J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2010

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
EQUINITI 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 *16th December 2010 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 2010.
2. To receive and consider the Report on Directors' Remuneration for the year ended 31st July 2010.
3. To declare a Dividend.
4. To re-elect K.H. Hastings 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 with the Registrars of the Company at least 24 hours before the time fixed for the Meeting. Forms of proxy may also be lodged electronically by submitting a duly completed scanned copy of the proxy card to proxy.votes@equiniti.com. You may not use the electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than that expressly stated.

In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website www.jsmart.co.uk.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

There are no Directors' service contracts in existence.

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

16th November 2010

Note: The Dividend, if approved, will be paid on 20th December 2010 to shareholders on the Register at the close of business on 3rd December 2010.

J. Smart & Co. (Contractors) PLC

CHAIRMAN'S REVIEW

ACCOUNTS

Headline Group profits for the year before tax, including an unrealised deficit in revalued property, as required by the International Financial Reporting Standards turned out at £3,984,000. This compares with a loss for last year of £1,208,000 which included a substantial 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 £4,588,000 for the year under reveiw which compares with the corresponding figure for underlying profit last year of £4,468,000.

The value of investment properties at the begining of the year was £71,078,000 (cost £44,161,000). Additions during the year cost £4,086,000. The net deficit on the year end valuation was £604,000 leaving a value of £74,560,000 (cost £48,247,000).

The Board is recommending a Final Dividend of 9.60p nett making a total for the year of 14.10p nett, which compares with 13.85p nett for the previous year. The dividend will cost the company £968,000.

Profit adjusted for pension scheme deficit, dividends paid and fair value reserve when added to opening shareholders' funds brings the total equity of the Group to £96,541,000.

TRADING ACTIVITIES

Group construction work carried out and share of Joint Ventures' turnover decreased by 20%, own work capitalised decreased by 34% and other operating income decreased by 1%. Group revenue decreased by 17% and this year's total Group profit of £3,984,000 compares with last year's total Group loss of £1,208,000. Underlying Group profit excluding an unrealised deficit in revalued property increased by 3%.

As expected, turnover in contracting was lower, however a profit was achieved. A slow but steady progress in private house sales stalled after Easter. Sales in precast concrete manufacture fell again and an increased loss was incurred.

The office development in McDonald Road, Edinburgh completed after the year end is unlet. The second phase of our industrial development at Bilston Glen near Edinburgh is 25% let. Our small speculative office development in Perth is proceeding to programme. An early letting interest here has lapsed.

FUTURE PROSPECTS

The outlook in all sectors of our activities is uncertain. Nevertheless tenant departures from our existing commercial and industrial space are being replaced. The take up in new space is however, dissapointing, most initial interest having evaporated. Rental income for the current year is expected to approximate to last year's figure.

There is no sign at present of private house sales picking up again. Alternative strategies are being considered.

Although the rundown in contracting turnover has forced us to initiate a substantial redundancy programme, recent orders mean the work in hand in contracting is similar to this time last year.

With the recession still in full flow, too many uncertainties exist to make even an approximate assessment of the outcome for the current financial year, however it is probable that underlying profits will be lower than last year.

J. M. SMART
Chairman

16th November 2010

DIRECTORS

J.M. Smart, Chairman and Managing Director Aged 66
Joined the Company in 1967
Appointed Director in 1978 and appointed Chairman in 1988

K.H. Hastings Aged 64
Joined the Company in 1974
Appointed Director in 1985

A.D. McClure Aged 64
Joined the Company in 1964
Appointed Director in 1987

L.E. Glenday Aged 62
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 2010.

RESULTS AND DIVIDENDS

The profit of the Group for the year after charging taxation amounted to . . .		£3,734,000
The Directors have made the following appropriations:		
Paying a Final Dividend for 2009 of 9.35p per share (2008, 10.50p) . .	£943,000	
Paying an Interim Dividend for 2010 of 4.50p per share (2009, 4.50p) . .	454,000	
		£1,397,000

The Directors recommend a Final Dividend for the year of 9.60p per share, making a total for the year of 14.10p.

The Final Dividend, if approved, will be paid to all Members on the Share Register of the Company at the close of business on 3rd December 2010. Dividend warrants will be posted on 17th December 2010.

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 year. 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 year.

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%	Westerwood Limited
Northrigg Limited	50%	William Sanderson
Duff Street Limited	50%	Kiltane Developments Limited
Invertiel Developments Limited	50%	Macdonald Estates PLC
Primrose Development Company 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. Completed 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, service charges and insurance receivable from tenants of industrial and commercial properties owned in the central belt of Scotland. Property sales amounted to £nil. Acquired a development of existing industrial properties. Purchased the local authority's interest in our industrial development at Dalkeith near Edinburgh. Continued with office development at McDonald Road, Edinburgh. Completed the second phase of our industrial development at Bilston Glen near Edinburgh. Commenced a speculative office block in Perth.

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 Group's equity investment portfolio increased through additions and improvement in fair value.

JOINT VENTURES

Income from rent and service charges received from tenants of industrial and residential properties owned in Edinburgh. There was no joint venture development activity.

SUMMARY

	Revenue £000	Profit £000	Profit excluding unrealised deficits in revalued property £000
Construction activities	23,690	386	386
Investment activities	5,521	3,397	4,001
Joint Ventures	-	201	201
	29,211	3,984	4,588

Group revenue during the year decreased by £4,379,000, rental income excluding Joint Ventures, decreased by £47,000, there were no property sales and net deficit on valuation of properties decreased by £5,175,000 resulting in an Operating Profit of £3,787,000. The Group's share of profits in Joint Ventures decreased by £16,000 and finance and investment income including profit on sale and impairment of equity investments less finance costs decreased by £326,000 resulting in Profit before Taxation of £3,984,000 compared with the loss of £1,208,000 for the previous year. Excluding unrealised deficits in revalued property results in a profit of £4,588,000 before tax for the year under review compared with a profit of £4,468,000 for the previous year.

