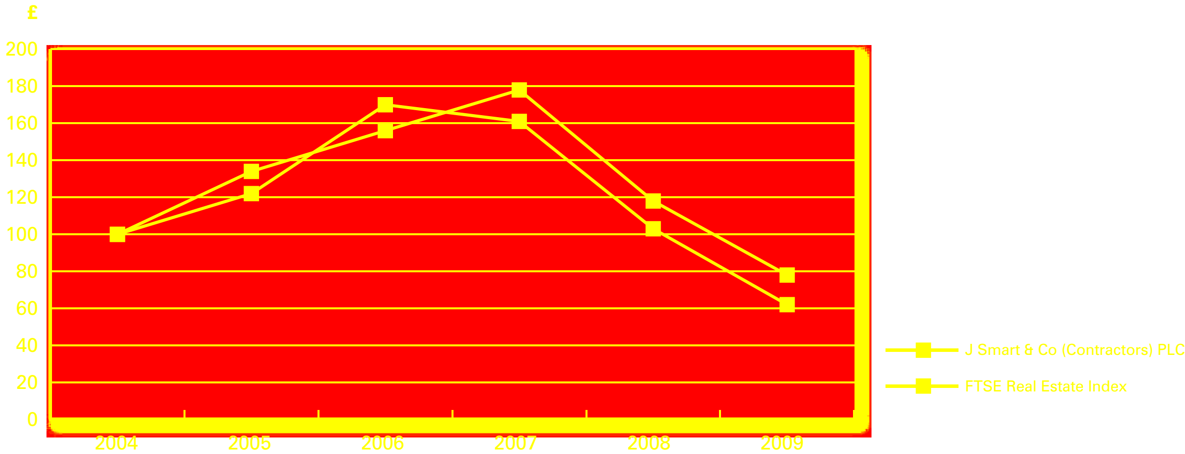
No Director holds share options and there is no scheme in place which could give such an entitlement, nor is there any long term incentive scheme.

No Director has a service contract with the Company and accordingly periods of notice and termination payments would be construed in accordance with Employment Law.

PERFORMANCE GRAPH

The graph below shows the total shareholder return performance of the Company's shares in comparison with the FTSE Real Estate Index for the five years to 31st July 2009. For the purposes of the graph, total shareholder return has been calculated as the percentage change during the five year period in the market price of the shares, assuming that Dividends are reinvested.

Total Shareholder Return over the last five financial years



This graph shows the value of £100 invested in J. Smart & Co. (Contractors) PLC over the last five financial years compared to £100 invested in the FTSE Real Estate Index which the Directors believe is the most appropriate comparative index.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY
A. D. McCLURE,
Secretary.

17th November 2009

INDEPENDENT REPORT OF THE AUDITORS

To the Shareholders of J. Smart & Co. (Contractors) PLC

We have audited the financial statements of J. Smart & Co. (Contractors) PLC for the year ended 31st July 2009 which comprise Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and related notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement (set out on page 5), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs at 31st July 2009 and of the Group's loss and the Group's and Parent Company's Cash Flow for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 13 in relation to the going concern basis; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

KEVIN G BOOTH
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP
Statutory Auditor and Chartered Accountants

375 WEST GEORGE STREET,
GLASGOW G2 4LW.
17th November 2009

CONSOLIDATED INCOME STATEMENT for the year ended 31st JULY 2009

	Notes	2009 £000	*2008 £000*
Group construction work carried out and share of Joint Ventures' turnover		29,616	*29,169*
Less: Share of Joint Ventures' turnover		(165)	*(1,596)*
Less: Own construction work capitalised		(4,050)	*(2,157)*
REVENUE		25,401	*25,416*
Cost of sales		(21,707)	*(22,290)*
GROSS PROFIT		3,694	*3,126*
Other operating income	3	5,568	*5,228*
Net operating expenses		(5,230)	*(5,101)*
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET REVALUATION DEFICIT ON INVESTMENT PROPERTIES		4,032	*3,253*
Profit arising on sale of investment properties		—	*3,890*
Net deficit on valuation of investment properties		(5,779)	*(2,655)*
OPERATING (LOSS)/PROFIT	5	(1,747)	*4,488*
Share of profits in Joint Ventures	14	217	*72*
Income from available for sale financial assets	6	66	*79*
(Loss)/Profit on sale of available for sale financial assets		(55)	*33*
Impairment of available for sale financial assets		(365)	*—*
Finance income	7	677	*1,257*
Finance costs	7	(1)	*(58)*
(LOSS)/PROFIT BEFORE TAX	9	(1,208)	*5,871*
Taxation	8	50	*(540)*
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	9	(1,158)	*5,331*
(LOSS)/EARNINGS PER SHARE – BASIC AND DILUTED	11	(11.49)p	*52.88p*

All activities in both the current and previous year relate to continuing operations.

The notes on pages 25 to 51 form an integral part of these accounts.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE AND CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31ST JULY 2009

	Notes	2009 £000	*2008 £000*
Actuarial (loss)/gain recognised on defined benefit pension scheme	27	(4,553)	*1,381*
Deferred taxation on actuarial loss/(gain) . . .	21	1,275	*(387)*
NET (DEFICIT)/SURPLUS RECOGNISED DIRECTLY IN EQUITY .		(3,278)	*994*
(Loss)/Profit for the period		(1,158)	*5,331*
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD .		(4,436)	*6,325*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		(4,436)	*6,325*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31ST JULY 2009

	Share Capital £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2007	1,008	372	90,755	92,135
Total recognised Income and Expense . . .	—	—	6,325	6,325
Fair value adjustment net of tax . . .	—	(499)	—	(499)
Dividends	—	—	(647)	(647)
As at 31st July 2008	1,008	(127)	96,433	97,314
Total recognised Income and Expense . .	—	—	(4,436)	(4,436)
Fair value adjustment net of tax . . .	—	(197)	—	(197)
Impairment of available for sale financial assets taken in Income Statement	—	365	—	365
Dividends	—	—	(739)	(739)
As at 31st July 2009	1,008	41	91,258	92,307

The notes on pages 25 to 51 form an integral part of these accounts.

