J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
TO
31st JULY 2020

J. Smart & Co. (Contractors) PLC

DIRECTORS
David W Smart, *Chairman and Joint Managing Director*
John R Smart, *Joint Managing Director*
Alasdair H Ross
Patricia Sweeney

COMPANY SECRETARY
Patricia Sweeney

REGISTERED OFFICE
28 Cramond Road South,
Edinburgh,
EH4 6AB

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

REGISTRARS AND TRANSFER OFFICE
Equiniti Limited,
Aspect House,
Spencer Road,
Lancing,
BN99 6DA

BANKERS
Bank of Scotland,
75 George Street,
Edinburgh,
EH2 3EW

AUDITOR
French Duncan LLP,
Chartered Accountants,
133 Finnieston Street,
Glasgow,
G3 8HB

SOLICITORS
Anderson Strathern LLP,
1 Rutland Court,
Edinburgh,
EH3 8EY

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 *28th January 2021* at 12 noon, for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st July 2020 and the Report of the Directors and the Independent Auditor's Report.
2. To approve the Directors' Remuneration Policy as set out on pages 24 to 26 in the Annual Report.
3. To approve the Directors' Remuneration Report for the financial year ended 31st July 2020 as set out on pages 24 to 29 in the Annual Report.
4. To declare a Final Dividend of 2.27p per share.
5. To re-elect John R Smart as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
6. To re-elect Alasdair H Ross as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
7. To re-elect Patricia Sweeney as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
8. To appoint BDO LLP as the Company's auditor.
9. To authorise the Directors to determine the remuneration of the Auditor.
10. To authorise the Company, via a special resolution, for the purposes of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 2p each (ordinary shares) provided that:
    (a) the Company does not purchase under this authority more than 10% of the nominal value of the Company's issued share capital at the date of this notice;
    (b) the minimum price which the Company may pay for each ordinary share is 2p (exclusive of expenses); and
    (c) the maximum price which the Company may pay for each ordinary share is the higher of:
        (i) 105% (exclusive of expenses) of the average market value of the Company's equity shares for the five business days prior to the day the purchase is made according to the Daily Official List of the London Stock Exchange; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

    This authority will expire at the earlier of 15 months from the date of passing of this resolution and the conclusion of the next Annual General Meeting, except that the Company may enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after this authority ends, the Company may purchase these ordinary shares pursuant to any contract as if the authority had not ended. Under this authority any shares purchased by the Company will be cancelled.
11. To transact any other business of an Annual General Meeting.

Explanatory notes providing information in relation to each of the proposed resolutions in this Notice of Meeting can be found on the Company's website www.jsmart.co.uk.

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/her. A proxy need not be a member. Forms of proxy, if used, must be lodged with the Registrars of the Company at least 48 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 proxyvotes@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 Annual General Meeting 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.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting 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.

NOTE REGARDING ATTENDANCE AT ANNUAL GENERAL MEETING

Due to the continuing measures in place prohibiting gatherings indoors issued by the Scottish Government shareholders will not be allowed to attend the Annual General Meeting in person. The Company will ensure that the Annual General Meeting will be quorate.

The Company encourages all the shareholders to vote by proxy using the proxy card distributed along with this Notice of the Annual General Meeting and the Annual Report and Statement of Accounts.

The Board of Directors values the opportunity to meet shareholders at the Annual General Meeting and answer any questions that they raise. If any shareholder wishes to submit a question to be raised at the Annual General Meeting please do so by emailing your question to agm.questions@jsmart.co.uk at any time up to 10 am on the morning of the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS
PATRICIA SWEENEY
Company Secretary

28 Cramond Road South,
Edinburgh
EH4 6AB

22nd December 2020

CHAIRMAN'S REVIEW

ACCOUNTS

Headline Group profit for the year before tax, including an unrealised surplus in revalued property and a deficit in revalued available for sale financial assets, was £4,083,000 compared with £6,643,000.

Underlying profit before tax for the year of £1,283,000 was less than last year's figure of £2,600,000. As before, our view is that discounting the increase in the revaluation of the commercial property portfolio and adjusting for the revaluation movement on available for sale financial assets provides a truer reflection of Group performance.

The Board is recommending a Final Dividend of 2.27p making a total of 3.22p which compares with 3.19p for the previous year. The Final Dividend will cost the Company no more than £963,000.

TRADING ACTIVITIES

Group construction activities including private residential sales on continuing operations increased by 19%. Headline Group profit before tax on continuing operations decreased by 43% and underlying profit before tax on continuing operations decreased by 58%.

Trading activities in the second half of the financial year were impacted by the coronavirus crisis. All construction sites, head office and operational premises were closed from the end of March 2020 until the middle of June 2020, in line with Scottish Government guidance. Whilst construction activities ceased, home working ensured that all other facets of the business were able to progress during this period. Our site operatives were put on furlough and note must be made of the efficiency of HMRC in processing furlough payments. All necessary measures were put in place at our construction sites, head office, operational premises and the relevant areas of our commercial property portfolio to ensure coronavirus compliance in line with legislation and guidance.

The build contract for the Affordable Housing at West Bowling Green Street completed in October 2019. The completion of the social housing build contract at Ferrymuir was delayed due to the lockdown in March 2020 and will now not be completed until the end of 2020. Margins in these types of build contract and those in the build contracts of our subsidiary company, Thomas Menzies (Builders) Limited, continue to be poor. Measures have been put in place to respectively correct these poor margins.

The vast majority of the sales in the private housing at West Bowling Green Street were completed prior to the lockdown in March 2020. Post lockdown, there were only six private housing units left to be sold at West Bowling Green Street and these sales have now completed, albeit delayed until after the end of the financial year.

Further sites for private housing were acquired in the financial year, notably two sites in Winchburgh, West Lothian. The first small detached housing site called The Courtyard started in September 2020. The second, named Canal Quarter, a much larger site providing approximately sixty flats and terraced houses, will start in April 2021.

Our commercial property portfolio has been remarkably resilient during the coronavirus pandemic. The majority of the portfolio is in multi-let industrial with the remainder in multi-let offices, and this has fared well in the past year. Rental growth and occupancy levels have continued to improve, as have property valuation levels. Concerns were raised regarding payment of rent, but rent collection levels at the last rent quarter payment date prior to the financial year end, currently sit at 96%. Regrettably, we have lost some tenants whose businesses have been affected by the coronavirus crisis. However, we have been able to fill these vacancies with new tenants.

The first unit at Gartcosh Business Park, developed through the joint venture company, Gartcosh Estates LLP, has now been successfully let. The second phase of development at this estate, providing two medium sized industrial units, will commence in early 2021.

Construction at the third and final phases at West Edinburgh Business Park, South Gyle and Inchwood Park, Bathgate is progressing well, with respective completions due in the year to 31st July 2021. Interest in these final phases at both estates is promising.

A site for future industrial development was acquired at Whitehill Industrial Estate, Bathgate in the reporting year.

FUTURE PROSPECTS

Work in hand in contracting is again less than last year. Over and above the usual delays in the development process, progress in site acquisitions and negotiated tender work in the Housing Association sector has been hampered by the first lockdown and the coronavirus crisis. There was no new contracting work in the past financial year and those build contracts programmed for the current financial year may well be delayed until the next financial year.

As mentioned above, all the sales at West Bowling Green Street have now been completed. There will only be a small amount of private housing sales in the year to 31st July 2021. There are a number of substantial future private housing sites where we have just commenced the planning process but, due to general delays caused by the coronavirus crisis, it remains to be seen when development will commence on these sites.

Commercial property valuation levels have improved again, as mentioned above, and we expect letting and positive rental growth to continue in our industrial properties. We have not yet seen any significant negative impact on our office properties due to the coronavirus crisis but that is no guarantee that there may be some in the future.

At this stage, with uncertainty due to the coronavirus crisis, it is difficult to make an informed forecast for the outcome of the year to 31st July 2021. The lull in contracting work and reduced private housing work this financial year makes it unlikely that the headline profit and underlying profit will improve.

I would like to make special mention of French Duncan LLP, who has served as auditor to your company for 45 years. This is the last set of accounts that French Duncan will audit due to company law and will unfortunately end a long-standing relationship. A new auditor will be appointed shortly. I would like to offer my sincere gratitude to all at French Duncan, past and present, for all their hard work over many years.

Finally, I would like to pay tribute to all employees at J. Smart & Co. and the subsidiary companies in what has been and continues to be a turbulent time due to the coronavirus crisis. The dedication, skill and hard work of all was no better demonstrated in the considerable effort to shut down all operations in less than a twenty-four hour period in March of this year prior to the first lockdown.

DAVID W SMART

22nd December 2020 *Chairman*

The Directors present their Annual Report and the audited financial statements of the Group for the year ended 31st July 2020.

STRATEGIC REPORT

The Companies Act 2006 requires the Directors to prepare a Strategic Report which presents a fair review of the business during the year to 31st July 2020 and of the position of the Group at the end of the financial year. The Strategic Report also includes a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 11 to 16 and is incorporated into the Report of the Directors by reference.

CORPORATE GOVERNANCE

The Company is required, as a premium listed company on the London Stock Exchange, to prepare a report on Corporate Governance in accordance with the Financial Reporting Council's UK Corporate Governance Code (the Code). The information required by the Code and also the Disclosure and Transparency Rules and the Listing Rules can be found on pages 18 to 23 and is incorporated into the Report of the Directors by reference.

RESULTS AND DIVIDENDS

The profit of the Group after tax for the year ended 31st July 2020 amounted to £3,585,000 (2019, £6,236,000).

During the year the Company paid on 30th December 2019 a final dividend for the year to 31st July 2019 of 2.24p per share (2019, 2.21p) and paid on 1st June 2020 an interim dividend for the year to 31st July 2020 of 0.95p per share (2019, 0.95p).

The Directors recommend a proposed final dividend for the year of 2.27p per share, making a total for the year of 3.22p. This final dividend is subject to approval by the shareholders at the Annual General Meeting in January 2021 and has not been included as a liability in these financial accounts. If this dividend is approved it will be paid to the members on the share register of the Company at the close of business on 15th January 2021. Dividend warrants will be posted on 5th February 2021.