BUSINESS REVIEW (contd.)

GROUP FINANCIAL PERFORMANCE INDICATORS

	2010 £000	Movement %/£000	*2009 £000*
Revenue	21,022	(17%)	*25,401*
Own work capitalised	2,668	(34%)	*4,050*
Other operating income (Group rental income including service charges)	5,521	(1%)	*5,568*
Profit/(Loss) before tax	3,984	5,192	*(1,208)*
Profit excluding unrealised deficits in revalued property	4,588	3%	*4,468*
Group investment income including (profit)/loss on sale of available for sale financial assets and impairment	(4)	(326)	*322*
Share of Joint Ventures' profits excluding unrealised gain in revalued property	201	76%	*114*
Group Balance Sheet	96,541	5%	*92,307*

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.

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.
Effect of recession and restriction on mortgage lending results in stalling of private house sales.	• Sales incentives within limitations. • Consider shared equity and Government backed co-ownership schemes. • Consider letting until sales market improves.

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 2010 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 after depreciation of £1,656,000.

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 £35,000 (2009, £27,000). Donations to local causes amounted to £19,000 (2009, £18,000) and donations to national charities amounted to £16,000 (2009, £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 11, 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 2010 and their beneficial interests in the share capital of the Company were as follows:

	1st August 2009 Ordinary shares of 10p each Beneficial holdings	*31st July 2010 Ordinary shares of 10p each Beneficial holdings*
J. M. Smart	4,711,700	239,700
K. H. Hastings	63,000	63,000
A. D. McClure	55,000	55,000
L. E. Glenday	45,000	45,000

(ii) Mr K. H. Hastings retires by rotation and, being eligible, offers himself for re-election.

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

(iv) There have been no changes in the Directors' beneficial interests between 31st July 2010 and 21st October 2010.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, other than the Directors, the Company has been notified that as at 21st October 2010, 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	2,372,700	23.53
Mr D. W. Smart	2,372,700	23.53

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 Corporation Tax Act 2010.

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 163 years' service with the Company, 89 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 at which all Directors attended. 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.

16th November 2010

The Directors' Remuneration Report for the year to 31st July 2010 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 2010.

Directors' Remuneration
(Audited Information)

	Salary and Fees £000	Taxable Benefits £000	Total 2010 £000	Total 2009 £000
J. M. Smart	116	9	125	121
K. H. Hastings	119	9	128	124
A. D. McClure	116	9	125	121
L. E. Glenday	116	9	125	121

Directors' Pension Benefits
(Audited Information)

	Gross increase in accrued pension £	Total accrued pension at 31/7/10 £	Transfer Value of accrued pension at 31/7/10 £	Transfer Value of accrued pension at 31/7/09 £	Total change in value during period £
K. H. Hastings . .	6,263	74,191	1,430,022	1,175,206	251,292
A. D. McClure . .	5,010	70,959	1,294,237	1,102,352	188,451
L. E. Glenday . .	5,168	68,044	1,202,256	1,024,455	174,367

No Director receives fees or bonuses.

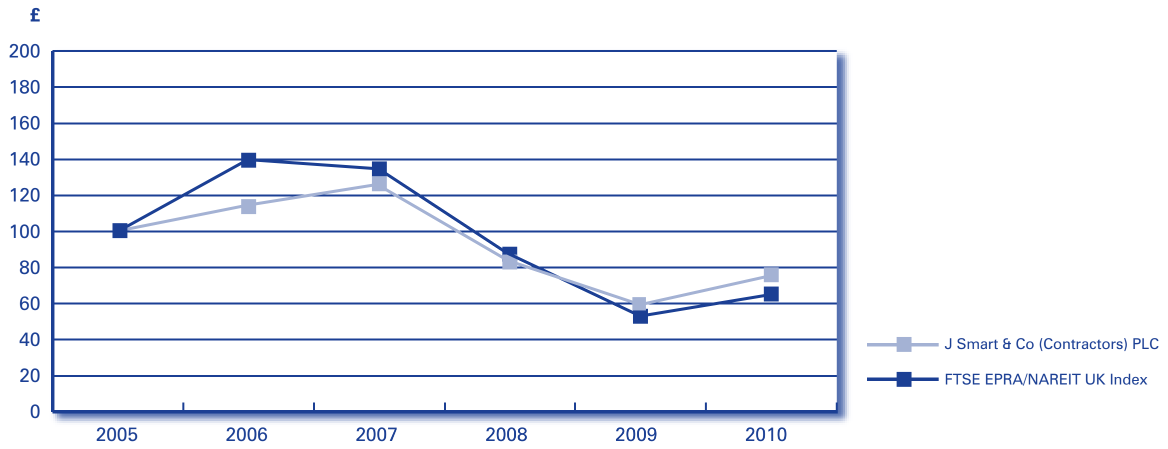
No Director holds share options and there is no scheme in place which could give such an entitlement, nor is there any long term incentive scheme.

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 EPRA/NAREIT UK Index for the five years to 31st July 2010. 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 EPRA/NAREIT UK 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.