CONSOLIDATED BALANCE SHEET as at 31st JULY 2009

	Notes	2009 £000	*2008 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,715	*4,331*
Investment properties	13	65,946	*68,148*
Investments in Joint Ventures	14	2,284	*2,067*
Available for sale financial assets	15	1,914	*1,533*
Trade and other receivables	17	—	*3,176*
Deferred tax asset	21	1,778	*936*
		78,637	*80,191*
CURRENT ASSETS			
Inventories	16	8,476	*8,184*
Trade and other receivables	17	7,001	*3,833*
Cash at bank and in hand		23,234	*26,883*
		38,711	*38,900*
TOTAL ASSETS		117,348	*119,091*
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	4,468	*1,089*
Deferred tax liabilities	21	4,763	*5,944*
		9,231	*7,033*
CURRENT LIABILITIES			
Trade and other payables	19	4,872	*5,518*
Current tax liabilities		163	*733*
Bank overdraft		10,775	*8,493*
		15,810	*14,744*
TOTAL LIABILITIES		25,041	*21,777*
NET ASSETS		92,307	*97,314*
EQUITY			
Called up share capital	22	1,008	*1,008*
Fair value reserve	23	41	*(127)*
Retained earnings	23	91,258	*96,433*
TOTAL EQUITY		92,307	*97,314*

Approved by the Board on
17th November 2009

J. M. SMART, *Director*
A. D. McCLURE, *Director*

Company Registration No. SC025130

The notes on pages 25 to 51 form an integral part of these accounts.

COMPANY BALANCE SHEET as at 31st JULY 2009

	Notes	2009 £000	*2008 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	738	*852*
Investments in Subsidiaries and Joint Ventures	14	733	*733*
Trade and other receivables	17	—	*3,176*
Deferred tax asset	21	1,615	*837*
		3,086	*5,598*
CURRENT ASSETS			
Inventories	16	8,182	*7,835*
Trade and other receivables	17	12,296	*7,872*
Current tax assets		1,053	*1,737*
Cash at bank and in hand		2,744	*1*
		24,275	*17,445*
TOTAL ASSETS		27,361	*23,043*
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	4,468	*1,089*
Deferred tax liabilities	21	99	*84*
		4,567	*1,173*
CURRENT LIABILITIES			
Trade and other payables	19	3,951	*4,654*
Bank overdraft		—	*8,465*
		3,951	*13,119*
TOTAL LIABILITIES		8,518	*14,292*
NET ASSETS		18,843	*8,751*
EQUITY			
Called up share capital	22	1,008	*1,008*
Retained earnings	23	17,835	*7,743*
TOTAL EQUITY		18,843	*8,751*

Approved by the Board on
17th November 2009

J. M. SMART, *Director*
A. D. McCLURE, *Director*

Company Registration No. SC025130

The notes on pages 25 to 51 form an integral part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st JULY 2009

	Notes	2009 £000	*2008* *£000*
CASH FLOWS FROM OPERATING ACTIVITIES	24(a)	2,632	*543*
Tax paid on profits		(1,333)	*(2,066)*
NET CASH FLOW TO/(FROM) OPERATING ACTIVITIES		1,299	*(1,523)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(493)	*(758)*
Additions to investment properties		(2,044)	*(6)*
Sale of property, plant and equipment		64	*69*
Sale of investment properties		—	*6,188*
Expenditure on own work capitalised - investment properties		(1,533)	*(550)*
Expenditure on own work capitalised - property under construction		(2,517)	*(1,607)*
Purchase of available for sale financial assets		(580)	*(639)*
Proceeds of sale of available for sale financial assets		11	*145*
Interest received		602	*1,257*
Interest paid		(1)	*(7)*
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(6,491)	*4,092*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(739)	*(647)*
NET CASH USED IN FINANCING ACTIVITIES		(739)	*(647)*
(DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK		(5,931)	*1,922*
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD	24(b)	18,390	*16,468*
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD	24(b)	12,459	*18,390*

The notes on pages 25 to 51 form an integral part of these accounts.

COMPANY CASH FLOW STATEMENT for the year ended 31st JULY 2009

	Notes	2009 £000	*2008 £000*
CASH FLOWS FROM OPERATING ACTIVITIES	25(a)	11,029	*(989)*
Tax received/(paid) on profits		1,124	*(242)*
NET CASH FLOW TO/(FROM) OPERATING ACTIVITIES		12,153	*(1,231)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(266)	*(481)*
Sale of property, plant and equipment		37	*43*
Repayment of capital from dissolved Subsidiaries		—	*13*
Interest received		23	*5*
Interest paid		—	*(6)*
NET CASH USED IN INVESTING ACTIVITIES		(206)	*(426)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(739)	*(647)*
NET CASH USED IN FINANCING ACTIVITIES		(739)	*(647)*
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND BANK		11,208	*(2,304)*
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF PERIOD	25(b)	(8,464)	*(6,160)*
CASH, CASH EQUIVALENTS AND BANK AT END OF PERIOD	25(b)	2,744	*(8,464)*

The notes on pages 25 to 51 form an integral part of these accounts.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

J. Smart & Co. (Contractors) PLC which is the ultimate Parent Company of the J. Smart & Co. (Contractors) PLC group is a public limited company registered in Scotland, incorporated in the United Kingdom and listed on the London Stock Exchange.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN THE YEAR ENDED 31ST JULY 2009

The following standards, amendments and interpretations to existing standards became mandatory for the accounts for the year to 31st July 2009:

- IAS 39 (Amended) – Financial Instruments: Recognition and Measurement relating to amendments for embedded derivatives which reclassified financial instruments.
- IFRIC 12 – Service Concession Arrangements.
- IFRIC 13 – Customer Loyalty Programmes.
- IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction.
- IFRIC 17 – Distributions of Non-cash Assets to Owners.
- IFRIC 18 – Transfers of Assets from Customers.

The adoption of these Standards and Interpretation have had no impact on the results of the Group or Company.

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY

The following standards, amendments and interpretations have been published and are mandatory for the accounts for the year to 31st July 2010 or later:

- IFRS 1 (Amended) – First-time Adoption of International Financial Reporting Standards relating to cost of investment on first-time adoption and relating to oil and gas assets.
- IFRS 2 (Amended) – Share-based Payment relating to vesting conditions and cancellations, group cash-settled share-based payments transactions and resulting from April 2009 Annual Improvements to IFRSs.
- IFRS 3 (Amended) – Business Combinations relating to comprehensive revision on applying the acquisition method.
- IFRS 5 (Amended) – Non-current Assets Held for Sale and Discontinued Operations resulting from May 2008 and April 2009 Annual Improvements to IFRSs.
- IFRS 7 (Amended) – Financial Instrument: Disclosures relating to enhancing disclosures about fair value and liquidity risk.
- IFRS 8 – Operating Segments.
- IFRS 8 (Amended) – Operating Segments resulting from April 2009 Annual Improvements to IFRSs.
- IAS 1 (Amended) – Presentation of Financial Statements resulting from comprehensive revision including a statement of comprehensive income, disclosure of puttable instruments and obligations arising on liquidation and resulting from May 2008 and April 2009 Annual Improvements to IFRSs.
- IAS 7 (Amended) – Statement of Cash Flows resulting from April 2009 Annual Improvements to IFRSs.
- IAS 16 (Amended) – Property, Plant and Equipment resulting from May 2008 Annual Improvements to IFRSs.
- IAS 17 (Amended) – Leases resulting from April 2009 Annual Improvements to IFRSs.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY (contd.)