DIRECTORS

The following were Directors of the Company during the financial year ended 31st July 2020:

- David W Smart
- John R Smart
- Alasdair H Ross
- Patricia Sweeney

Details of the Directors are given on page 17.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company's Articles of Association (the Company's Articles) give the Directors the power to appoint or remove any Director. Initial appointments must be approved by the Board of Directors but anyone so appointed must be re-elected by ordinary resolution at the next Annual General Meeting of the Company. In accordance with the Company's Articles, Directors are not required to retire by rotation, however, in accordance with provision18 of the UK Corporate Governance Code, with the exception of the Chairman, all Directors must retire and offer themselves for re-election annually at the Annual General Meeting.

DIRECTORS' INTERESTS

Details of Directors' interests in the ordinary share capital of the Company are given in the Directors' Remuneration Report. Details of changes in Directors' interest between 31st July 2020 and 4th December 2020 are given on page 27.

Other than the original employment contract received on joining the company, no Director has been issued with a Director's Service Contract on appointment as a director. No Director has a material interest in any contract to which the Company or any Subsidiary Company was a party to during the year.

DIRECTORS' POWERS

The Company's Articles state that the Directors may exercise all of the powers of the Company which also includes the right of the Directors to buy back the Company's shares based on the authority given by the shareholders following the passing of a special resolution at the Company's 2019 Annual General Meeting.

INDEMNIFICATION OF DIRECTORS

In accordance with the Company's Articles and to the extent permitted by law, Directors are granted an indemnity by the Company in respect of liabilities incurred as a result of their office. The Directors are also indemnified against the cost of defending any proceedings whether criminal or civil in which judgement is given in favour of the Director or in which the Director is acquitted or the charge is found not proven. The Company has maintained Directors' and Officers' liability insurance cover throughout the financial year.

CAPITAL MANAGEMENT AND SHAREHOLDER INFORMATION

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

The Company's issued ordinary share capital as at 31st July 2020 comprises a single class of ordinary share of 2p each. Details of the issued share capital are shown in note 26 to the Accounts.

At the 2019 Annual General Meeting the Company was authorised by the shareholders to purchase, in the market, up to 10% of the Company's issued share capital, as permitted under the Company's Articles. The purpose of the market purchase is to enhance the earnings per share and/or the equity shareholders' funds per share. The Directors are seeking renewal of this authority at the 2020 Annual General Meeting.

During the year the Company made market purchases of 665,000 ordinary shares of 2p under the existing authority, for a total consideration of £793,000. The shares purchased were subsequently cancelled, and represented less than 2% of the Company's issued share capital at the start of the financial year.

All members who hold ordinary shares are entitled to attend and vote at a General Meeting. On a show of hands at a General Meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights of shareholders. Rights attached to ordinary shares may only be varied by special resolution at a General Meeting.

There are no specific restrictions on the transfer of securities in the Company, other than those imposed by prevailing legislation and the requirements of the Listing Rules in respect of Company Directors. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities.

Details of substantial shareholders can be found in the Company's Corporate Governance Report.

ARTICLES OF ASSOCIATION

The Company's Articles can only be amended by a special resolution at a General Meeting. No amendments are proposed to be made to the existing Company Articles at the 2020 Annual General Meeting.

CHANGE OF CONTROL

The Company is not party to any significant agreements which take effect, alter or terminate upon change of control of the Company following a takeover bid. The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment, whether through resignation, purported redundancy or otherwise resulting from a takeover bid.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

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.

GREENHOUSE GAS EMISSIONS

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013 requires all quoted companies to report the greenhouse gas emissions for which they are responsible and on any environmental matters which are material to the company's operations.

GREENHOUSE GAS EMISSIONS (continued)

Carbon emissions and energy use:

	2020 Tonnes of CO2e	2019 Tonnes of CO2e
Emissions from:		
Combustion of fuel and operation of facilities	**1,026**	1,043
Electricity, heat, steam and cooling purchased for own use	**151**	166
Total emissions	**1,177**	1,209
Group's chosen intensity measurement:		
Emissions reported above normalised to per full time equivalent employee	**6.13**	5.84
Emissions reported above normalised to per £million of revenues	**70.00**	72.48

Overall the total greenhouse gas emissions of the Group have decreased in the year mainly due to the nature of the construction work undertaken in the year offset by the reduction in vacant properties in the Group's investment property portfolio.

The increase in construction revenue due to the accounting for private house sales in the current year has caused the intensity measurement of emissions reported per £million of revenues to decrease significantly from that of the previous year. The decrease in the number of full time equivalent employees between this year and the previous year increased the reported intensity measure for full time equivalent employees.

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These sources fall within our Statement of Accounts. We do not have responsibility for any emission sources that are not included in our Statement of Accounts.

Our greenhouse gas emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under these Regulations, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 and 2020. Emissions are calculated on the location and contract based methodologies, using fuel mixes reported from 2019/20. The figures disclosed above for the year to 31st July 2019 have been restated to show the emissions as based on the same methodology as the current year.

WASTE MANAGEMENT

We manage waste in accordance with the waste hierarchy and ensure compliance with all applicable environmental legislation across all our operations. Construction waste is managed through site waste management plans which ensure waste arising is minimised, reused or recycled. Waste reduction is considered at the building design stage and any waste arising in construction is segregated either on site or off site. Where possible, waste is reused on site and waste to landfill is minimised with preference given to recycling or energy recovery. Training is provided to all staff and subcontractors and waste champions are assigned to each site to ensure compliance with our waste policies and procedures.

GOING CONCERN

The Group's business activities, performance and principal risks and uncertainties are set out in the Strategic Report.

The current financial year construction activities were impacted by the coronavirus pandemic which resulted in all of our construction sites having to close from the end of March 2020 to the middle of June 2020 which delayed the completion of those contracts. The commencement of new construction projects have been delayed by the virus and the lockdown and it is not known when these will start. Our investment property portfolio has remained resilient to date throughout the pandemic however the long term impact on our office properties is not known at this stage. The Directors have taken all these issues into account and believe that the Group is well placed to manage the risks arising from the coronavirus and all of its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate financial resources without reliance on external funding to allow the Company and Group to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements and therefore considers the adoption of the going concern basis as appropriate for the preparation of the Annual Report and Statement of Accounts.

FUTURE DEVELOPMENTS

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

POST BALANCE SHEET EVENTS

There have been no events occuring after the Balance Sheet date that the Directors consider should be brought to the attention of the shareholders.

AUDITOR

The Company's auditor, French Duncan LLP have held office as from the year ending 31st July 1975. Under EU rulings for mandatory rotation of the external auditor which became part of Companies Act 2006 via Statutory Instrument: The Statutory Auditors and Third Country Auditors Regulation 2016 we have undertaken a tendering process to appoint new external auditors as for the year ending 31st July 2021. Following the conclusion of this tender process BDO LLP have been selected as the Company's new external auditor and a resolution to appoint them as the external auditor will be proposed at the 2020 Annual General Meeting.

CAUTIONARY STATEMENT

The Chairman's Review on pages 4 and 5 and the Strategic Report on pages 11 to 16 have been prepared to provide additional information to members of the Company to assess the Group's strategy and the potential for the strategy to succeed. It should not be relied on by any other party or for any other purpose.

This Annual Report and Statement of Accounts contain certain forward-looking statements relating to operations, performance and financial status. By their nature, such statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors, including both economic and business risk factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this Report.

STATEMENT OF DISCLOSURE TO AUDITOR

The Directors who held office at the date of approval of the Report of the Directors, confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each of the Directors has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

22nd December 2020

The Directors present their Strategic Report of the Group for the year ended 31st July 2020.

The purpose of the Strategic Report is to provide the members of the Company with information to allow them to assess how the Directors have performed their duty to promote the success of the Company and Group.

OUR BUSINESS MODEL, STRATEGY AND OBJECTIVES

The Company was established in 1947 and was listed on the London Stock Exchange in 1965.

The principal activities of the Group are building and civil engineering contracting, residential development for sale, the development of industrial and commercial property for lease and the provision of serviced office spaces. All the construction work involved in these activities is carried out by the Company and its Subsidiaries. Sub-contracting is kept to a minimum. The main area of operations is the central belt of Scotland.

The main construction activity undertaken by the Group is that of social housing for several housing associations and registered social landlords predominately in the Edinburgh area and construction of our own private housing for sale which is undertaken by the Company, J. Smart & Co. (Contractors) PLC.

The Group has a portfolio of self-financed industrial and commercial properties which are owned and managed by subsidiary company, C. & W. Assets Limited. The investment properties are located throughout the central belt of Scotland but primarily in the Edinburgh area, this being the area of the country we are familiar with and understand. Our portfolio currently extends to almost 900,000 square feet.

The Group has five other subsidiaries, four of which are trading companies. Thomas Menzies (Builders) Limited carries out small to medium sized building and civil engineering work for a variety of clients. McGowan and Company (Contractors) Limited provides plumbing support to the main construction companies. Cramond Real Estate Company Limited, is the investment holding company of the Group and holds the Group's equity investments and monies on bank deposits. Smart Serviced Offices Limited which trades as Foxglove Offices provides serviced office and co-working spaces in Leith. Concrete Products (Kirkcaldy) Limited ceased to trade in the year to 31st July 2019.

The Group also has interests in a number of Joint Venture Companies which were established for purposes of property development.

The Group operates out of premises in Edinburgh and Kirkcaldy, with the centralised administration and finance function being at the head office in Edinburgh. Full support is given by the company Directors and the finance staff to all Group companies based at the two locations.

We maintain a core employee base which is beneficial to the growth and success of the Group due to the fact that they have the expertise to ensure the construction activities of the Group are efficiently run, achieve high level of quality of work and retain control over operations. Employees who manage the Group's investment property portfolio are fully aware of current market conditions and ensure that there is appropriate marketing of the Group's investment property portfolio. We employ our own maintenance team thereby ensuring that our investment property portfolio is always in good condition and ready for let.

Our objectives are to identify and exploit promising business opportunities as they arise to the benefit of the Group, its shareholders and employees without over extending Group resources. While endeavouring to complete all our operations as efficiently and to as high a standard as possible we do not set ourselves general performance yardsticks or volumetric targets.