16th November 2010

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 2010 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cash Flows 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 2010 and of the Group's profit 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 Report on Directors' Remuneration 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 Report on Directors' Remuneration 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.
16th November 2010

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CONSOLIDATED INCOME STATEMENT for the year ended 31st JULY 2010

	Notes	2010 £000	*2009 £000*
Group construction work carried out and share of Joint Ventures' turnover		23,690	*29,616*
Less: Share of Joint Ventures' turnover		–	*(165)*
Less: Own construction work capitalised		(2,668)	*(4,050)*
REVENUE		21,022	*25,401*
Cost of sales		(16,662)	*(21,707)*
GROSS PROFIT		4,360	*3,694*
Other operating income	3	5,521	*5,568*
Net operating expenses		(5,490)	*(5,230)*
OPERATING PROFIT BEFORE NET DEFICIT ON VALUATION OF INVESTMENT PROPERTIES		4,391	*4,032*
Net deficit on valuation of investment properties		(604)	*(5,779)*
OPERATING PROFIT/(LOSS)	5	3,787	*(1,747)*
Share of profits in Joint Ventures	14	201	*217*
Income from available for sale financial assets	6	89	*66*
Profit/(Loss) on sale of available for sale financial assets		95	*(55)*
Impairment of available for sale financial assets		–	*(365)*
Finance income	7	120	*677*
Finance costs	7	(308)	*(1)*
PROFIT/(LOSS) BEFORE TAX		3,984	*(1,208)*
Taxation	8	(250)	*50*
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS	9	3,734	*(1,158)*
EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED	11	37.04p	*(11.49)p*

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 COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JULY 2010

	Notes	2010 £000	*2009 £000*
Actuarial gain/(loss) recognised on defined benefit pension scheme	27	2,489	*(4,553)*
Deferred taxation on actuarial (gain)/loss	21	(767)	*1,275*
NET SURPLUS/(DEFICIT) RECOGNISED DIRECTLY IN EQUITY . .		1,722	*(3,278)*
Profit/(Loss) for the year		3,734	*(1,158)*
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR .		5,456	*(4,436)*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		5,456	*(4,436)*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31ST JULY 2010

	Share Capital £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2008	1,008	(127)	96,433	97,314
Total recognised Income and Expense . . .	—	—	(4,436)	(4,436)
Fair value adjustment	—	(132)	—	(132)
Tax adjustment on fair value reserve . . .	—	(65)	—	(65)
Impairment of available for sale financial assets taken to Income Statement	—	365	—	365
Dividends	—	—	(739)	(739)
As at 31st July 2009	1,008	41	91,258	92,307
Total recognised Income and Expense . .	—	—	5,456	5,456
Fair value adjustment	—	217	—	217
Tax adjustment on fair value reserve . . .	—	(42)	—	(42)
Impairment of available for sale financial assets taken to Income Statement	—	—	—	—
Dividends	—	—	(1,397)	(1,397)
As at 31st July 2010	1,008	216	95,317	96,541

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31st JULY 2010

	Notes	2010 £000	*2009 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,391	*6,715*
Investment properties	13	74,560	*65,946*
Investments in Joint Ventures	14	1,635	*2,284*
Available for sale financial assets	15	2,604	*1,914*
Deferred tax asset	21	719	*1,778*
		80,909	*78,637*
CURRENT ASSETS			
Inventories	16	7,324	*8,476*
Trade and other receivables	17	6,632	*7,001*
Corporation tax asset		26	*–*
Cash at bank and in hand		22,197	*23,234*
		36,179	*38,711*
TOTAL ASSETS		117,088	*117,348*
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	1,344	*4,468*
Deferred tax liabilities	21	4,001	*4,763*
		5,345	*9,231*
CURRENT LIABILITIES			
Trade and other payables	19	5,068	*4,872*
Current tax liabilities		–	*163*
Bank overdraft		10,134	*10,775*
		15,202	*15,810*
TOTAL LIABILITIES		20,547	*25,041*
NET ASSETS		96,541	*92,307*
EQUITY			
Called up share capital	22	1,008	*1,008*
Fair value reserve	23	216	*41*
Retained earnings	23	95,317	*91,258*
TOTAL EQUITY		96,541	*92,307*

Approved by the Board on
16th November 2010

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.

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

COMPANY STATEMENT OF FINANCIAL POSITION as at 31st JULY 2010

	Notes	2010 £000	*2009 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	628	*738*
Investments in Subsidiaries and Joint Ventures	14	733	*733*
Deferred tax asset	21	570	*1,615*
		1,931	*3,086*
CURRENT ASSETS			
Inventories	16	6,893	*8,182*
Trade and other receivables	17	9,240	*12,296*
Current tax assets		1,021	*1,053*
Cash at bank and in hand		5,021	*2,744*
		22,175	*24,275*
TOTAL ASSETS		24,106	*27,361*
NON-CURRENT LIABILITIES			
Retirement benefit obligations	27	1,344	*4,468*
Deferred tax liabilities	21	89	*99*
		1,433	*4,567*
CURRENT LIABILITIES			
Trade and other payables	19	2,248	*3,951*
Bank overdraft		—	*—*
		2,248	*3,951*
TOTAL LIABILITIES		3,681	*8,518*
NET ASSETS		20,425	*18,843*
EQUITY			
Called up share capital	22	1,008	*1,008*
Retained earnings	23	19,417	*17,835*
TOTAL EQUITY		20,425	*18,843*

Approved by the Board on
16th November 2010

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.