- IAS 19 (Amended) – Employee Benefits resulting from April 2009 Annual Improvements to IFRSs.
- IAS 20 (Amended) – Government Grants and Disclosure of Government Assistance resulting from May 2008 Annual Improvements to IFRSs.
- IAS 23 - Borrowing Costs relating to prohibiting immediate expensing and resulting from May 2008 Annual Improvements to IFRSs.
- IAS 27 (Amended) – Consolidated and Separate Financial Statements resulting from consequential amendments arising from amendments to IFRS 3 and to cost of an investment on first-time adoption and resulting from May 2008 Annual Improvements to IFRSs.
- IAS 28 (Amended) – Investments in Associates resulting from May 2008 Annual Improvements to IFRSs.
- IAS 29 (Amended) – Financial Reporting in Hyperinflationary Economies resulting from May 2008 Annual Improvements to IFRSs.
- IAS 31 (Amended) – Interests in Joint Ventures resulting from consequential amendments arising from amendments to IFRS 3 and to cost of an investment on first-time adoption and resulting from May 2008 Annual Improvements to IFRSs.
- IAS 32 (Amended) – Financial Instruments: Presentation amendments relating to puttable instruments and obligations arising on liquidation.
- IAS 36 (Amended) – Impairment of Assets resulting from May 2008 and April 2009 Annual Improvements to IFRSs.
- IAS 38 (Amended) – Intangible Assets resulting from May 2008 and April 2009 Annual Improvements to IFRSs.
- IAS 39 (Amended) – Financial Instruments: Recognition and Measurement relating to amendments for eligible hedged items and resulting from May 2008 and April 2009 Annual Improvements to IFRSs.
- IAS 41 (Amended) – Agriculture resulting from May 2008 and April 2009 Annual Improvements to IFRSs.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group or Company but full consideration will be given to them in due course.

BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention except where the measurement of balances at fair value is required as noted below for investment properties and available for sale financial assets.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of 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 and 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Investment Properties

Investment properties are revalued annually by the Group Directors in accordance with the Appraisal and Valuation Manual of the R.I.C.S. The Directors use yields which they consider to be appropriate to the circumstances and nature of the Group's investment property portfolio. The Directors consider that any variances in yields would not result in significant movement of revaluation movements.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (contd.)

Long-Term Contract Provisions

Judgement is required in the area of provisions for losses on long-term contracts. The Directors consider adequate, but not excessive provisions have been made in this respect.

Retirement Benefit Obligation

The valuation of the retirement benefit obligation is dependent upon a series of assumptions, mainly discount rates, mortality rates, investment returns, salary inflation and the rate of pension increases. These are set out in note 27 to the financial statements.

BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of J. Smart & Co. (Contractors) PLC and all of its Subsidiaries made up to 31st July each year. Subsidiaries are entities controlled by the Company. Control is assumed where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group balances and any income or expenses arising from intra-group transactions are eliminated in preparing the Group accounts.

No income statement is presented for the Parent Company as provided by section 408 of the Companies Act 2006.

CAPITAL MANAGEMENT

Group objectives in managing capital are to safeguard the interests of the Company to operate as a debt-free going concern, of its employees to maintain wherever possible security of employment, remuneration and retirement provisions and of its shareholders to maintain continuity of dividends and stability of share price.

The capital structure of the Group consists of issued share capital, reserves and retained earnings represented predominantly by investment properties, financial investments and cash.

These assets are purchased, managed and maintained by the Group's management and employees, advised where appropriate by independent outside professionals. Refer to pages 8 and 9 of this report for details of relevant risk factors and management measures.

The Group is currently free of debt with sufficient cash reserves and readily realisable assets available to meet its foreseeable commitments.

INVESTMENT IN JOINT VENTURES

Joint Ventures are those entities over which the Company has a 50% holding and exercises joint control under a contractual arrangement. The results of Joint Venture undertakings are accounted for using the equity method of accounting. Under this method the investment is initially recorded at cost and is subsequently adjusted to reflect the Group's share of the net profit or loss in the Joint Venture.

The Accounts of the Group's Joint Ventures have been prepared in accordance with UK GAAP. The Group's interest in the assets and liabilities of the Joint Ventures have only been restated in accordance with International Financial Reporting Standards where such restatement is considered material to an understanding of the Group's interest.

INVESTMENT PROPERTIES

Investment properties are properties owned by the Group which are held for long-term rental income or for capital appreciation or both. Investment properties are initially recognised at cost and revalued at the Balance Sheet date to fair value as determined by Group Directors in accordance with the Appraisal and Valuation Manual of the R.I.C.S..

Properties under development are stated at cost including attributable overheads.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

INVESTMENT PROPERTIES (contd.)

Gains or losses arising from the changes in fair value are included in the Income Statement in the period in which they arise. In accordance with IAS 40: Investment Property, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, includes certain internal staff and associated costs directly attributable to the management of the developments under construction.

Where the Group redevelops an existing property for continued future use as an investment property, the property remains an investment property measured at fair value through the Income Statement.

Cost of construction of new investment properties are accounted for under Property, plant and equipment in accordance with IAS 16: Property, plant and equipment. Once the construction is complete the property is transferred into investment properties.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of them can be measured reliably. All other repairs and maintenance expenditure is charged to the Income Statement as incurred.

The Group assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying value exceeds its recoverable amount the asset is considered impaired and written down accordingly.

DEPRECIATION

Depreciation is provided on all items of property, plant and equipment, other than investment properties including those under construction and freehold land, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Freehold buildings	-	over 40 to 66 years
Plant and machinery	-	25% to 33 ⅓% reducing balance
Office furniture and fittings	-	20% to 33 ⅓% reducing balance
Motor vehicles	-	33 ⅓% reducing balance

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value.

Land held for development is included at the lower of cost and net realisable value.

Work in progress other than long-term contract work in progress is valued at the lower of cost and net realisable value.

Cost includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the estimated selling price less anticipated disposal costs.

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences, except in respect of investments in Subsidiaries and Joint Ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Income Statement except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Group operates a defined benefit pension scheme, which was closed to new members during the year to 31st July 2003 and which requires contributions to be made to an administered fund.