To achieve these objectives our strategy is to continue to maintain and develop the relationships we have with social housing providers and develop relationships with new and existing partners to establish new areas of construction opportunities, retain our core workforce and only use specialist subcontractors with proven track records in the Group to ensure work quality. We will continue to build both our residential properties and investment property portfolio within the central belt of Scotland, being the area of the country with which we are familiar. We will build up our resources to ensure the Group has sufficient current working capital facilities and financing for future commercial and private residential developments.

In achieving our objectives we aim to generate value by creating long term and sustainable returns for our shareholders by growing our income and profits and increasing the value of our investment portfolio and the net assets of the Group.

PERFORMANCE REVIEW

Construction activities

	2020	2019
Continuing Operations	**£000**	£000
Revenue	**19,223**	16,182
Operating loss	**(3,472)**	(2,084)

Turnover in the year has increased from that of the previous year and this is due to the revenue from sales at our private housing development at West Bowling Green Street, Edinburgh. During the year we sold a further 41 flats at this development which meant as at 31st July 2020 we had sold 68 out of the total 74 flats. The remaining 6 flats have now been sold and will be included in revenue in the year to 31st July 2021. However, revenues from all of our other sources declined in the year.

In October 2019 we completed the social housing element of our development at West Bowling Green Street and this left us with only one other social housing development in the year at Ferrymuir. No new social housing contracts commenced in the year.

In the year we continued the construction of Phase 3 at our own industrial development at West Edinburgh Business Park and commenced construction at Phase 3 Inchwood Park, Bathgate. Both these sites were delayed due to the lockdown arising from coronavirus from March 2020 and both sites will be completed in the year to 31st July 2021. As a result of these two sites the value of our own construction work capitalised is significantly higher than that of the previous year.

Margins on construction work continue to be very poor and this, plus the financial impact of the coronavirus which resulted in additional costs including site security costs and costs of implementing safety measures for the safe working of the sites post lockdown based on Scottish Government guidance and payroll costs of employees not put on furlough, has resulted in the Group suffering another significant loss in construction activities. The Directors are taking steps to fully appraise contracts prior to acceptance to ascertain the likely outcome of the contract and to closely monitor and report on costs associated with the contracts during the construction phase to ensure they are not excessive.

Overheads continue to remain relatively constant over time however, the Directors continue to monitor these with a view to achieving any savings on costs were possible.

Investment activities

	2020	2019
	£000	£000
Income from investment properties.	**7,198**	7,560
Net surplus on valuation of investment properties	**3,179**	4,052
Operating profit from investment properties	**7,820**	9,051
Income from available for sale financial assets	**50**	53
Profit on sale of available for sale financial assets.	**16**	26
Net deficit on valuation of available for sale financial assets	**(379)**	(9)
Share of (losses)/profits in Joint Ventures	**(13)**	48

Rental income from the Group's investment property portfolio fell in the year by 5% which is mainly due to the loss of income from one of our properties. This property was a large single industrial unit let to a tenant whose lease had come to an end. The industrial unit has since been demolished and the vacant land has been transferred within the Group at fair value and now is included within the Group's inventories as land held for development. Excluding the rent from this property, over the remainder of our investment property portfolio our rental income has increased due to both rental growth and increased occupancy.

The coronavirus has affected many of our tenants but the rent recovery for the quarter commencing 1st May 2020, being the first quarter impacted upon by the virus has been particularly good with recovery currently being 96% of the rents due. To date recovery of rents due for quarters in the year to 31st July 2021 are also high. We have lost a number of tenants in the year but we have managed to fill the majority of these vacancies.

PERFORMANCE REVIEW (continued)

Investment activities (continued)

Service charges and insurance receivable income has increased by10% which is mainly due to increased occupancy.

During the year construction of industrial units at West Edinburgh Business Park Phase 3 continued, however this has been delayed by the coronavirus and the lockdown which started in March 2020. Although it was anticipated that this site should have been completed in this current financial year it has now been delayed to the start of the new calendar year. Construction at Inchwood Phase 3 had just commenced prior to the lockdown in March 2020 and so this site has also taken longer to complete but will complete prior to July 2021. Interest in both these sites is positive.

There was one disposal in the year but as noted above this disposal was internal and the land is now held within inventories as land held for development.

Income from our available for sale financial assets has remained fairly consistent over time. There have been no additions in the year and the disposals in the year generated a profit of £16,000. As expected due to the worldwide pandemic the fair value for the shares held by the Group fell and as at the year end a deficit of £379,000 was recorded.

The share of the results in our Joint Ventures is a loss this year of £13,000 which is due to the fact that of the four Joint Ventures only one generated any income in the year but all incurred costs. Going forward income will be generated by Gartcosh Estates LLP following the successful letting of the completed unit which will help to improve the results of the Joint Ventures.

Group results and financial position

	2020	2019
	£000	£000
Profit before tax	**4,083**	6,643
Net bank position	**13,062**	12,887
Net assets	**99,260**	100,282

Overall the Group has reported a profit for the year but at a lower level than the previous year. The profit earned on our investment properties has fallen and the increased loss on construction activities has resulted in the lower overall profit.

Our net bank position, which comprises monies held on deposit, cash and cash equivalents and the netting of our bank overdraft has only improved slightly in the year. Cashflows from operating activities have improved mainly due to the revenue from the sales of private housing in the year at our West Bowling Green Street development. There has been significant expenditure this year on our own work capitalised. The Group continues to be net debt free.

The Group's net assets are impacted by the profit earned in the year, the movement on the retirement benefit scheme mainly due to the actuarial loss recognised in the year and the net of the shares bought back in the year and the dividends paid to shareholders.

FINANCIAL INSTRUMENTS

The Group's financial instruments consist of bank balances and cash, available for sale financial assets, trade receivables and trade payables. The main purpose of the financial instruments are to provide working capital for the Group's continuing activities and provide funding for future activities whether in construction or investment. Given the nature of the Group's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact that exposure is spread over a number of counterparties and customers. The Group is not exposed to interest rate risk as it does not have any net debt but it does suffer from fallen interest rates on the amount we can earn on monies on deposit.

TOTAL DIVIDEND

The Directors are recommending a final dividend of 2.27p per share which taken with the interim dividend of 0.95p already paid in the year gives a total dividend for the year of 3.22p (2019, 3.19p), being an increase of 1% on the dividend rate for 2019.

GREENHOUSE GAS EMISSIONS

The Group is required to report the greenhouse gas emissions for which it is responsible and on any environmental matters which are material to the Group's operations. Details of our emissions for the year to 31st July 2020 are set out in the Report of the Directors on pages 8 and 9.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group and the mitigating factors taken by the Group against these risks are detailed below. The principal risks noted below are not all of the risks faced by the Group but are those risks which the Group perceives as those which could have a significant impact on the Group's performance and future prospects.

Area of principal risk or uncertainty and impact	Mitigating actions and controls
By focusing external construction activities in the social housing sector, which is a competitive market, failure to win new contracts would impact on our volume of work and therefore the workforce required by the Group.	• Maintain long term relationships with social housing providers, resulting from high standards of service, quality and post construction care thus giving the Group an advantage over other builders when contracts are awarded on criteria other than cost only. • Identify potential build sites or include the provider within private housing developments in relation to the element of affordable housing required. • When workload is reduced workforce can be diverted to the Group's own commercial and private residential developments. • Continue to acquire land for development for either private housing developments or for resale to social housing providers as part of a construction contract. • Develop new areas of construction activities. • Develop new joint venture opportunities.
Decline in home buyer confidence and availability of affordable mortgages resulting in stalling of private house sales.	• Building developments in popular residential areas. • Building high quality specification homes with attention to detail which sets them apart from other new build homes and therefore attractive to buyers. • Building a range of homes within a development thus providing choice to buyers. • Providing sales incentives. • Consider letting of homes at market rates until the market improves.
Social housing sector and in general the housing market is highly competitive with tight margins.	• We are an 'all trades' contractor who employs our own personnel in all basic building trades who are supervised by site agents who are long serving employees of the Group, who have been promoted through their trades, thus ensuring control of labour costs on contracts. • We have invested heavily in plant and the maintenance thereof and therefore limit our costs on contracts by utilising own plant as opposed to incurring higher costs of hiring plant. • Subcontractors employed by the Group are specialists in their fields and in the main subcontractors have previously been used by the Group therefore quality of work and reliability is known. No labour only subcontractors are employed. • In house architectural technicians and surveyors provide pre-contract design advice to resolve potential technical problems with the build and therefore potential costs. • Detailed appraisals of contract pre-land acquisiton and pre-construction.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of principal risk or uncertainty and impact	Mitigating actions and controls
Reduction in rental demand for investment properties may result in a fall in property valuations.	• Only commence speculative developments after careful assessment of the market. • Restricting our operations to the central belt of Scotland being the area of the country with which we are familiar. • Continually maintain and refurbish existing properties to retain existing tenants and attract new tenants. • Provide necessary financial incentives to retain existing tenants at end of current leases and attract new tenants.
Reduction in demand for UK real estate from investors may result in a fall in valuations within our investment property portfolio, this could result in delays in investment decisions which could impact on our activities.	• The Directors regularly review the property market to ascertain if changes in the overall market present specific risks or opportunities to the Group. • Restricting our operations to the central belt of Scotland being the area of the country with which we are familiar.
Political events and policies result in uncertainty until final decisions have been made and the impact of decisions are known, this could result in delays in investment decisions which could impact on our activities.	• Before any decisions are taken by the Directors in any area of the Group's activities the level of uncertainty and range of potential outcomes arising from political events and policies are considered.
Reduction of financial resources.	• Ensure resources are not over committed and only undertake commercial and private housing developments after due consideration of the financial impact on the Group financial resources. • Build up resources to ensure the Group has sufficient finance for working capital requirements and financing of commercial and private housing developments. • Spread cash reserves over several banks taking account of the strength of the bank and interest rates attainable. • Invest resources in equities also taking account of the security of the investment and the yields attainable.
Continuing uncertainty of the impact of coronavirus on the Group's operational and financial performance.	• Following all the legislation and guidance issued by Scottish Government for the safe working of our construction sites and offices. • Helping current tenants in our investment properties with rental payment plans for those facing financial difficulties due to the coronavirus. • Regularly reviewing cash flow projections.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a three year period to July 2023, taking account of the Group's current financial strength, business model and strategy. The Directors have also taken account of the principal risks and uncertainties facing the Group and the actions being taken to mitigate these risks as described above.