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31st JULY 2010

	Notes	2010 £000	*2009 £000*
CASH FLOWS FROM OPERATING ACTIVITIES	24(a)	5,672	*2,632*
Tax paid on profits		(950)	*(1,333)*
NET CASH FLOWS FROM OPERATING ACTIVITIES		4,722	*1,299*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(304)	*(493)*
Additions to investment properties		(1,418)	*(2,044)*
Sale of property, plant and equipment		77	*64*
Expenditure on own work capitalised - investment properties		(2,668)	*(1,533)*
Expenditure on own work capitalised - property under construction		—	*(2,517)*
Purchase of available for sale financial assets		(597)	*(580)*
Proceeds of sale of available for sale financial assets		219	*11*
Interest received		120	*602*
Interest paid		—	*(1)*
Dividend received from Joint Venture		850	*—*
NET CASH USED IN INVESTING ACTIVITIES		(3,721)	*(6,491)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,397)	*(739)*
NET CASH USED IN FINANCING ACTIVITIES		(1,397)	*(739)*
DECREASE IN CASH, CASH EQUIVALENTS AND BANK		(396)	*(5,931)*
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	24(b)	12,459	*18,390*
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	24(b)	12,063	*12,459*

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

J. Smart & Co. (Contractors) PLC and Subsidiary Companies

COMPANY STATEMENT OF CASH FLOWS for the year ended 31st JULY 2010

	Notes	2010 £000	*2009* *£000*
CASH FLOWS FROM OPERATING ACTIVITIES	25(a)	3,564	*11,029*
Net credit for group tax payments.		224	*1,124*
NET CASH FLOWS FROM OPERATING ACTIVITIES		3,788	*12,153*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(165)	*(266)*
Sale of property, plant and equipment		37	*37*
Interest received		14	*23*
NET CASH USED IN INVESTING ACTIVITIES		(114)	*(206)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,397)	*(739)*
NET CASH USED IN FINANCING ACTIVITIES		(1,397)	*(739)*
INCREASE IN CASH, CASH EQUIVALENTS AND BANK		2,277	*11,208*
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	25(b)	2,744	*(8,464)*
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	25(b)	5,021	*2,744*

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 2010

The following standards, amendments and interpretations to existing standards have been adopted by the Group and Company for the accounts for the year to 31st July 2010:

- IFRS 8 - Operating Segments replaces IAS 14 - Segmental Reporting and requires operating segments to be disclosed on the same basis as that used for internal reporting. The adoption of IFRS 8 has resulted in no change in the reportable segments presented.
- IAS 1 (Revised) - Presentation of Financial Statements requires a change in the presentation of the Group's primary statements notably the title of the Statement of Recognised Income and Expense to the Statement of Comprehensive Income, the Balance Sheet to Statement of Financial Position and the Cash Flow Statement to the Statement of Cash Flows.
- IAS 40 - Investment Properties allows properties under construction to be accounted for under this standard as opposed to previously under IAS 16 – Property, Plant and Equipment. Property under construction will continue to be measured at cost until the construction has been completed.

The adoption of these standards, amendments and interpretations has had no impact on the results of the Group or Company.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT EFFECTIVE IN THE YEAR ENDED 31ST JULY 2010

The following standards, amendments and interpretations to existing standards have been published and will be mandatory for the Group and Company for the accounts for the year to 31st July 2011 or later:

- IFRS 3 (Revised) - Business Combinations resulting from May 2010 annual improvements to IFRSs.
- IFRS 9 (Revised) - Financial Instruments – Classification and Measurement.
- IAS 1 (Revised) - Presentation of Financial Statements resulting from April 2009 and May 2010 annual improvements to IFRSs.
- IAS 7 - Statement of Cash Flows resulting from April 2009 annual improvements to IFRSs.
- IAS 17 - Leases resulting from April 2009 annual improvements to IFRSs.
- IAS 24 - Related Party Disclosures revising definition of related parties.
- IAS 27 (Revised) - Consolidation and Separate Financial Statements resulting from May 2010 annual improvements to IFRSs.
- IAS 31 - Interests in Joint Ventures resulting from consequential amendments arising from amendments to IFRS 3.
- IAS 34 - Interim Financial Reporting resulting from May 2010 annual improvements to IFRSs.
- IAS 36 - Impairment to Assets resulting from May 2010 annual improvements to IFRSs.
- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction provides guidance on the limit on the amount of the surplus in a defined benefit scheme that can be recognised as an asset.

The Directors are to fully consider the implications of these standards and interpretations and their relevance on the financial statements of the Group and Company. The Directors anticipate that the adoption of relevant standards and interpretations in future periods will have no material impact on the financial statements of the Group or Company.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

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 changes in revaluation movements.

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, which are determined after taking expert advice from the Group's Actuary. 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

CAPITAL MANAGEMENT

Group objectives in managing capital are to safeguard the interests of the Company to operate as a net 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 has 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.

Gains or losses arising from the changes in fair value are included in the Income Statement in the year 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 now accounted for under IAS 40: Investment Property following the May 2008 amendments to IFRSs. Properties under construction previously accounted for under IAS 16: Property, Plant and Equipment have been transferred to investment properties as at 1st August 2009. Properties under construction continue to be measured at cost and on completion of construction will be measured at fair value in accordance with IAS 40.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

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 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.

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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (contd.)

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 year 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 Consolidated Statement of Comprehensive Income.

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 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 Statement of Financial Position 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 and 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 year in which they are approved by the Company's shareholders. Interim Dividends are recognised when they are paid.

2. SEGMENTAL INFORMATION

IFRS 8: Operating Segments requires operating segments to be indentified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allow the allocation of resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors.

All revenue arises from activities within the UK and therefore the Board of Directors does not consider the business from a geographical perspective. The operating segments are based on activity and performance of an operating segment is based on a measure of operating profit.

	External Revenue	Internal Revenue	Total Revenue	Operating Profit/(Loss)	
				2010	*2009*
	£000	£000	£000	£000	*£000*
2010					
Construction activities	21,022	2,668	23,690	679	—
Investment activities	5,521	—	5,521	3,108	—
	26,543	2,668	29,211	3,787	—
2009					
Construction activities	*25,401*	*4,050*	*29,451*	—	*39*
Investment activities	*5,568*	—	*5,568*	—	*(1,786)*
	30,969	*4,050*	*35,019*	—	*(1,747)*

	2010	2009
OPERATING PROFIT/(LOSS)	3,787	*(1,747)*
Share of results of Joint Ventures	201	*217*
Finance and investment income	304	*743*
Finance and investment costs	(308)	*(421)*
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	3,984	*(1,208)*

Internal revenue relates to own work capitalised, all other internal transactions are eliminated on consolidation. The Company had sales under construction activities from one customer amounting to £10,583,000.