The obligations of the scheme represent benefits accruing to employees and are measured at discounted present value while scheme assets are measured at their fair value. The discount rate used is the yield on AA credit rated corporate bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The operating and financial costs of such plans are recognised separately in the Income Statement, service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the periods in which they arise. Actuarial gains and losses, arising from either experience, differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in the Statement of Recognised Income and Expense.

The Group also operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Income Statement as incurred.

LEASES

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

GROUP AS A LESSEE

In accordance with IAS 40: Investment Property, leases of investment property are assessed on a property by property basis. The Group's investment properties are classified as operating leases and rentals payable are charged to the Income Statement on a straight line basis over the term of the lease.

Other leases are classified as operating leases and rentals payable are charged to the Income Statement on a straight line basis over the term of the lease.

GROUP AS A LESSOR

Properties leased out under operating leases are included in investment property, with rental income recognised on a straight line basis over the lease term.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

REVENUE

Revenue, which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where revenue represents the sales value of work done in the year. The measurement and stage of completion of revenue of long-term contracts are based on external valuations issued by the third party surveyors.

Profits on long-term contracts are calculated in accordance with International Financial Reporting Standards and do not relate directly to revenue. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

The value of construction work transferred to investment properties is excluded from revenue.

Revenue from investment properties comprises rental income, service charges and other recoveries, and is disclosed as other operating income in the Consolidated financial statements.

Rental income from investment property leased out under an operating lease is recognised in the Income Statement on a straight line basis over the term of the lease.

Surrender premiums received from tenants vacating the property are deferred and released to revenue over the original lease term. When the unit is re-let all deferred amounts are released to revenue at that point.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Group operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Group are met as they arise.

AVAILABLE FOR SALE FINANCIAL ASSETS

Financial assets available for sale represent investments in quoted shares which are recognised at fair value at the year end. The movement in fair value is transferred directly to Equity and shown in a separately designated Fair Value Reserve.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

DIVIDENDS

Final Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders. Interim Dividends are recognised when they are paid.

2. SEGMENTAL INFORMATION

The Group's primary basis of segmentation is by activities and all construction work relates to activities in Scotland.

	Total Revenue	Inter Segment Revenue	External Revenue	(Loss)/Profit attributable to Equity shareholders 2009	*2008*
	£000	£000	£000	£000	*£000*
2009					
Construction activities	29,451	(4,050)	25,401	39	—
Investment activities	5,568	—	5,568	(1,786)	—
Joint Ventures	165	—	165	217	—
	35,184	(4,050)	31,134	(1,530)	—
2008					
Construction activities	*27,573*	*(2,157)*	*25,416*	—	*(14)*
Investment activities	*5,228*	—	*5,228*	—	*4,502*
Joint Ventures	*1,596*	—	*1,596*	—	*72*
	34,397	*(2,157)*	*32,240*	—	*4,560*

	2009	*2008*
RESULT	(1,530)	*4,560*
Finance and investment income	743	*1,369*
Finance and investment costs	(421)	*(58)*
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	(1,208)	*5,871*
Tax on Loss/(Profit) on Ordinary Activities	50	*(540)*
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	(1,158)	*5,331*

	Segment Assets 2009 £000	*2008 £000*	Segment Liabilities 2009 £000	*2008 £000*
Construction activites	22,514	*7,896*	9,236	*4,517*
Investment activities	92,671	*98,923*	15,738	*6,297*
Investment in Joint Ventures	2,259	*2,042*	—	—
	117,444	*108,861*	24,974	*10,814*

OTHER INFORMATION	Capital Additions		Depreciation	
Construction activites	485	*758*	521	*533*
Investment activities	6,102	*2,163*	—	—

3. OTHER OPERATING INCOME

	2009	*2008*
Rental income	5,191	*4,821*
Less: Joint Ventures' income	(228)	*(97)*
	4,963	*4,724*
Service charges and insurance receivable	605	*504*
	5,568	*5,228*
Direct property costs	(1,562)	*(1,976)*
Net rental income	4,006	*3,252*

Direct property costs included £206,000 (2008, £379,000) in respect of investment properties that did not generate rental income in the year.

4. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:

	2009 £000	*2008 £000*
Wages, salaries and short term benefits	10,465	*9,354*
Social security costs	947	*848*
Post-employment benefits	720	*730*
	12,132	*10,932*

The average weekly number of employees during the year was made up as follows:

	No.	*No.*
Construction and related services	317	*295*
Office and management	24	*23*
	341	*318*

Directors' remuneration:

	£000	*£000*
– Salaries and short term benefits	487	*465*
– Post-employment benefits	70	*91*
– Fees	—	*—*
	557	*556*

All of the Directors except J. M. Smart are members of the Group's defined benefit pension scheme.

Key management is comprised solely of the Directors of the Company.

5. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):		
Cost of inventories recognised as an expense	15,861	*14,806*
Staff costs (per note 4)	12,132	*10,932*
Hire of plant and machinery	545	*758*
Depreciation of owned assets	521	*533*
Loss/(Profit) on disposal of property, plant and equipment	41	*(31)*
Auditors' remuneration and expenses – audit services	112	*99*

The auditors' fees for the Parent Company are £47,000 (2008, £45,000).

6. INCOME FROM INVESTMENTS

	2009 £000	2008 £000
Available for sale financial assets	66	79

7. FINANCE INCOME AND FINANCE COSTS

		2009	2008
Receivable:	Interest on short term deposits	576	1,196
	Other interest	26	61
	Pension scheme	75	—
		677	1,257
Payable:	Bank interest	—	(7)
	Other interest	(1)	—
	Pension scheme	—	(51)
		(1)	(58)

8. TAXATION

	2009	2008
UK Corporation Tax		
Current tax on income for the period	793	2,082
Corporation tax over provided in previous years	(30)	(151)
	763	1,931
Deferred taxation (note 21)	(813)	(1,391)
	(50)	540
Current Tax Reconciliation		
(Loss)/Profit on ordinary activities before tax	(1,208)	5,871
Less: Share of profits of Joint Ventures	(217)	(72)
	(1,425)	5,799
Current tax at 28% (2008, 29.33%)	(399)	1,701
Effects of:		
Expenses not deductible for tax purposes	87	—
Non taxable income	(19)	(48)
IBA adjustment	311	(604)
Effect of change on tax rate	—	(358)
Adjustments to tax charge in respect of prior periods	(30)	(151)
	(50)	540

In addition to amounts charged to the Income Statement, a deferred tax credit of £1,275,000 (2008, charge of £387,000) relating to actuarial gains on defined benefit scheme has been recognised directly to Equity.
Also a deferred tax charge of £65,000 (2008, credit £190,000) relating to the movement in fair value of available for sale financial assets has been recognised directly to Equity.