The assessment period of three years has been chosen as the Directors consider this period to be appropriate as it fits well with the Group's development and investment property cycles.

The Group's financial planning process consists of cash flow projections based on the current financial position and assumptions on future developments and investment property acquisitions and disposals and an assessment of the likely impact of coronavirus on future operational and financial commitments. As the Group is net debt free the Directors are assessing the cash impact of their assumptions of future activity to ensure that this position is maintained. The Directors vary their assumptions in terms of economic, investment and other factors to different scenarios to assess the impact on the Group's cash position. Even with these sensitivities applied the Group is net debt free.

Based on this assessment the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period to July 2023.

EMPLOYEES

The Group recognises the contribution of the staff to the success of the Group. The Group operates with a core employee base who in the main have been with the Group for a considerable length of time and have gained a significant knowledge of the sectors the Group operates in and of the companies within the Group. Where appropriate the Group promotes from within whether that be the Directors, staff or site employees. The Group recognises the importance of retaining its core staff to ensure its future success.

The Group does not have a specific Human Rights policy but it does have policies on recruitment and retention of employees and communication with employees which are aimed at ensuring employees are fairly treated during their employment with the Group.

The Group is committed to providing equal opportunities in recruitment and employment, full and fair consideration is given to all applicants for employment and to all existing employees for promotion. Where employees become disabled during their employment and are unable to fulfil current duties they are offered suitable alternative employment within the Group, if feasible.

It is the Group's policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects and all Directors and senior staff members make themselves available to all staff to discuss any matters of concern. In achieving this policy, the Directors are aware of the need to take account of the practical and commercial considerations of the Group, and the needs of the employees.

A breakdown by gender of Directors, senior managers and all employees is given below:

	Male	Female
Directors	3	1
Senior Managers	1	1
Total Employees	178	14

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

22nd December 2020

DIRECTORS

David W Smart, Chairman and Joint Managing Director Aged 47
Joined the Company in 1998
Appointed Director in 2010
Appointed Chairman and Joint Managing Director in 2017

John R Smart, Joint Managing Director Aged 50
Joined the Company in 2002
Appointed Director in 2013
Appointed Joint Managing Director in 2017

Alasdair H Ross Aged 58
Joined the Company in 1989
Appointed Director in 2012

Patricia Sweeney Aged 51
Joined the Company in 2011
Appointed Director in 2017

COMPLIANCE STATEMENT

This statement details how the Company has applied the principles and provisions as set out in the Financial Reporting Council's UK Corporate Governance Code issued July 2018 (the Code). A copy of the Code can be review on the Financial Reporting Council's website at www.frc.org.uk.

The Board recognises that it has not complied fully with the Code in the areas of appointment of Non-Executive Directors and the establishment of Nomination, Audit and Remuneration Committees. It also has not complied with the principles relating to division of responsibilities, evaluation of the Board and individual Directors. The Board considers that due to the nature of the company including its size, lack of complexity and the ownership of the Company that to follow all the principles of the Code would be onerous and would provide no discernible benefit to the Company. Full details and explanations of principles and provisions not complied with are detailed below.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board of Directors (the Board) is committed to ensuring that it maintains good corporate governance of the Company so as to achieve the long-term sustainable success of the Company. The Board remains 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, shareholders and stakeholders without recourse to guidance or instruction from others and fully intends to continue to do so in the future.

The Board which is the executive management of the Company consists of the Chairman who is also one of the two Joint Managing Directors and two other Executive Directors. The size of the Board results in efficient management of the Company leading to the long-term sustainability and success of the Company and that the Directors fulfil their statutory duties under S172 Companies Act 2006. The objectives of the Company as stated in the Strategic Report have been set by the Board and are reviewed regularly to ensure that they are being met and that adequate financial and human resources are available to meet these objectives.

The Directors are involved in the day to day management of the Company supported by senior management. The Directors were all employees of the Company prior to their appointment as a director and therefore have the appropriate skills, experience in their particular fields and knowledge of the Company and its culture to ensure that the Board discharges its responsibilities effectively to ensure the continued success of the Company. The detailed involvement in the day to day management ensures that the Directors interact daily with Company employees and encourage an open approach to management allowing employees to raise any concerns they have directly with the Directors and ensures that actual workplace policies and practices align to the Company's values.

The Directors have ascertained the risks and uncertainties which could impact on the continuing success of the Company and these are set out in the Strategic Report. The Directors have also established controls with the aim to mitigate these risks as best as possible. The risks and the controls in place are regularly reviewed and steps are taken as necessary to adapt the controls as it becomes apparent that changes are needed.

The Chairman always makes himself available to shareholders to answer any queries they may have throughout the year on matters relating to the governance and performance of the Company and ensures that the views and concerns of the shareholders are brought to the attention of the Board as a whole.

Decisions are taken by the Board quickly and effectively following ad hoc consultation among the Directors concerned as matters arise. The 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 the Company's continuing success and ensures that this approach best serves the interests of the Company, its employees, shareholders and stakeholders.
The Board confirms that it will consider and authorise any conflicts of interest between the Directors and the Company where there is no detrimental impact to the Company.

The Directors are aware of their responsibilities and duties under S172 Companies Act 2006 to promote the success of the Company for the benefit of its members whilst having regard to other stakeholders including the Company employees, suppliers, customers and tenants. Whenever decisions are being made by the Board they take into account the implications of these on all stakeholders.

BOARD LEADERSHIP AND COMPANY PURPOSE (continued)

RELATIONS WITH SHAREHOLDERS

The Board has in the past and will continue to enter into dialogue with the shareholders wherever possible. The Chairman is responsible for ensuring that the views and concerns of the shareholders are communicated to the Board. The Chairman is also responsible for discussing governance and strategy matters with the shareholders.

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, against and withheld for each resolution will be announced.

SUBSTANTIAL SHAREHOLDERS

As at 31st July 2020 and 4th December 2020, excluding holdings of Directors, the Company has been notified of the following holdings of substantial voting rights in respect of the issued share capital of the Company:

As at 31st July 2020	Number	%
Octet Investments Limited	1,872,400	4.39
A J Whitehead	2,311,495	5.42
As at 4th December 2020		
Octet Investments Limited	1,872,400	4.42
A J Whitehead	2,311,495	5.45

EMPLOYEES

As stated in the Strategic Report the employees of the Company are an important part of the success of the Company. The Directors operate an open-door policy whereby any employee can discuss any matters arising from their employment with any of the Directors. The Managing Directors visit all sites on a weekly basis which allows all site-based staff to also communicate directly with the Directors on matters they wish to raise. The employees can also raise any matters with Human Resources.

SUPPLIERS AND SUBCONTRACTORS

The Group prefers to use key suppliers and subcontractors which it has existing working relationships with and therefore is aware of the quality of products and services provided. The Group has a commitment to ensuring that all suppliers and subcontractors are paid within the terms of the supply.

CUSTOMERS AND TENANTS

The main customers of the Group are those which the Group has worked with in the past and we have built up strong working relationships with them which has resulted in repeat work being awarded to the Group. We maintain dialogue throughout contracts with our customers to ensure that they are aware of the progress of all contracts and any issues which may arise can be resolved in a timely manner.

Our investment properties are maintained to a high standard with dedicated managers who regularly inspect them and communicate with tenants regarding any issues they have.

COMMUNITIES AND THE ENVIRONMENT

The Group supports the local community by financially supporting local and national charities. The Group complies with all local authority guidance and planning conditions to ensure that all building sites are safe for employees, subcontractors and suppliers and do not interfere with surrounding neighbours.

The impact of our activities on Greenhouse Gas Emissions is disclosed in the Report of the Directors.

DIVISION OF RESPONSIBILITY

As mentioned above the Chairman of the Board is also one of the Joint Managing Directors who collectively act as the Chief Executive of the Company. 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 the Company well over many years. The Chairman is responsible for the leadership of the Board, ensuring that all the Directors receive accurate, timely and clear information on issues arising at formal and ad hoc Board meetings, setting Board agendas and ensuring adequate time is given to discussion of the agenda points.

The Board considers that appointing Non-Executive Directors would increase costs and impose an additional administrative burden on the Company for no discernible benefit and therefore would serve no useful purpose. As no Non-Executive Directors have been appointed the Company has not established Nomination, Remuneration or Audit Committees. The functions of these Committees are undertaken directly by the Board.

As the Company has no Non-Executive Directors then no director has been identified as an Independent Director.

During the year the Board held 8 formal board meetings all of which were attended by all the Directors.

Also, during the year the Directors met regularly on an ad hoc basis to undertake the executive management of the Company and take decisions on all material matters quickly and effectively but with due care and diligence and therefore exercising full direction and control of the Company. All Directors openly express their views and make a valuable contribution to the running of the Company.

Due to the makeup and operation of the Board there is no requirement to formally set out in writing the responsibilities of the Chairman, Chief Executive or the Board.

All members of the Board have the ability to seek independent professional advice, at the Company's expense, should they consider it necessary to enable them to fulfil their duties as a director. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Statement of Directors' Responsibilities is set out on page 30.

COMPOSITION, SUCCESSION AND EVALUATION

As the Company has no Non-Executive Directors it has not established a Nomination Committee for the appointment of Directors. Nominations of new directors are submitted by the Chairman for approval by the Board. All Directors of the Company are long-serving employees of the Company at the date of nomination and appointment which ensures that their skills, experience and knowledge are retained within the Company and onto the Board. Due regard is taken of the benefits of all types of diversity onto the Board when nominations are proposed.

No formal tailored induction upon joining the Board is required given all members of the Board are long-term employees. As all Board members are full-time employees of the Company they are fully committed to the Company and are able to allocate sufficient time to the Company in discharging their duties and responsibilities effectively.