OTHER SEGMENTAL INFORMATION

	Non Current Asset Additions £000	Depreciation £000	Segment Assets £000	Segment Liabilities £000
2010				
Construction activities	304	456	21,892	4,499
Investment activities	4,086	—	93,721	16,234
Joint Ventures	—	—	1,635	—
2009				
Construction activities	*485*	*521*	*22,489*	*9,236*
Investment activities	*6,102*	—	*92,671*	*15,738*
Joint Ventures	—	—	*2,284*	—

3. OTHER OPERATING INCOME

	2010 £000	*2009 £000*
Rental income	5,215	*5,191*
Less: Joint Ventures' income	(292)	*(228)*
	4,923	*4,963*
Service charges and insurance receivable	598	*605*
	5,521	*5,568*
Direct property costs.	(1,797)	*(1,562)*
Net rental income	3,724	*4,006*

Direct property costs included £330,000 (2009, £206,000) 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:

Wages, salaries and short term benefits	8,622	*10,465*
Social security costs	785	*947*
Post-employment benefits	842	*720*
	10,249	*12,132*

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

	No.	*No.*
Construction and related services	244	*317*
Office and management	24	*24*
	268	*341*

Directors' remuneration:

	£000	*£000*
– Salaries and short term benefits	502	*487*
– Post-employment benefits	73	*70*
– Fees	—	*—*
	575	*557*

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 PROFIT/(LOSS)

This is stated after charging/(crediting):

Cost of inventories recognised as an expense	11,707	*15,861*
Staff costs (per note 4)	10,249	*12,132*
Hire of plant and machinery	571	*545*
Depreciation of owned assets	456	*521*
(Profit)/Loss on disposal of property, plant and equipment	(37)	*41*
Auditors' remuneration and expenses – audit services	123	*112*

The auditors' fees for the Parent Company are £55,000 (2009, £47,000).

6. INCOME FROM INVESTMENTS

	2010 £000	*2009 £000*
Available for sale financial assets	89	*66*

7. FINANCE INCOME AND FINANCE COSTS

		2010	*2009*
Receivable:	Interest on short term deposits	106	*576*
	Other interest	14	*26*
	Pension scheme	—	*75*
		120	*677*
Payable:	Other interest	—	*(1)*
	Pension scheme	(308)	*—*
		(308)	*(1)*

8. TAXATION

	2010	*2009*
UK Corporation Tax		
Current tax on income for the year	815	*793*
Corporation tax over provided in previous years	(53)	*(30)*
	762	*763*
Deferred taxation (note 21)	(512)	*(813)*
	250	*(50)*
Current Tax Reconciliation		
Profit/(Loss) on ordinary activities before tax	3,984	*(1,208)*
Less: Share of profits of Joint Ventures	(201)	*(217)*
	3,783	*(1,425)*
Current tax at 28% (2009, 28%)	1,059	*(399)*
Effects of:		
Expenses not deductible for tax purposes	4	*87*
Non taxable income	(114)	*(19)*
IBA adjustment	(456)	*311*
Effect of change on tax rate on deferred tax	(190)	*—*
Adjustments to tax charge in respect of prior years	(53)	*(30)*
	250	*(50)*

In addition to amounts charged to the Income Statement, a deferred tax credit of £767,000 (2009, charge of £1,275,000) relating to actuarial gains on defined benefit pension scheme has been recognised directly to Equity.
Also a deferred tax charge of £42,000 (2009, £65,000) relating to the movement in fair value of available for sale financial assets has been recognised directly to Equity.

9. PROFIT/(LOSS) FOR THE FINANCIAL YEAR

	2010 £000	*2009 £000*
Dealt with in the accounts of the Parent Company	1,257	*14,109*
Retained by Subsidiary and Joint Venture Companies	2,477	*(15,267)*
	3,734	*(1,158)*

10. DIVIDENDS

Ordinary Dividends

	2010 £000	*2009 £000*
2008 Final Dividend of 10.50p per share	—	*517*
2009 Interim Dividend of 4.50p per share	—	*222*
2009 Final Dividend of 9.35p per share	943	—
2010 Interim Dividend of 4.50p per share	454	—
	1,397	*739*
Proposed 2010 Final Dividend of 9.60p per share (2009, 9.35p)	968	*943*

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:

Ordinary Dividends

	2010 £000	*2009 £000*
2008 Final Dividend of 10.50p per share	—	*541*
2009 Interim Dividend of 4.50p per share	—	*232*
2009 Final Dividend of 9.35p per share	—	—
2010 Interim Dividend of 4.50p per share	—	—
	—	*773*

11. EARNINGS/(LOSS) PER SHARE

	Profit/(Loss) attributable to Equity shareholders £000	Basic Earnings/ (Loss) per share
Year to 31st July 2010	3,734	37.04p
Year to 31st July 2009	*(1,158)*	*(11.49)p*

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) 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 earnings/(loss) 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 2009	739	5,132	5,835	11,706
Transfer to Investment properties	—	(5,132)	—	(5,132)
Additions	—	—	304	304
Disposals	—	—	(701)	(701)
At 31st July 2010	739	—	5,438	6,177
Depreciation:				
At 1st August 2009	430	—	4,561	4,991
Provided during year	16	—	440	456
Disposals	—	—	(661)	(661)
At 31st July 2010	446	—	4,340	4,786
Net book value:				
At 31st July 2010	293	—	1,098	1,391
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