9. (LOSS)/PROFIT FOR THE FINANCIAL YEAR

	2009 £000	*2008 £000*
Dealt with in the accounts of the Parent Company	14,109	*(425)*
Retained by Subsidiary and Joint Venture Companies	(15,267)	*5,756*
	(1,158)	*5,331*

10. DIVIDENDS

	2009 £000	*2008 £000*
Ordinary Dividends		
2007 Final Dividend of 10.15p per share	—	*500*
2008 Interim Dividend of 3.00p per share	—	*147*
2008 Final Dividend of 10.50p per share	517	*—*
2009 Interim Dividend of 4.50p per share	222	*—*
	739	*647*
Proposed 2009 Final Dividend of 9.35p per share (2008, 10.50p), after waivers	943	*517*

The proposed Final Dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Certain shareholders have waived Dividends as follows:

	2009 £000	*2008 £000*
Ordinary Dividends		
2007 Final Dividend of 10.15p per share	—	*523*
2008 Interim Dividend of 3.00p per share	—	*155*
2008 Final Dividend of 10.50p per share	541	*—*
2009 Interim Dividend of 4.50p per share	232	*—*
	773	*678*

11. (LOSS)/EARNINGS PER SHARE

	(Loss)/Profit attributable to Equity shareholders £000	Basic (loss)/ earnings per share
Year to 31st July 2009	(1,158)	(11.49)p
Year to 31st July 2008	*5,331*	*52.88p*

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to Equity shareholders by the number of ordinary shares in issue, being 10,082,000 shares at the beginning and end of the financial year.

There is no difference between basic and diluted (loss)/earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Land and buildings Freehold £000	Investment properties under construction £000	Plant, equipment and vehicles £000	Total £000
Cost:				
At 1st August 2008	738	2,607	6,578	9,923
Additions	1	2,525	484	3,010
Disposals	—	—	(1,227)	(1,227)
At 31st July 2009	739	5,132	5,835	11,706
Depreciation:				
At 1st August 2008	414	—	5,178	5,592
Provided during year	16	—	505	521
Disposals	—	—	(1,122)	(1,122)
At 31st July 2009	430	—	4,561	4,991
Net book value:				
At 31st July 2009	309	5,132	1,274	6,715
Cost:				
At 1st August 2007	738	1,000	6,202	7,940
Additions	—	1,607	758	2,365
Disposals	—	—	(382)	(382)
At 31st July 2008	738	2,607	6,578	9,923
Depreciation:				
At 1st August 2007	398	—	5,005	5,403
Provided during year	16	—	517	533
Disposals	—	—	(344)	(344)
At 31st July 2008	414	—	5,178	5,592
Net book value:				
At 31st July 2008	324	2,607	1,400	4,331

As referred to in the Report of the Directors, the Group's non-investment heritable properties were revalued at 31st July 2005. This revaluation has not been incorporated into these accounts.

12. PROPERTY, PLANT AND EQUIPMENT (contd.)

(b) COMPANY

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2008	179	3,326	3,505
Additions	—	265	265
Group transfer	—	11	11
Disposals	—	(1,093)	(1,093)
At 31st July 2009	179	2,509	2,688
Depreciation:			
At 1st August 2008	83	2,570	2,653
Provided during year	3	280	283
Group transfer	—	10	10
Disposals	—	(996)	(996)
At 31st July 2009	86	1,864	1,950
Net book value:			
At 31st July 2009	93	645	738
Cost:			
At 1st August 2007	179	3,092	3,271
Additions	—	481	481
Disposals	—	(247)	(247)
At 31st July 2008	179	3,326	3,505
Depreciation:			
At 1st August 2007	80	2,507	2,587
Provided during year	3	288	291
Disposals	—	(225)	(225)
At 31st July 2008	83	2,570	2,653
Net book value:			
At 31st July 2008	96	756	852

As referred to in the Report of the Directors, the Company's non-investment heritable properties were revalued at 31st July 2005. This revaluation has not been incorporated into these accounts.

13. INVESTMENT PROPERTIES

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Total £000
Cost or valuation:			
At 1st August 2008	55,610	12,538	68,148
Additions	3,559	18	3,577
Transfers	4,461	(4,461)	—
Disposals	—	—	—
Deficits on valuation	(5,777)	(2)	(5,779)
At 31st July 2009	57,853	8,093	65,946
Cost or valuation:			
At 1st August 2007	59,463	13,082	72,545
Additions	213	343	556
Disposals	(2,298)	—	(2,298)
Deficits on valuation	(1,768)	(887)	(2,655)
At 31st July 2008	55,610	12,538	68,148

The Group's completed investment properties were valued on the basis of market value on 31st July 2009 in accordance with the Appraisal and Valuation Manual of the R.I.C.S. by Mr. J. M. Smart, M.R.I.C.S. and Mr. K. H. Hastings, both of whom are Directors of the Parent Company. Open market value represents the estimated amount for which property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, and does not account for costs of disposals.

In accordance with IAS 40: Investment Property, completed investment properties are revalued annually and the aggregate surplus or deficit is taken to the Income Statement and no depreciation is provided in respect of these properties.

The company had obligations of £1,795,000 in respect of development and repair costs of investment properties at the Balance Sheet date.

14. INVESTMENTS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Shares in Subsidiaries at Cost	—	—	708	708
Joint Ventures	2,284	2,067	25	25
	2,284	2,067	733	733

(a) JOINT VENTURES

	Group 2009 £000	Group 2008 £000
Share of Assets:		
Share of Non Current Assets	3,241	2,596
Share of Current Assets	3,017	3,522
	6,258	6,118
Share of Liabilities:		
Share of Non Current Liabilities	—	3,250
Share of Current Liabilities	3,974	801
	3,974	4,051
Share of Net Assets	2,284	2,067
Turnover	165	1,596
Cost of Sales	(192)	(1,372)
Net rental incomes	228	97
Net operating expenses	(54)	(276)
Net gain on valuation of investment properties	103	—
Operating profit	250	45
Finance income	8	101
Finance costs	(10)	(96)
Profit before tax	248	50
Taxation	(31)	22
	217	72

The Group's share of retained profits in the Joint Ventures at 31st July 2009 amounted to £2,259,000 (2008, £2,042,000).

14. INVESTMENTS (contd.)

(a) JOINT VENTURES (contd.)