There is no formal system of performance evaluation of the Board or the Directors individually. Directors are encouraged to receive any training they consider necessary to ensure they remain up-to-date with their skills and knowledge of the Company's business and that they remain aware of the risks associated with the Company and also are aware of the regulatory, legal, financial and other developments to enable them to fulfil their roles effectively.

All Directors, with the exception of the Chairman will be subject to annual re-election.

As the Chairman is one of the Joint Managing Directors, then the Chair will not retire after the nine years recommended in the Code.

AUDIT, RISK AND INTERNAL CONTROL

As the Company has no Non-Executive Directors it has not established an Audit Committee, it is therefore the responsibility of the Board to ensure the independence and effectiveness of the external audit function.

The Company does not have an internal audit function. The Board reviews the need for this function regularly and has concluded for the time being that no internal audit function is required.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors have sole responsibility for the preparation of the Annual Report and Statement of Accounts which taken as a whole is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy. The Directors are also responsible for the preparation of the Interim Report and other price-sensitive public reports and to ensure that these reports are also fair, balanced and understandable.

The Board is responsible for and annually reviews the Group's system of internal controls in relation to financial, operational, compliance and risk management to ensure their continued effectiveness. The systems adopted by the Board are designed to manage the risks of failure to achieve the Company's business objectives as opposed to eliminate them, as any system of control can only provide reasonable but not absolute assurance against material misstatement or loss. The Strategic Report includes a description of the principal risks and uncertainties faced by the Group and the actions undertaken by the Group to mitigate these risks.

The Board, in accordance with the Code, has reviewed the effectiveness of the internal controls from the commencement of the accounting period to the date of approval of the Annual Report and Statement of Accounts. No significant failings or weaknesses have been identified in that period. There has also been a continual process of identification by the Directors of key areas of risk within the Group and appropriate action taken to mitigate and monitor such risks. The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, as detailed in the Strategic Report, including those which threaten the business model, future performance, solvency and liquidity of the Group.

The main features of the Group's internal control and risk management systems in relation to the financial reporting process are:

- contracts, development projects, land purchases and acquisition of property, plant and equipment are proceeded with after due consideration by the Directors;
- monthly reports for each contract and development project are prepared and reviewed by the Directors;
- subsidiary Company reports are prepared for consideration by the Directors; and
- treasury and cash management are undertaken by the Directors to ensure Group remains net-debt free.

GOING CONCERN AND VIABILITY

In order to ensure the Company and Group have adequate resources to ensure the continuing operations of the Company and Group for the foreseeable future the Directors consider current and future trading including taking account of potential impact on trading due to the coronavirus, investment property acquisitions and disposals and cash requirements. The Directors take account of prevailing market conditions in all areas of the Group's activities and use their knowledge and experience relating to the Group's investment property portfolio. Currently our construction activities are continuing inline with government legislation and guidance and recoverability of rents from our tenants remains high. The Directors' opinion is that the Company and Group have adequate financial resources to allow the Company and Group to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements and therefore considers the adoption of the going concern basis as appropriate for the preparation of these Accounts.

The Directors also consider the viability of the Group over a longer period than twelve months from the date of approval of these financial statements, being a three-year period from the Balance Sheet date. The Directors statement on this review can be found in the Strategic Report.

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

As there is no Audit Committee, it is the responsibility of the Board to consider areas of the financial statements where there are significant areas of judgement regarding estimates and assumptions, which in turn have a significant effect on the amounts recognised in the financial statements. In respect of the 2020 financial statements these areas were:

- Investment Property Valuations – the valuation of the investment property portfolio is completed by the Directors. The valuation of the property portfolio is inherently subjective and requires significant judgements and assumptions to be made. The Directors appoint external valuers to value a sample of properties in the portfolio to provide a sense check on their valuation. The valuations are discussed with the Auditor.
- Long-term Contract Valuations and Provisions – the Directors consider contract performance to ensure appropriate revenue recognition. Future revenue and contract performance are considered and loss provisions determined where necessary. Both costs and revenues may require to be revised as future events unfold and uncertainties are resolved which would have a direct impact on overall performance of these contracts.
- Retirement Benefit Deficit – the valuation of the retirement benefit obligation is dependent upon a series of assumptions which are determined after the Directors take expert advice from the Group's Actuary. Changes in these assumptions could have a material affect on the deficit disclosed in the financial statements.

The Board discusses fully all issues relevant to the above areas and obtains where possible information and advice from external experts and our external Auditor and only when fully satisfied with the amounts associated with each area are they incorporated into the financial statements.

RELATIONSHIP WITH EXTERNAL AUDITOR

As the Company does not have an Audit Committee, it is the responsibility of the Chairman and the Company Secretary to maintain an appropriate relationship with the Group's external Auditor and to review the scope and results of the audit and its cost effectiveness. The Board is responsible for monitoring and ensuring that the Auditor's independence and objectivity is not compromised. The Board takes account of the external Auditor's own policies and procedures regarding their integrity and independence and the professional standards they have to adhere to. The Board monitors non-audit services and in some cases the nature of the non-audit advice may make it more timely and cost effective for the Group's external Auditor to perform this work. The Board is responsible for setting the remuneration of the Auditor.

AUDIT TENDER PROCESS

The Group's current external Auditor has held office since 1975 and following the implementation of EU ruling which became part of Companies Act 2006 via Statutory Instrument: The Statutory Auditors and Third Country Auditors Regulation 2016 this means that we have to appoint a new external auditor for the forthcoming year via a tender process.

The impact of coronavirus delayed the commencement of the tender process but it started in August 2020. Approaches were made to a number of firms advising that the tender process was due to commence and to invite them to confirm their interest in participating. Invitation to tender documents were issued to those firms which indicated a willingness to participate. Participating firms held discussions with staff members to obtain further information they required to allow them to submit proposal documents. Presentations were given by these firms. The Board then evaluated the proposals and the presentations and concluded that it proposed to award the external audit function as from 2021 to BDO LLP.

REMUNERATION

As the Company has no Non-Executive Directors it has not established a Remuneration Committee, it is therefore the responsibility of the Chairman to fix the remuneration packages of the Directors which are based on the scope of their duties and responsibilities.

The main components of Directors remuneration are detailed in the Directors Remuneration Report and consist of basic salary, benefits and pension contributions based on basic salary only. There are no performance or incentive-based elements to the Directors Remuneration and there are no share award schemes in place.

REMUNERATION (continued)

The Chairman takes account of the remuneration packages of the workforce when determining the level of remuneration of the Directors, benefits given are in line with those given to employees and all contributions for pension contributions are at the same rates as those for employees.

No Director has a service contract other than their initial employment contract and therefore periods of notice and termination payments are structured in accordance with current Employment Law.

The remuneration policy, as approved by the shareholder at the 2017 Annual General Meeting, is regarded by the Chairman as fulfilling the provisions of the Code for:

- Clarity – the policy is clear and understood by all Directors and by our shareholders who approved the policy.
- Simplicity – the remuneration package does not include any complex structures.
- Risk – as there are no performance-based elements to the remuneration it does not promote excessive risk taking by the Directors.
- Predictability – as there are no performance-based elements to the remuneration the level of remuneration for the Directors can be predicted with reasonable accuracy.
- Proportionality – remuneration levels are based on duties and responsibilities of the Directors and are not considered to be excessive.
- Alignment to culture – as there are no incentive schemes the remuneration package is considered to be in line with the Company's values and strategy.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

22nd December 2020

ANNUAL STATEMENT

On behalf of the Board of Directors, I present the Directors' Remuneration Report for the year ended 31st July 2020.

In addition to this statement the Report includes two other parts being the Policy Report and the Annual Report on Remuneration, which have been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The Policy Report has been developed taking account of the principles of the UK Corporate Governance Code 2018.

The shareholders approved the previous Policy at the 2017 Annual General Meeting and the policy was effective for three years from that date.

The shareholders will be asked to approve the Policy at the 2020 Annual General Meeting and if approved will become effective from that date and will be effective for three years.

The Annual Report on Remuneration will be subject to a vote at the 2020 Annual General Meeting. Our Auditor is required to report to the shareholders on certain information contained in the Annual Report on Remuneration and that it has been prepared in accordance with the Act and the Regulations. The information to be audited is appropriately marked.

There have been no substantial changes to Executive Directors' remuneration in the year. Our policy continues to be to provide remuneration packages that will retain and motivate the Directors to sustain the long term growth and value of the Company.

DAVID W SMART
Chairman

22nd December 2020

THE POLICY REPORT

As stated in the Corporate Governance Statement the Company does not appoint Non-Executive Directors and therefore the Company does not have a Remuneration Committee to set the Executive Directors' Remuneration Policy. The Chairman fulfils the function of the Remuneration Committee.

The Company's remuneration policy is to provide remuneration packages that will retain and motivate the Directors to sustain the long term growth and value of the Company and is based on the scope of their duties and responsibilities. The Directors are not entitled to any performance related remuneration, long term incentive schemes or share options. The remuneration of the Directors is not performance related therefore no element of their remuneration is based on performance measures.

The policy table below summarises the main components of Directors' Remuneration:

ELEMENT	PURPOSE AND STRATEGY	OPERATION
BASE SALARY	To pay a fair salary commensurate with the individual's role, responsibilities and experience.	Reviewed annually in July taking account of the individual's role and experience and the salary increases of employees throughout the Group as a whole. No maximum level is set.

ELEMENT	PURPOSE AND STRATEGY	OPERATION
BENEFITS	To provide support to enable the Directors to carry out their duties effectively.	Benefits include cash in lieu of a company car and private medical insurance. No maximum level is set as the costs of providing benefits fluctuate over time; however the costs are monitored to ensure they remain reasonable.
PENSION	To provide appropriate levels of retirement benefits.	Depending on when a Director first became an employee of the Company will determine whether they are members of the Company's Defined Benefit Pension Scheme or Defined Contribution Scheme. Company contributions to the Defined Benefit Scheme are currently 35.4% of base salary. Contribution levels are set in agreement between the scheme trustees and the Company and can therefore vary from time to time. Company contributions to the Defined Contribution Scheme are currently a minimum of 10% of base salary.