As referred to in the Report of the Directors, the Group’s non-investment heritable properties were revalued at 31st July 2010. 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 2009	179	2,509	2,688
Additions	—	163	163
Group transfers - addition	—	14	14
Group transfers - disposal	—	(27)	(27)
Disposals	—	(255)	(255)
At 31st July 2010	179	2,404	2,583
Depreciation:			
At 1st August 2009	86	1,864	1,950
Provided during year	3	235	238
Group transfers - addition.	—	12	12
Group transfers - disposal	—	(19)	(19)
Disposals	—	(226)	(226)
At 31st July 2010	89	1,866	1,955
Net book value:			
At 31st July 2010	90	538	628
Cost:			
At 1st August 2008	179	3,326	3,505
Additions	—	265	265
Group transfers - addition	—	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 transfers - addition	—	10	10
Disposals	—	(996)	(996)
At 31st July 2009	86	1,864	1,950
Net book value:			
At 31st July 2009	93	645	738

As referred to in the Report of the Directors, the Company's non-investment heritable properties were revalued at 31st July 2010. 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 2009	57,853	8,093	65,946
Additions	4,086	—	4,086
Transfer from Property, plant and equipment	5,132	—	5,132
Transfers	1,155	(1,155)	—
Deficits on valuation	(495)	(109)	(604)
At 31st July 2010	67,731	6,829	74,560
Cost or valuation:			
At 1st August 2008	55,610	12,538	68,148
Additions	3,559	18	3,577
Transfers	4,461	(4,461)	—
Deficits on valuation	(5,777)	(2)	(5,779)
At 31st July 2009	57,853	8,093	65,946

The Group's completed investment properties were valued on the basis of market value on 31st July 2010 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 £600,000 in respect of development and repair costs of investment properties at the Balance Sheet date.

14. INVESTMENTS

	Group 2010 £000	Group *2009* *£000*	Company 2010 £000	Company *2009* *£000*
Shares in Subsidiaries at Cost	—	*—*	708	*708*
Joint Ventures	1,635	*2,284*	25	*25*
	1,635	*2,284*	733	*733*

(a) JOINT VENTURES

	Group 2010 £000	Group *2009* *£000*
Share of Assets:		
Share of Non Current Assets	3,241	*3,241*
Share of Current Assets	2,317	*3,017*
	5,558	*6,258*
Share of Liabilities:		
Share of Non Current Liabilities	—	*—*
Share of Current Liabilities	3,923	*3,974*
	3,923	*3,974*
Share of Net Assets	1,635	*2,284*
Turnover	—	*165*
Cost of Sales	—	*(192)*
Net rental incomes	292	*228*
Net operating expenses	(31)	*(54)*
Net gain on valuation of investment properties	—	*103*
Operating profit	261	*250*
Finance income	2	*8*
Finance costs	(5)	*(10)*
Profit before tax	258	*248*
Taxation	(57)	*(31)*
Profit after tax	201	*217*

The Group's share of retained profits in the Joint Ventures at 31st July 2010 amounted to £1,610,000 (2009, £2,259,000).

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 Development Company 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	Westerwood 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 Development Company 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 years ending on 31st July.

14. INVESTMENTS (contd.)

(b) SUBSIDIARIES

At 31st July 2010 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	
	2010	*2009*
	£000	*£000*
Listed investments	2,604	*1,914*

Fair value movement on shares held at 31st July 2010 before tax amounted to £255,000 (2009, (£189,000)).

16. INVENTORIES

	Group		*Company*	
	2010	*2009*	2010	*2009*
	£000	*£000*	£000	*£000*
Long-term contract balances	2,338	*3,122*	2,071	*3,049*
Land held for development	4,797	*5,110*	4,797	*5,110*
Raw materials and consumables	107	*154*	25	*23*
Finished goods	82	*90*	—	*—*
	7,324	*8,476*	6,893	*8,182*

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amount of costs incurred and recognised profits less recognised losses to date	7,600	*18,758*	7,554	*18,747*
Advances received	(7,556)	*(19,340)*	(7,556)	*(19,340)*
Net value of contracts in progress	44	*(582)*	(2)	*(593)*

17. TRADE AND OTHER RECEIVABLES

	Group 2010 £000	*Group 2009 £000*	Company 2010 £000	*Company 2009 £000*
CURRENT ASSETS:				
Trade debtors	1,639	*1,658*	524	*538*
Amounts owed by Subsidiaries	—	—	3,890	*6,565*
Other receivables	87	*217*	72	*181*
Prepayments and accrued income	470	*470*	364	*367*
Amounts recoverable on contracts	375	*570*	329	*559*
Loans to Joint Venture companies	4,061	*4,086*	4,061	*4,086*
	6,632	*7,001*	9,240	*12,296*

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 2010 £000	*Group 2009 £000*	Company 2010 £000	*Company 2009 £000*
CURRENT LIABILITIES:				
Payments received on account	—	*374*	—	*374*
Trade creditors	1,139	*1,414*	846	*1,064*
Amounts owed to Subsidiaries	—	—	79	*268*
Other taxes and social security costs	215	*214*	135	*184*
Other creditors and accruals	3,714	*2,020*	1,188	*1,211*
Loans from Joint Venture companies	—	*850*	—	*850*
	5,068	*4,872*	2,248	*3,951*

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.

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 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
Charged to Equity	—	32	—	—	32
Credited to Income Statement	(92)	—	(686)	(16)	(794)
As at 31st July 2010	1,549	32	2,300	120	4,001

COMPANY

	Other Timing Differences £000
As at 1st August 2008	84
Charged to Income Statement	15
As at 31st July 2009	99
Credited to Income Statement	(10)
As at 31st July 2010	89

DEFERRED TAX ASSETS

GROUP

	Retirement Benefit Obligations £000	Fair Value Reserve £000	Other £000	Total £000
As at 1st August 2008	305	75	556	936
Charged to Income Statement	(329)	—	(39)	(368)
(Charged)/Credited to Equity	1,275	(65)	—	1,210
As at 31st July 2009	1,251	10	517	1,778
Charged to Income Statement	(121)	—	(161)	(282)
Charged to Equity	(767)	(10)	—	(777)
As at 31st July 2010	363	—	356	719

21. DEFERRED TAXATION (contd.)

DEFERRED TAX ASSETS (contd.)