Name of Joint Venture	*Registered in and Principal Country of Operation*	*J. Smart & Co. (Contractors) PLC Interest in Joint Venture's Capital*
Edinburgh Industrial Estates Limited	Scotland	50%
Prestonfield Development Company Limited	Scotland	50%
Northrigg Limited	Scotland	50%
Duff Street Limited	Scotland	50%
Invertiel Developments Limited	Scotland	50%
Primrose Developments Limited	Scotland	50%

Name of Joint Venture	*Jointly managed with*	*Issued Share capital*	*Issued shares held by J. Smart & Co. (Contractors) PLC*
Edinburgh Industrial Estates Limited	EDI (Industrial) Limited	50,000 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	25,000 B Shares
Prestonfield Development Company Limited	Walker Holdings (Scotland) Limited	2 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	1 B Share
Northrigg Limited	William Sanderson	2 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	1 A Share
Duff Street Limited	Kiltane Developments Limited	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares
Invertiel Developments Limited	Macdonald Estates PLC	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares
Primrose Developments Limited	Macdonald Estates PLC	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares

All of the Joint Venture companies were established for the purposes of property development and all have accounting periods ending on 31st July.

14. INVESTMENTS (contd.)

(b) SUBSIDIARIES

At 31st July 2009 the Company held the entire issued share capital of the following companies, all of which are registered in and operate in Scotland:

	Nature of business
McGowan & Co. (Contractors) Limited	Plumbing contractors
Cramond Real Estate Company Limited	Investment holding
Thomas Menzies (Builders) Limited	Civil Engineering contractors
Concrete Products (Kirkcaldy) Limited	Manufacture of concrete building products
C. & W. Assets Limited	Property company

15. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group	
	2009 £000	*2008 £000*
Listed investments	1,914	*1,533*

Fair value movement before tax amounted to (£189,000) (2008, (£667,000)).

16. INVENTORIES

	Group		*Company*	
	2009 £000	*2008 £000*	2009 £000	*2008 £000*
Long-term contract balances	3,122	*2,428*	3,049	*2,346*
Land held for development	5,110	*5,445*	5,110	*5,445*
Raw materials and consumables	154	*193*	23	*44*
Finished goods	90	*118*	—	—
	8,476	*8,184*	8,182	*7,835*

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amount of costs incurred and recognised profits less recognised losses to date	18,758	*2,241*	18,747	*2,212*
Advances received	(19,340)	*(3,036)*	(19,340)	*(3,036)*
Net value of contracts in progress	(582)	*(795)*	(593)	*(824)*

17. TRADE AND OTHER RECEIVABLES

	Group 2009 £000	*Group 2008 £000*	Company 2009 £000	*Company 2008 £000*
NON-CURRENT ASSETS:				
Loans to Joint Venture companies	—	*3,176*	—	*3,176*
CURRENT ASSETS:				
Trade debtors	1,658	*2,636*	538	*1,051*
Amounts owed by Subsidiaries	—	*—*	6,565	*5,921*
Other receivables	217	*229*	181	*63*
Prepayments and accrued income	470	*629*	367	*527*
Amounts recoverable on contracts	570	*339*	559	*310*
Loans to Joint Venture companies	4,086	*—*	4,086	*—*
	7,001	*3,833*	12,296	*7,872*

The loans to Joint Venture companies (note 14(a)) are repayable on demand. The Group has charged interest on one loan to a Joint Venture Company at a rate of 1% above the Group's banker's base rate.

18. BANK

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank.

19. TRADE AND OTHER PAYABLES

	Group 2009 £000	*Group 2008 £000*	Company 2009 £000	*Company 2008 £000*
CURRENT LIABILITIES:				
Payments received on account	374	*146*	374	*146*
Trade creditors	1,414	*1,906*	1,064	*1,510*
Amounts owed to Subsidiaries	—	*—*	268	*511*
Other taxes and social security costs	214	*320*	184	*174*
Other creditors and accruals	2,020	*2,296*	1,211	*1,463*
Loans from Joint Venture companies	850	*850*	850	*850*
	4,872	*5,518*	3,951	*4,654*

Certain members of the Group have granted Standard Securities over certain investment properties. The Directors consider that there are no material restrictions which affect the realisability of these properties.

The loans from Joint Venture companies (note 14(a)) are interest free and repayable on demand.

20. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of bank balances and cash, available for sale financial assets, trade receivables and trade payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

The carrying amount of these assets approximates to their fair value.

CREDIT RISK

In relation to the Group's financial assets, the Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

21. DEFERRED TAXATION

DEFERRED TAX LIABILITIES

GROUP

	Accelerated Capital Allowances £000	Fair Value Reserve £000	Valuation Surplus on Investment Properties £000	Other Timing Differences £000	Total £000
As at 1st August 2007	1,645	115	5,998	85	7,843
Charged/(Credited) to Income Statement	(109)	—	(1,706)	31	(1,784)
Credited to Equity	—	(115)	—	—	(115)
As at 31st July 2008	1,536	—	4,292	116	5,944
Charged/(Credited) to Income Statement	105	—	(1,306)	20	(1,181)
As at 31st July 2009	1,641	—	2,986	136	4,763

COMPANY

	Other Timing Differences £000
As at 1st August 2007	58
Charged to Income Statement	26
As at 31st July 2008	84
Charged to Income Statement	15
As at 31st July 2009	99

DEFERRED TAX ASSETS

GROUP

	Retirement Benefit Obligations £000	Fair Value Reserve £000	Other £000	Total £000
As at 1st August 2007	1,584	—	57	1,641
(Charged)/Credited to Income Statement	(892)	—	499	(393)
(Charged)/Credited to Equity	(387)	75	—	(312)
As at 31st July 2008	305	75	556	936
Charged to Income Statement	(329)	—	(39)	(368)
Credited/(Charged) to Equity	1,275	(65)	—	1,210
As at 31st July 2009	1,251	10	517	1,778

21. DEFERRED TAXATION (contd.)

DEFERRED TAX ASSETS (contd.)

COMPANY

	Retirement Benefit Obligations £000	Other £000	Total £000
As at 1st August 2007	1,584	33	1,617
(Charged)/Credited to Income Statement	(892)	499	(393)
Charged to Equity	(387)	—	(387)
As at 31st July 2008	305	532	837
Charged to Income Statement	(329)	(168)	(497)
Credited to Equity	1,275	—	1,275
As at 31st July 2009	1,251	364	1,615

22. SHARE CAPITAL

	2009 £000	*2008 £000*
Authorised		
12,000,000 (2008, 12,000,000) ordinary shares of 10p each	1,200	*1,200*
Allotted called up and fully paid		
10,082,000 (2008, 10,082,000) ordinary shares of 10p each	1,008	*1,008*

23. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

GROUP

	Share Capital £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
At 1st August 2007	1,008	372	90,755	92,135
Total recognised Income and Expense	—	—	6,325	6,325
Fair value adjustment net of tax	—	(499)	—	(499)
Dividends	—	—	(647)	(647)
At 31st July 2008	1,008	(127)	96,433	97,314
Total recognised Income and Expense	—	—	(4,436)	(4,436)
Fair value adjustment net of tax	—	(197)	—	(197)
Impairment of available for sale financial assets taken to Income Statement	—	365	—	365
Dividends	—	—	(739)	(739)
At 31st July 2009	1,008	41	91,258	92,307

23. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (contd.)