The Chairman retains the right to make minor amendments to the above policy, to take account of regulatory, tax, legislative or administrative changes without obtaining shareholder approval for these amendments.

No share options or long term incentive schemes are operated by the Company.

Directors are entitled to claim relevant expenses incurred by them in respect of their duties.

There are no provisions for the recovery of sums paid to Directors or the withholding of the payment of any sums to Directors.

As all remuneration of Directors is fixed remuneration there is no need to illustrate, via a bar chart, the expected values of proposed remuneration as it does not contain any elements based on performance and therefore is not subject to change based on either the Company's or Director's performance.

APPROACH TO RECRUITMENT OF DIRECTORS

The Company's approach to appointing new Executive Directors is to appoint from within the Company. As such the remuneration of the Director has already been set by the Company and the package held by the employee prior to appointment as a Director will remain in place. Consideration will be made of the increased duties and responsibilities that will apply post appointment as a Director and revision to their base salary may be made to reflect this.

SERVICE CONTRACTS AND POLICY ON CESSATION

No Director has a service contract with the Company, other than their initial employment contract and therefore periods of notice and termination payments are structured in accordance with current Employment Law.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN COMPANY

The Chairman when considering the remuneration of the Executive Directors takes into account the remuneration of employees across the Group as a whole. However, the Chairman does not consult directly with employees on the remuneration of the Executive Directors but is mindful of salary increases which are applied across the Group as a whole.

CONSIDERATION OF SHAREHOLDER VIEWS

The Chairman considers all views and concerns he receives from shareholders especially at the Annual General Meeting when shareholders have the opportunity to ask questions of the Board on all matters relating to the Company including Directors' Remuneration, or at any other time throughout the year.

Although no direct communication was held by the Chairman with major shareholders prior to shaping the Remuneration Policy he believes that it is a responsible approach to remuneration and its policies in the past and for the future as evidenced by the level of approval of the 2019 Directors' Remuneration Report at the 2019 Annual General Meeting, details of which are given in the Annual Report on Remuneration below.

ANNUAL REPORT ON REMUNERATION

The following provides details of how the remuneration policy was implemented in the year to 31st July 2020.

Single Total Figure of Remuneration for Executive Directors (Audited Information)

The following table presents the single figure for the total remuneration of each Executive Director for the year ended 31st July 2020 and the prior year:

	Salary £000	Taxable Benefits £000	Pension £000	Total £000
David W Smart				
2020	**116**	**10**	**53**[1]	**179**
2019	113	10	54[1]	177
John R Smart				
2020	**116**	**10**	**14**	**140**
2019	113	10	13	136
Alasdair H Ross				
2020	**116**	**10**	**55**[1]	**181**
2019	113	10	56[1]	179
Patricia Sweeney				
2020	**116**	**10**	**14**	**140**
2019	113	10	13	136

1. Pension value represents the cash value of pension accrued over one year multiplied by 20 in line with new regulations with allowance for inflation and employee contributions.

DIRECTORS' PENSION ENTITLEMENTS (AUDITED INFORMATION)

David W Smart and Alasdair H Ross are members of the Company's Defined Benefit Pension Scheme whilst John R Smart and Patricia Sweeney are members of the Company's Group Personal Pension Plan.

The Company's Defined Benefit Pension Scheme was closed to new members in 2003. The normal date of retirement based on the scheme rules is 65 and there is no automatic entitlement to early retirement. Contributions by the employer under the scheme are 35.4% of pensionable salary.

	Accrued pension as at 31 July 2020 £000	Accrued pension as at 31 July 2019 £000
David W Smart	42	39
Alasdair H Ross	52	49

SCHEME INTEREST AWARDS (AUDITED INFORMATION)

There were no scheme interests awarded in the year.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

No payments were made to past Directors in the year.

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

No payments for loss of office were made to Directors in the year.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED INFORMATION)

The Company has no policy that Directors are required to own shares in the Company, although all Directors are currently shareholders of the Company.

The interests of the Directors in the ordinary shares of the Company, including beneficial interests, are shown in the table below:

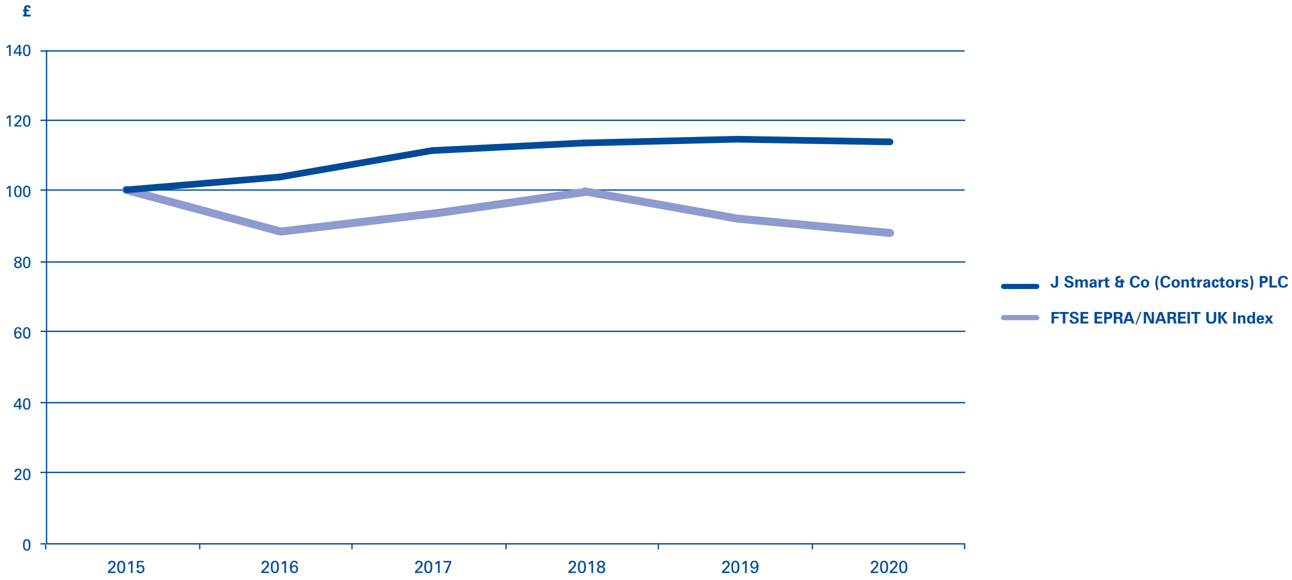
	Beneficial holdings (including interests of the Director's connected persons)		
	4 December 2020	31 July 2020	31July 2019
David W Smart	12,782,750	12,268,500	12,268,500
John R Smart	12,782,750	12,268,500	12,268,500
Alasdair H Ross	150,000	100,000	100,000
Patricia Sweeney	150,000	50,000	50,000

PERFORMANCE GRAPH

The graph below shows a comparison of the total shareholder return for the Company's shares for each of the last five financial years against the total shareholder return for the companies comprised in the FTSE EPRA/NAREIT UK index which the Company deems to be the most relevant to the Company as it includes companies in the same sector as the Company.

The graph compares the value of £100 invested in J. Smart & Co. (Contractors) PLC, including re-invested dividends.

Total Shareholder Return over the last five financial years



GROUP CHIEF EXECUTIVE OFFICER'S TOTAL REMUNERATION

The following table details the Chief Executive Officer's single figure of remuneration over the last five financial years:

	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
David W Smart	179	177	154	148	166

GROUP CHIEF EXECUTIVE OFFICER'S CHANGE IN REMUNERATION

The following table compares the change in remuneration of the Group Chief Executive Officer and that of the remuneration of the Group's salaried employees. This group of employees was chosen as it represents the most comparable group.

	CEO % change 2019-2020	Other employees % change 2019-2020
Base salary	3 %	5 %
Taxable benefits	– %	– %

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table compares the total spend on remuneration of all employees of the Group, including Executive Directors, and the total amounts paid in distributions to shareholders for the years to 31st July 2020 and 31st July 2019:

	2020 £000	2019 £000	Difference in spend £000	Difference as a percentage %
Remuneration of employees	9,015	9,600	(585)	(6)
Total distributions paid (being dividends and share buy backs)	1,588	1,619	(31)	(2)

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2021

After due consideration given the impact both operational and financial of coronavirus on the Company it was decided that there would be no increase in the base salaries awarded to any Director for the year to 31st July 2021.

	Base salary from 1st July 2020 £	Base salary from 1st July 2019 £
David W Smart	115,625	115,625
John R Smart	115,625	115,625
Alasdair H Ross	115,625	115,625
Patricia Sweeney	115,625	115,625

CONSIDERATIONS BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Chairman is responsible for determining Directors' Remuneration. No advice was sought in the year in considering Directors' Remuneration.

SUMMARY OF SHAREHOLDER VOTING AT THE 2019 ANNUAL GENERAL MEETING

The 2019 Directors' Remuneration Report was put to the shareholders for their approval at the 2019 Annual General Meeting. The resolution was passed on a show of hands.

Details of the proxy votes lodged, including those at the discretion of the Chairman, are as follows:

	Total number of votes	% of votes cast
For	27,091,345	100
Against	454	–
Total votes cast (excluding votes withheld)	27,091,799	100
Votes withheld	3,600	
Total votes cast (including votes withheld)	27,095,399	

Votes withheld are not included in the proxy figures as they are not recognised as a vote in law.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

22nd December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company's Statement of Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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;
- 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 Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the Report of the Directors, Strategic Report, Corporate Governance Statement and Directors' Remuneration Report that complies with that law and those 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' RESPONSIBILITY STATEMENT

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Report of the Directors and the Strategic Report include a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Statement of Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's business model, performance and strategy.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

22nd December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF J. SMART & CO. (CONTRACTORS) PLC

OPINION

We have audited the financial statements of J. Smart & Co. (Contractors) PLC for the year ended 31st July 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by EU) and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 as at 31st July 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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 Regulations.