COMPANY

	Retirement Benefit Obligations £000	Other £000	Total £000
As at 1st August 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
Charged to Income Statement	(121)	(157)	(278)
Charged to Equity	(767)	—	(767)
As at 31st July 2010	363	207	570

22. SHARE CAPITAL

	2010 £000	*2009 £000*
Authorised		
12,000,000 (2009, 12,000,000) ordinary shares of 10p each	1,200	*1,200*
Allotted called up and fully paid		
10,082,000 (2009, 10,082,000) ordinary shares of 10p each	1,008	*1,008*

23. STATEMENT OF CHANGES IN EQUITY

GROUP

	Share Capital £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
At 1st August 2008	1,008	(127)	96,433	97,314
Total recognised Income and Expense	—	—	(4,436)	(4,436)
Fair value adjustment	—	(132)	—	(132)
Tax adjustment on fair value reserve	—	(65)	—	(65)
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
Total recognised Income and Expense	—	—	5,456	5,456
Fair value adjustment	—	217	—	217
Tax adjustment on fair value reserve	—	(42)	—	(42)
Impairment of available for sale financial assets taken to Income Statement	—	—	—	—
Dividends	—	—	(1,397)	(1,397)
At 31st July 2010	1,008	216	95,317	96,541

23. STATEMENT OF CHANGES IN EQUITY (contd.)

COMPANY

	Share Capital £000	Retained Earnings £000	Total £000
At 1st August 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
Total recognised Income and Expense	—	2,979	2,979
Dividends	—	(1,397)	(1,397)
At 31st July 2010	1,008	19,417	20,425

	Notes	
Profit for financial year	9	1,257
Actuarial gain on defined benefit pension scheme	27	2,489
Deferred taxation on actuarial gain	21	(767)
Total recognised Income and Expense		2,979

24. NOTES TO THE STATEMENT OF CASH FLOWS

GROUP

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

	2010 £000	*2009* *£000*
Profit/(Loss) before tax	3,984	*(1,208)*
Share of profits from Joint Ventures	(201)	*(217)*
Depreciation	456	*521*
Unrealised valuation deficit on investment properties	604	*5,779*
(Profit)/Loss on sale of property, plant and equipment	(37)	*41*
(Profit)/Loss on sale of available for sale financial assets	(95)	*55*
Impairment of available for sale financial assets	—	*365*
Change in retirement benefits	(635)	*(1,174)*
Interest received	(120)	*(602)*
Interest paid	—	*1*
Change in inventories	1,152	*(292)*
Change in receivables – current	369	*8*
Change in payables	195	*(645)*
NET CASH GENERATED FROM OPERATIONS	5,672	*2,632*

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	2010 £000	*2009* *£000*
Cash and cash equivalents	22,197	*23,234*
Bank overdraft	(10,134)	*(10,775)*
Net position	12,063	*12,459*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2009 £000	Cash Flow £000	Other £000	At 31st July 2010 £000
Cash and cash equivalents	23,234	(1,037)	—	22,197
Bank overdraft	(10,775)	641	—	(10,134)
Net funds	12,459	(396)	—	12,063

25. NOTES TO THE STATEMENT OF CASH FLOWS

COMPANY

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

	2010 £000	*2009 £000*
Profit before tax	1,333	*14,182*
Depreciation	238	*283*
Loss on sale of property, plant and equipment	—	*60*
Change in retirement benefits	(635)	*(1,174)*
Interest received	(14)	*(23)*
Change in inventories	1,289	*(347)*
Change in receivables – current	3,056	*(1,248)*
Change in payables	(1,703)	*(704)*
NET CASH GENERATED FROM OPERATIONS	3,564	*11,029*

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

	2010 £000	*2009 £000*
Cash and cash equivalents	5,021	*2,744*
Bank overdraft	—	*—*
	5,021	*2,744*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2009 £000	Cash Flow £000	Other £000	At 31st July 2010 £000
Cash and cash equivalents	2,744	2,277	—	5,021
Bank overdraft	—	—	—	—
	2,744	2,277	—	5,021

26. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2010 or 31st July 2009.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2010 amounted to £nil (2009, £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 seperately from the assets of the group and are administered and managed professionally. The triennial actuarial valuation of the scheme as at 1st November 2009 by an independent qualified Actuary is currently being completed. A Statement of Funding Principles has been agreed with the scheme trustees and based on these principles the technical provisions at this valuation reveals a deficit of £3,400,000, representing a funding level of 86.1%. It has also been agreed with the scheme trustees that the employer contributions to the scheme will continue at the level of 63.6% of pensionable salaries and employee contributions at 3%. The total net pension charge for the year was £690,000 (2009, £603,000). 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 2010.

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

	2010	*2009*	*2008*
Valuation method	Projected Unit	*Projected Unit*	*Projected Unit*
Discount rate	5.4%	*6.0%*	*6.8%*
Inflation rate	3.4%	*3.8%*	*4.1%*
Salary increases	4.9%	*5.3%*	*5.6%*
Pension increases	2.4%–3.4%	*2.4%–3.8%*	*2.2%–4.1%*

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 2010	Value at 31st July 2010 £000	*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*
Equities	8.6%	16,386	*7.9%*	*12,329*	*9.3%*	*10,509*
Bonds	5.4%	2,040	*6.0%*	*2,177*	*6.8%*	*2,873*
Other	4.7%	3,206	*0.5%*	*4,015*	*5.0%*	*3,879*
Market value of assets		21,632		*18,521*		*17,261*
Present value of scheme liabilities		(22,976)		*(22,989)*		*(18,350)*
Scheme deficit		(1,344)		*(4,468)*		*(1,089)*
Related deferred tax		363		*1,251*		*305*
Net pension liability		(981)		*(3,217)*		*(784)*

Investments are in a mixed management fund, split being 76% equity investments and 24% 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 2010 the actual return on plan assets amounted to £2,367,000 (2009, £251,000).