COMPANY

	Share Capital £000	Retained Earnings £000	Total £000
At 1st August 2007	1,008	7,821	8,829
Total recognised Income and Expense	—	569	569
Dividends	—	(647)	(647)
At 31st July 2008	1,008	7,743	8,751
Total recognised Income and Expense	–	10,831	10,831
Dividends	–	(739)	(739)
At 31st July 2009	1,008	17,835	18,843

	Notes	
Profit for financial year	9	14,109
Actuarial loss on defined benefit pension scheme	27	(4,553)
Deferred taxation on actuarial loss	21	1,275
Total recognised Income and Expense		10,831

24. NOTES TO THE CASH FLOW STATEMENT

GROUP

(a) RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

	2009 £000	*2008 £000*
(Loss)/Profit before tax	(1,208)	*5,871*
Share of profits from Joint Ventures	(217)	*(72)*
Depreciation	521	*533*
Unrealised revaluation deficits on investment properties	5,779	*2,655*
Loss/(Profit) on sale of property, plant and equipment	41	*(31)*
Profit on sale of investment properties	—	*(3,890)*
Loss/(Profit) on sale of available for sale financial assets	55	*(33)*
Impairment of available for sale financial assets	365	*—*
Change in retirement benefits	(1,174)	*(2,810)*
Interest received	(602)	*(1,257)*
Interest paid	1	*7*
Change in inventories	(292)	*(549)*
Change in receivables – current	8	*(133)*
Change in receivables – non current	—	*(1,000)*
Change in payables	(645)	*1,252*
NET CASH GENERATED FROM OPERATIONS	2,632	*543*

(b) CASH AND CASH EQUIVALENTS FOR THE CASH FLOW STATEMENT

	2009 £000	*2008 £000*
Cash and cash equivalents	23,234	*26,883*
Bank overdraft	(10,775)	*(8,493)*
Net position	12,459	*18,390*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2008 £000	Cash Flow £000	Other £000	At 31st July 2009 £000
Cash and cash equivalents	26,883	(3,649)	—	23,234
Bank overdraft	(8,493)	(2,282)	—	(10,775)
Net funds	18,390	(5,931)	—	12,459

(d) NON CASH MOVEMENTS

During the year the loans due from Joint Venture companies were reclassified as repayable on demand and as such have been moved from Non Current Assets to Current Assets.

25. NOTES TO THE CASH FLOW STATEMENT (contd.)

COMPANY

(a) RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

	2009 £000	*2008 £000*
Profit/(Loss) before tax	14,182	*(486)*
Depreciation	283	*291*
Loss/(Profit) on sale of property, plant and equipment	60	*(21)*
Write off of investment in Subsidiaries	—	*(3)*
Change in retirement benefits	(1,174)	*(2,810)*
Interest received	(23)	*(5)*
Interest paid	—	*6*
Change in inventories	(347)	*(481)*
Change in receivables – current	(1,248)	*1,684*
Change in receivables – non current	—	*(1,000)*
Change in payables	(704)	*1,836*
NET CASH GENERATED FROM OPERATIONS	11,029	*(989)*

(b) CASH AND CASH EQUIVALENTS FOR THE CASH FLOW STATEMENT

	2009 £000	*2008 £000*
Cash and cash equivalents	2,744	*1*
Bank overdraft	—	*(8,465)*
	2,744	*(8,464)*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2008 £000	Cash Flow £000	Other £000	At 31st July 2009 £000
Cash and cash equivalents	1	2,743	—	2,744
Bank overdraft	(8,465)	8,465	—	—
	(8,464)	11,208	—	2,744

(d) NON CASH MOVEMENTS

During the year the loans due from Joint Venture companies were reclassified as repayable on demand and as such have been moved from Non Current Assets to Current Assets.

26. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2009 or 31st July 2008.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2009 amounted to £nil (2008, £nil).

27. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit scheme for its employees which was closed to new members during the year to 31st July 2003. The scheme's assets are held separately from the assets of the Group and are administered and managed professionally. The last completed triennial valuation of the scheme was made at 1st November 2006 by an independently qualified actuary. This valuation, on the minimum funding requirement basis, revealed a deficit of £6,833,000, representing a funding level of 68.5%. Following the results of the valuation it was agreed with the scheme trustees that with effect from 1st November 2007 the employer contributions would increase to 63.6% of pensionable salaries and employee contributions would increase to 3%. These rates will continue to be paid pending completion of the 1st November 2009 triennel valuation of the scheme. The total net pension charge for the period was £603,000 (2008, £678,000). The actuarial valuation has been updated to take account of the requirements of IAS 19: Employee Benefits, in order to assess the assets and liabilities of the scheme at 31st July 2009.

The financial assumptions used to calculate scheme liabilities under IAS 19 are:

	2009	*2008*	*2007*
Valuation method	Projected Unit	*Projected Unit*	*Projected Unit*
Discount rate	6.0%	*6.8%*	*5.8%*
Inflation rate	3.8%	*4.1%*	*3.4%*
Salary increases	5.3%	*5.6%*	*4.9%*
Pension increases	2.4%–3.8%	*2.2%–4.1%*	*2.1%–3.4%*

The assets of the scheme are invested in insurance policies. The analysis of the underlying investments in these policies, the expected rates of returns and reconciliation of scheme assets and liabilities to the balance sheet were:

	Long term rate of return expected at 31st July 2009	Value at 31st July 2009 £000	*Long term rate of return expected at 31st July 2008*	*Value at 31st July 2008 £000*	*Long term rate of return expected at 31st July 2007*	*Value at 31st July 2007 £000*
Equities	7.9%	12,329	*9.3%*	*10,509*	*8.1%*	*11,501*
Bonds	6.0%	2,177	*6.8%*	*2,873*	*5.8%*	*1,942*
Other	0.5%	4,015	*5.0%*	*3,879*	*5.5%*	*1,025*
Market value of assets		18,521		*17,261*		*14,468*
Present value of scheme liabilities		(22,989)		*(18,350)*		*(19,748)*
Scheme deficit		(4,468)		*(1,089)*		*(5,280)*
Related deferred tax		1,251		*305*		*1,584*
Net pension liability		(3,217)		*(784)*		*(3,696)*

Investments are in a mixed management fund, split being 66% equity investments and 34% bonds and cash.