Our opinion is consistent with any reporting to those charged with governance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 14 and 15 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 21 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 9 in the financial statements, about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 16 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF THE INVESTMENT PROPERTY PORTFOLIO

As described in note 1 Accounting Policies and Estimation Techniques and note 15 Investment Properties the Group carries investment properties at the Directors' estimate of fair value. As at 31st July 2020 the Group held investment properties of £78,632,000.

Judgement is required by the Directors in terms of the assessment of the individual nature of each property, its location, expected future rental income, tenure and tenancy profiles, prevailing market yields and comparable market conditions. The valuation of investment properties requires significant judgement by management. Any input inaccuracies or unreasonable bases used in these assumptions could result in a material misstatement in the financial statements.

Due to the coronavirus pandemic and the shortage of comparable market evidence, the investment properties are subject to material valuation uncertainty in accordance with RICS valuation standards. Consequently less certainty can be attached to the valuation than would normally be the case.

How we addressed the key audit matter

To obtain assurance over management's assumptions applied in calculating the fair value of investment properties we completed the following audit procedures among others:

- testing the integrity of the information used by the Directors in completing the valuation including agreement on a sample basis back to underlying leases;
- meeting with the Directors to challenge the valuation process, the performance of the portfolio and the significant assumptions and critical judgement areas, including future income and yields especially in light of coronavirus;
- reviewing the results of a valuation completed by a third party professional valuer of a sample of the property portfolio, comparing this to the Directors' valuation and discussing the results with the Directors, and the third party professional valuer; and
- reviewing other available third party market data relevant to the location and sectors of the property portfolio.

Material valuation uncertainty due to coronavirus

We considered the adequacy of the disclosures in note 1 (Critical Accounting Estimates and Judgements) and note 15 Investment Properties to the financial statements. These notes explain that due to coronavirus and the shortage of comparable market evidence, the investment properties are subject to material valuation uncertainty. Consequently less certainty and a higher degree of caution should be attached to the valuations as at 31st July 2020.

Based on our procedures, we noted no material exceptions and considered management's key assumptions to be within reasonable ranges, and the disclosures in relation to the material valuation uncertainty within the financial statements are sufficient and appropriate to highlight the increased estimation uncertainty as a result of coronavirus.

CONTRACT ACCOUNTING ESTIMATES

As described in note 1 Accounting Policies and Estimation Techniques, note 19 Contract Balances and note 22 Trade and Other Payables the Group carries amounts recoverable on contracts of £423,000 and contract loss provisions of £98,000.

Judgement is required in preparing suitable estimates of the forecast costs and revenue on contracts. The Directors take into account the estimated costs to complete and the percentage stage of completion of current contracts when determining the recognition of profit or the requirement for a loss provision. An error in the contract outcome could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.

KEY AUDIT MATTERS (continued)

CONTRACT ACCOUNTING ESTIMATES (continued)

How we addressed the key audit matter

To obtain assurance over management's assumptions in calculating contract outcomes we completed the following audit procedures among others:

- substantive testing of contract revenues, contract costs and private housing sales;
- meeting with the Directors to challenge forecast revenues and costs to complete in relation to private housing sales;
- meeting with the Directors to challenge key judgements inherent in the forecast costs to complete that are crucial in determining revenue and margin to be recognised and the identification of loss making contracts and the quantum of loss provisions;
- substantive testing of costs to complete to contract information and costs incurred post year end; and
- performing site visits and reviewing contract terms for key contracts.

Overall based on these procedures, we are satisfied that contract balances are appropriately stated and that revenue and contract results have been recorded appropriately.

PENSION SCHEME VALUATION

As described in note 1 Accounting Policies and Estimation Techniques and note 30 Retirement Benefit Obligations the Group has a defined benefit pension plan in the UK. At 31st July 2020, the Group recorded a net retirement benefit liability of £1,076,000, comprising scheme assets of £40,355,000 and scheme liabilities of £41,431,000.

The pension valuation is dependent on market conditions and key assumptions made, in particular, relating to investment returns, discount rate, inflation expectations and life expectancy assumptions.

The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. Any unreasonable bases used in these assumptions could result in a material misstatement in the financial statements, refer to sensitivity analysis in note 30.

How we addressed the key audit matter

To obtain assurance over managements judgements in the determination of the pension scheme surplus we completed the following audit procedures among others:

- we reviewed the key assumptions with management;
- we reviewed the key assumptions with the actuary;
- we benchmarked key assumptions against available empirical data;
- we verified the scheme assets and the base information used in the actuarial valuation; and
- we also reviewed the disclosure of the pension scheme assumptions in the financial statements.

Based on our procedures, we noted no material exceptions and considered management's key assumptions to be within reasonable ranges.

CORONAVIRUS PANDEMIC

The coronavirus pandemic continues to have a major impact on economies despite the Government measure introduced. In order to assess the impact of coronavirus on the Group, the Directors have reviewed and updated their forecasts of revenue, profits, cashflow and operational activities for the next twelve months and over the next three years. The Directors have used these forecasts in their business viability and going concern assessments.

The most significant impact to the financial statements has been the valuation of investment properties as described in the relevant key audit matter above.

In making their assessment the Directors have considered the ability of the Group to remain net debt free. After considering all these factors, the Directors have concluded that the financial statements can continue to be prepared on a going concern basis.

KEY AUDIT MATTERS (continued)

CORONAVIRUS PANDEMIC (continued)

How we addressed the key audit matter

To obtain assurance over managements assessment of viability and going concern including the impact of coronavirus, we completed the following audit procedures among others:

- we reviewed management's assessment including evidence of the operational impact and consistency with other available information;
- our procedures in respect of the valuation of investment properties are set out in the relevant key audit matter above;
- we assessed the financial statement disclosures in relation to coronavirus and their consistency with the evidence obtained in our audit; and
- we assessed management's going concern analysis in light of coronavirus and the sensitivities used in the forecasts.

Based on our procedures we are satisfied that the impact on the business including the consideration of going concern in light of coronavirus has been adequately assessed and disclosed.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatements that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements would be changed or influenced.

The materiality for the Group financial statements as a whole was set at £865,000. This has been determined with reference to a benchmark of Group total assets (of which it represents 0.75%) which we consider to be one of the principal considerations for members of the Company in assessing the financial position of the Group. We also considered the overall property portfolio valuation and the extent and significance of the construction business in concluding on the appropriate level of materiality.

We agreed with the Board of Directors to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £43,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group financial statements are a consolidation of the seven trading entities including the parent entity and the Group's four joint ventures. Except for one of the joint ventures all entities were audited to their own individual materiality levels.

In establishing the overall approach to the Group audit, we obtained an understanding of the Group and its environment, including group-wide controls, and assessed the risks of material misstatement at the Group level. This assessment determined the type of audit work required to enable us to conclude whether sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements.

There were no changes in the scope of our audit during the year.

Our audit work at Group level on the four areas highlighted in the key audit matters is described above.

In addition we assessed the capability of the audit in detecting irregularities including fraud. The main risk from either fraud or irregularity with respect to the Group financial statements was the possibility of management override of controls. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. There are inherent limitations in the audit procedures noted above where the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by for example forgery, intentional misrepresentations or through collusion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report set out on pages 4 to 79 other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** - the statement given by the Directors on page 30 that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, performance and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** - the explanation set out on page 21 as to why the Annual Report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement, set out on page 18 to 23, required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Report of the Directors' and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- The Report of the Directors' or the Strategic Report; or
- The information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION (continued)

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 30 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located in the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF THIS REPORT

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 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.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the Directors to audit the financial statements for the year ending 31st July 1975 and subsequent financial periods. The period of total uninterrupted engagement is 45 years, covering the years ending 31st July 1975 to 31st July 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent company in conducting our audit.

133 Finnieston Street
Glasgow
G3 8HB
22nd December 2020

ANTONY J SINCLAIR
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP
Statutory Auditor and Chartered Accountants

J. Smart & Co. (Contractors) PLC

CONSOLIDATED INCOME STATEMENT
for the year ended 31st JULY 2020

	Notes	2020 £000	*2019 £000*
CONTINUING OPERATIONS			
Group construction activities		19,223	*16,182*
Less: Own construction work capitalised		(2,410)	*(147)*
REVENUE	3	16,813	*16,035*
Cost of sales		(16,764)	*(14,416)*
GROSS PROFIT		49	*1,619*
Other operating income	4	7,198	*7,560*
Net operating expenses		(6,078)	*(6,264)*
OPERATING PROFIT BEFORE NET SURPLUS ON VALUATION OF INVESTMENT PROPERTIES		1,169	*2,915*
Net surplus on valuation of investment properties	15	3,179	*4,052*
OPERATING PROFIT	6	4,348	*6,967*
Share of (losses)/ profits in Joint Ventures	16	(13)	*48*
Income from available for sale financial assets	7	50	*53*
Profit on sale of available for sale financial assets		16	*26*
Net deficit on valuation of available for sale financial assets		(379)	*(9)*
Finance income	8	130	*185*
Finance costs	8	(12)	*–*
PROFIT BEFORE TAX		4,140	*7,270*
Taxation	9	(508)	*(529)*
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		3,632	*6,741*
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	10	(47)	*(505)*
PROFIT FOR YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	11	3,585	*6,236*
EARNINGS/(LOSS) PER SHARE			
From continuing operations – basic and diluted	13	8.46p	*15.47p*
From discontinued operations – basic and diluted	13	(0.11)p	*(1.16)p*
From continuing and discontinued operations – basic and diluted	13	8.35p	*14.31p*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st JULY 2020

	Notes	2020 £000	*2019 £000*
PROFIT FOR THE YEAR		3,585	*6,236*
OTHER COMPREHENSIVE LOSS			
Items that will not be subsequently reclassified to Income Statement:			
Actuarial loss recognised in defined benefit pension scheme	30	(3,961)	*(1,118)*
Deferred taxation on actuarial loss	24	942	*190*
TOTAL ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		(3,019)	*(928)*
TOTAL OTHER COMPREHENSIVE LOSS		(3,019)	*(928)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		566	*5,308*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		566	*5,308*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31st JULY 2020