The following amounts are incorporated into the financial statements:

	2010 £000	*2009* *£000*
Amounts included in operating profit:		
Current service cost	(620)	*(517)*
Past service cost	—	—
Total included within operating profit	(620)	*(517)*
Amounts included in finance (cost)/income:		
Expected return on assets	1,083	*1,337*
Interest cost	(1,391)	*(1,262)*
Total included as net finance (cost)/income	(308)	*75*
Amounts included in Consolidated Statement of Comprehensive Income:		
Actual return less assumed return on assets	1,284	*(1,086)*
Experience gains and losses arising on scheme liabilities	1,736	*(166)*
Changes in assumptions underlying the valuation of liabilities	(531)	*(3,301)*
Total actuarial gain/(loss)	2,489	*(4,553)*

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

	2010 £000	*2009* *£000*
Present value of obligations at beginning of year	22,989	*18,350*
Current service cost	620	*517*
Interest cost	1,391	*1,262*
Charges paid	(32)	*(33)*
Benefit payments	(787)	*(574)*
Actuarial (gain)/loss	(1,205)	*3,467*
Present value of obligations at end of year	22,976	*22,989*

27. RETIREMENT BENEFIT OBLIGATIONS (contd.)

Changes in the fair value of plan assets are as follows:	2010 £000	*2009 £000*
Fair value of plan assets at beginning of year	18,521	*17,261*
Employer contributions	1,493	*1,543*
Employee contributions	70	*73*
Benefits paid	(787)	*(574)*
Charges paid	(32)	*(33)*
Expected return on plan assets	1,083	*1,337*
Actuarial gain/(loss)	1,284	*(1,086)*
Fair value of plan assets at end of year	21,632	*18,521*

Analysis of movement in scheme deficit:

As at 1st August 2009	(4,468)	*(1,089)*
Current service cost	(620)	*(517)*
Past service cost	—	*—*
Contributions	1,563	*1,616*
Other finance (cost)/income	(308)	*75*
Actuarial gain/(loss)	2,489	*(4,553)*
As at 31st July 2010	(1,344)	*(4,468)*

Cumulative actuarial gains and losses recognised in Equity:

At beginning of year	(2,990)	*1,563*
Net actuarial gain/(loss) recognised in year	2,489	*(4,553)*
Cumulative loss	(501)	*(2,990)*

History of experience gains and losses:	2010	*2009*	*2008*	*2007*	*2006*
Difference between actual return and assumed return on assets					
Amount (£000)	1,284	*(1,086)*	*(1,193)*	*969*	*219*
Percentage of market value of scheme assets	5.9%	*5.9%*	*6.9%*	*6.7%*	*1.8%*
Experience gains and losses arising on scheme liabilities					
Amount (£000)	1,736	*(166)*	*(140)*	*(290)*	*(708)*
Percentage of market value of scheme liabilities	7.6%	*0.7%*	*0.8%*	*1.5%*	*3.4%*
Total amounts included in Consolidated Statement of Comprehensive Income					
Amount (£000)	2,489	*(4,553)*	*1,381*	*2,755*	*(1,538)*
Percentage of market value of scheme liabilities	10.8%	*19.8%*	*7.5%*	*14.0%*	*7.4%*

The contribution expected to be paid by the Group during the financial year ending 31st July 2011 amounts to £1,403,000.

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 AEGON Scottish Equitable. The net contribution to the plan for the year was £114,000 (2009, £78,000).

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:

	2010 £000	*2009 £000*
Within one year	68	*70*
In two – five years exclusively	194	*209*
After five years	109	*127*
	371	*406*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £5,215,000 (2009, £5,191,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

	2010 £000	*2009 £000*
Within one year	4,749	*4,912*
In two – five years exclusively	14,238	*15,288*
After five years	10,573	*12,579*
	29,560	*32,779*

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	2010 £000	*2009 £000*	2010 £000	*2009 £000*
McGowan & Co. (Contractors) Limited	92	*89*	1,292	*1,365*
Cramond Real Estate Company Limited	—	—	—	—
Thomas Menzies (Builders) Limited	120	*66*	61	*459*
Concrete Products (Kirkcaldy) Limited	48	*36*	26	*50*
C. & W. Assets Limited	902	*794*	—	—

30. RELATED PARTY TRANSACTIONS (contd.)

(a) SUBSIDIARIES (contd.)

SUBSIDIARY	Amounts owed by Subsidiaries 2010 £000	*2009 £000*	Amounts owed to Subsidiaries 2010 £000	*2009 £000*
McGowan & Co. (Contractors) Limited	—	*—*	75	*268*
Cramond Real Estate Company Limited	155	*352*	—	*—*
Thomas Menzies (Builders) Limited	—	*51*	4	*—*
Concrete Products (Kirkcaldy) Limited	1	*9*	—	*—*
C. & W. Assets Limited	3,734	*6,153*	—	*—*

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 2010, the Group carried out the following transactions with related parties:

Name of Joint Venture	Nature of transaction	Amount £000	Amount owed by Joint Venture Company £000
Edinburgh Industrial Estates Limited	Loan	(850)	—
	Dividend Received	850	
Prestonfield Development Company Limited	Loan	(115)	2,635
Northrigg Limited	Loan	—	176
Duff Street Limited	Loan	—	1,160
	Construction Costs	—	38
Invertiel Developments Limited	Loan	90	90

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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