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

The expected rates of return on scheme assets are determined as the aggregate weighted return for the various classes of assets held by the scheme.

The rates of return for each class were determined as follows:
Equity returns are based on yields on Gilts Index plus a margin to allow for expected outperformance;
Bonds returns are based on yields and Government and corporate debt as appropriate to the Scheme's holdings in these instruments; and
Cash returns are based on short term returns on cash deposits based on current base rates.

As at 31st July 2009 the actual return on plan assets amounted to £251,000 (2008, £10,000)

The following amounts are incorporated into the financial statements:

	2009 £000	*2008 £000*
Amounts included in operating profit:		
Current service cost	(517)	*(551)*
Past service cost	—	—
Total included within operating profit	(517)	*(551)*
Amounts included in finance income/(costs):		
Expected return on assets	1,337	*1,203*
Interest cost	(1,262)	*(1,254)*
Total included as net finance income/(costs)	75	*(51)*
Amounts included in Consolidated Statement of Recognised Income and Expense:		
Actual return less assumed return on assets	(1,086)	*(1,193)*
Experience gains and losses arising on scheme liabilities	(166)	*(140)*
Changes in assumptions underlying the valuation of liabilities	(3,301)	*2,714*
Total actuarial (loss)/gain	(4,553)	*1,381*

Changes in the present value of the defined benefit obligations are as follows:

	2009 £000	*2008 £000*
Present value of obligations at beginning of period	18,350	*19,748*
Current service cost	517	*551*
Interest cost	1,262	*1,254*
Charges paid	(33)	*(24)*
Benefit payments	(574)	*(605)*
Actuarial loss/(gain)	3,467	*(2,574)*
Present value of obligations at end of period	22,989	*18,350*

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

Changes in the fair value of plan assets are as follows:	2009 £000	*2008 £000*
Fair value of plan assets at beginning of period	17,261	*14,468*
Employer contributions	1,543	*1,341*
Employer contribution - additional lump sum	—	*2,000*
Employee contributions	73	*71*
Benefits paid	(574)	*(605)*
Charges paid	(33)	*(24)*
Expected return on plan assets	1,337	*1,203*
Actuarial loss	(1,086)	*(1,193)*
Fair value of plan assets at end of period	18,521	*17,261*

Analysis of movement in scheme deficit:		
As at 1st August 2008	(1,089)	*(5,280)*
Current service cost	(517)	*(551)*
Past service cost	—	*—*
Contributions	1,616	*3,412*
Other finance income/(costs)	75	*(51)*
Actuarial (loss)/gain	(4,553)	*1,381*
As at 31st July 2009	(4,468)	*(1,089)*

Cumulative actuarial gains and losses recognised in Equity:		
At beginning of period	1,563	*182*
Net actuarial (loss)/gain recognised in period	(4,553)	*1,381*
Cumulative (loss)/gain	(2,990)	*1,563*

History of experience gains and losses:	2009	*2008*	*2007*	*2006*	*2005*
Difference between actual return and assumed return on assets					
Amount (£000)	(1,086)	*(1,193)*	*969*	*219*	*1,331*
Percentage of market value of scheme assets	5.9%	*6.9%*	*6.7%*	*1.8%*	*12.2%*
Experience gains and losses arising on scheme liabilities					
Amount (£000)	(166)	*(140)*	*(290)*	*(708)*	*12*
Percentage of market value of scheme liabilities	0.7%	*0.8%*	*1.5%*	*3.4%*	*0.1%*
Total amounts included in Consolidated Statement of Recognised Income and Expense					
Amount (£000)	(4,553)	*1,381*	*2,755*	*(1,538)*	*(1,035)*
Percentage of market value of scheme liabilities	19.8%	*7.5%*	*14.0%*	*7.4%*	*5.8%*

The contribution expected to be paid by the Group during the financial period ending 31st July 2010 amounts to £1,491,000.

In the year to 31st July 2003 the Group commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by Scottish Equitable plc. The net contribution to the plan for the year was £78,000 (2008, £52,000).

28. CONTINGENT LIABILITIES

The Company and certain of its Subsidiaries have, in the normal course of business, entered into counter-indemnities in respect of performance bonds relating to their contracts.

29. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

Future minimum lease payments payable under non-cancellable operating leases:

	2009 £000	*2008 £000*
Within one year	70	*99*
In two – five years exclusively	209	*310*
After five years	127	*158*
	406	*567*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £5,191,000 (2008, £4,821,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

	2009	*2008*
Within one year	4,912	*4,902*
In two – five years exclusively	15,288	*15,323*
After five years	12,579	*11,485*
	32,779	*31,710*

30. RELATED PARTY TRANSACTIONS

(a) SUBSIDIARIES

Transactions between the Company and its Subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and Subsidiaries are as follows:

	Sale of goods and services		Purchase of goods and services	
SUBSIDIARY	2009 £000	*2008 £000*	2009 £000	*2008 £000*
McGowan & Co. (Contractors) Limited	89	*83*	1,365	*1,210*
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	66	*19*	459	*6*
Concrete Products (Kirkcaldy) Limited	36	*16*	50	*50*
C. & W. Assets Limited	794	*1,059*	—	—

30. RELATED PARTY TRANSACTIONS (contd.)

(a) SUBSIDIARIES (contd.)

SUBSIDIARY	Amounts owed by Subsidiaries 2009 £000	Amounts owed by Subsidiaries *2008 £000*	Amounts owed to Subsidiaries 2009 £000	Amounts owed to Subsidiaries *2008 £000*
McGowan & Co. (Contractors) Limited	—	*—*	268	*510*
Cramond Real Estate Company Limited	352	*349*	—	*—*
Thomas Menzies (Builders) Limited	51	*98*	—	*—*
Concrete Products (Kirkcaldy) Limited	9	*—*	—	*1*
C. & W. Assets Limited	6,153	*5,474*	—	*—*

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Subsidiaries.

(b) JOINT VENTURE COMPANIES

During the year to 31st July 2009, the Group carried out the following transactions with related parties:

Name of Joint Venture	Nature of transaction	Amount £000	Amount owed by/(to) Joint Venture Company £000
Edinburgh Industrial Estates Limited	Loan	—	(850)
	Construction Costs	36	—
Prestonfield Development Company Limited	Working Capital Loan	150	2,750
	Construction Costs	1,247	33
Northrigg Limited	Working Capital Loan	—	176
Duff Street Limited	Working Capital Loan	760	1,160
	Construction Costs	76	17

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Joint Ventures.

(c) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the only key management of the Company, is set out in note 4 to the accounts with further information contained in the audited part of the Report on Directors' Remuneration.

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