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 2018	880	128	95,585	96,593
Profit for the year	–	–	6,236	6,236
Other comprehensive loss	–	–	(928)	(928)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	5,308	5,308
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(14)	–	(792)	(806)
Transfer to Capital Redemption Reserve	–	14	(14)	–
Dividends	–	–	(813)	(813)
TOTAL TRANSACTIONS WITH OWNERS	(14)	14	(1,619)	(1,619)
At 31st July 2019	866	142	99,274	100,282
Profit for the year	–	–	3,585	3,585
Other comprehensive loss	–	–	(3,019)	(3,019)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	566	566
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(13)	–	(780)	(793)
Transfer to Capital Redemption Reserve	–	13	(13)	–
Dividends	–	–	(795)	(795)
TOTAL TRANSACTIONS WITH OWNERS	(13)	13	(1,588)	(1,588)
At 31st July 2020	853	155	98,252	99,260

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31st JULY 2020

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 2018	880	128	8,987	9,995
Loss for the year	–	–	(1,404)	(1,404)
Other comprehensive loss	–	–	(928)	(928)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	–	–	(2,332)	(2,332)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(14)	–	(792)	(806)
Transfer to Capital Redemption Reserve	–	14	(14)	–
Dividends	–	–	(813)	(813)
TOTAL TRANSACTIONS WITH OWNERS	(14)	14	(1,619)	(1,619)
At 31st July 2019	866	142	5,036	6,044
Profit for the year	–	–	1,920	1,920
Other comprehensive loss	–	–	(3,019)	(3,019)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	–	–	(1,099)	(1,099)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(13)	–	(780)	(793)
Transfer to Capital Redemption Reserve	–	13	(13)	–
Dividends	–	–	(795)	(795)
TOTAL TRANSACTIONS WITH OWNERS	(13)	13	(1,588)	(1,588)
At 31st July 2020	853	155	2,349	3,357

J. Smart & Co. (Contractors) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st JULY 2020

	Notes	2020 £000	*2019 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,268	*1,304*
Investment properties	15	78,632	*73,874*
Investments in Joint Ventures	16	901	*914*
Available for sale financial assets	17	886	*1,309*
Trade and other receivables	20	250	*250*
Retirement benefit surplus	30	–	*2,899*
Deferred tax assets	24	313	*101*
		82,250	*80,651*
CURRENT ASSETS			
Inventories	18	6,181	*8,643*
Contract assets	19	423	*549*
Corporation tax asset		139	*–*
Trade and other receivables	20	2,823	*2,835*
Monies held on deposit	21	48	*48*
Cash and cash equivalents	21	23,118	*25,699*
		32,732	*37,774*
TOTAL ASSETS		114,982	*118,425*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	1,265	*1,735*
Lease liabilities	25	205	*–*
Retirement benefit deficit	30	1,076	*–*
		2,546	*1,735*
CURRENT LIABILITIES			
Trade and other payables	22	3,072	*3,394*
Lease liabilities	25	–	*–*
Corporation tax liability		–	*154*
Bank overdraft		10,104	*12,860*
		13,176	*16,408*
TOTAL LIABILITIES		15,722	*18,143*
NET ASSETS		99,260	*100,282*
EQUITY			
Called up share capital	26	853	*866*
Capital redemption reserve		155	*142*
Retained earnings		98,252	*99,274*
TOTAL EQUITY		99,260	*100,282*

The financial statements on pages 37 to 79 were approved by the Board of Directors and authorised for issue on 22nd December 2020 and were signed on its behalf by:

DAVID W SMART
Director

JOHN R SMART
Director

Company Number SC025130

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31st JULY 2020

	Notes	2020 £000	*2019 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	529	*587*
Investments in Subsidiaries and Joint Ventures	16	1,565	*1,565*
Trade and other receivables	20	250	*250*
Retirement benefit surplus	30	–	*2,899*
Deferred tax asset	24	204	*–*
		2,548	*5,301*
CURRENT ASSETS			
Inventories	18	6,090	*8,569*
Contract assets	19	277	*408*
Trade and other receivables	20	4,175	*2,103*
Corporation tax asset		869	*607*
Cash and cash equivalents	21	–	*–*
		11,411	*11,687*
TOTAL ASSETS		13,959	*16,988*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	26	*518*
Retirement benefit deficit	30	1,076	*–*
		1,102	*518*
CURRENT LIABILITIES			
Trade and other payables	22	2,150	*1,765*
Bank overdraft		7,350	*8,661*
		9,500	*10,426*
TOTAL LIABILITIES		10,602	*10,944*
NET ASSETS		3,357	*6,044*
EQUITY			
Called up share capital	26	853	*866*
Capital redemption reserve		155	*142*
Retained earnings		2,349	*5,036*
TOTAL EQUITY		3,357	*6,044*

The financial statements on pages 37 to 79 were approved by the Board of Directors and authorised for issue on 22nd December 2020 and were signed on its behalf by:

DAVID W SMART
Director

JOHN R SMART
Director

Company Number SC025130

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st JULY 2020

	Notes	2020 £000	*2019 £000*
CASH FLOWS FROM OPERATING ACTIVITIES	27 (a)	5,387	*3,762*
Tax paid		(531)	*(448)*
NET CASH FLOWS FROM OPERATING ACTIVITIES		4,856	*3,314*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(355)	*(424)*
Additions to investment properties		(483)	*(143)*
Expenditure on own work capitalised - investment properties		(2,410)	*(147)*
Sale of property, plant and equipment		29	*193*
Purchase of available for sale financial assets		–	*(380)*
Proceeds of sale of available for sale financial assets		60	*187*
Interest received		78	*71*
Interest costs		(12)	*–*
Dividend received from Joint Ventures		–	*59*
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3,093)	*(584)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(793)	*(806)*
Dividends paid		(795)	*(813)*
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,588)	*(1,619)*
INCREASE IN CASH AND CASH EQUIVALENTS		175	*1,111*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27 (b)	12,839	*11,728*
CASH AND CASH EQUIVALENTS AT END OF YEAR	27 (b)	13,014	*12,839*

J. Smart & Co. (Contractors) PLC

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31st JULY 2020

	Notes	2020 £000	*2019 £000*
CASH FLOWS FROM OPERATING ACTIVITIES	28 (a)	(2,251)	*(432)*
Tax received		227	*142*
NET CASH FLOWS FROM OPERATING ACTIVITIES		(2,024)	*(290)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(86)	*(148)*
Sale of property, plant and equipment		9	*48*
Interest received		–	*1*
Dividend received from subsidiaries and Joint Ventures		5,000	*59*
NET CASH FLOWS FROM INVESTING ACTIVITIES		4,923	*(40)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(793)	*(806)*
Dividends paid		(795)	*(813)*
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,588)	*(1,619)*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,311	*(1,949)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28 (b)	(8,661)	*(6,712)*
CASH AND CASH EQUIVALENTS AT END OF YEAR	28 (b)	(7,350)	*(8,661)*

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 TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31st JULY 2020

The following new standards and amendments to standards and interpretations relevant to the Group have been issued by the International Accounting Standards Board and are mandatory for the first time for the financial year to 31st July 2020:

- IFRS 16: Leases.
- IAS 12 (amended): Income Taxes.
- IAS 19 (amended): Employee Benefits.
- IFRIC 23: Uncertainty over Income Tax Treatments.

Other than IFRS 16: Leases none of the above amendments to standards or the new interpretation had a significant impact on the Group's financial statements. Details of the impact of IFRS 16 are given below.

IFRS 16: Leases became effective as from 1st August 2019 for the Group. IFRS 16: Leases replaced IAS 17: Leases and requires the Group to incorporate a right-of-use asset and corresponding lease liability in the Statement of Financial Position for those assets held under leases for which the new standard applies. This standard will impact on ground leases on which the Group has built investment properties and which the rent payable to the lessor under the leases is not contingent on the rents received by the Group from its tenants. The standard requires the current operating lease charges, which were disclosed in Operating Profit to be replaced by a depreciation charge on the right-of-use asset. As our leases relate to land there will be no depreciation charge but there will be an impact relating to the revaluation movement on the land. There will also be interest costs in relation to the lease liability which will be recognised in Finance Costs. The standard does not have an impact on the Group where the Group is the Lessor in respect of leases granted to tenants in our investment properties.

IFRS 16 outlines several options for the initial recognition on adoption of the standard. The Group chose to apply the modified retrospective approach which allowed the Group to incorporate the right-of-use asset and the lease liability as at the transition date of 1st August 2019 without the requirement to restate prior periods. The lease liability is calculated as the discounted present value of the outstanding rental payments and the right-of-use asset is set as being equal to the liability therefore there is no impact on the net assets of the Group on adoption of this standard. On the transition date the lease liability and right-of-use asset recognised amounted to £205,000.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new standards, amendments to standards and interpretations relevant to the Group have been issued by the International Accounting Standards Board but are not yet effective for the Group at the date of these financial statements, and have not been adopted early:

- IAS 1 (amended): Presentation of financial statements (effective in the year ending 31st July 2023).
- IAS 37 (amended): Provisions, Contingent Liabilities and Contingent Assets (effective in the year ending 31st July 2022).

The Directors do not consider that the application of these amendments to standards will have a material impact on the financial statements.

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, available for sale financial assets and assets held by the defined benefit pension scheme.

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.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors have reviewed their forecasts and cashflows taking into account current available information. They have considered future trading expectations and opportunities under various scenarios and in light of the ongoing coronavirus pandemic. Based on the review the Group is expected to remain net debt free. Taking the above information into account the Directors are of the opinion that the Company and Group have adequate financial resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements and therefore considers the adoption of the going concern basis as appropriate for the preparation of these Accounts.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

INVESTMENT PROPERTIES

Investment properties are revalued annually by the Directors in accordance with the RICS Valuation Standards. The valuations are subjective due to, among other factors, the individual nature of the property, its location and the expected future rental income. As a result, the valuation of the Group's investment property portfolio incorporated into the financial statements is subject to a degree of uncertainty and is made on the basis of assumptions which may prove to be inaccurate, particularly in periods of volatility or low transaction flow in the property market.

The assumptions used by the Directors are market standard assumptions in accordance with the RICS Valuation Standards and include matters such as tenure and tenancy details, ground conditions of the properties and their structural conditions, prevailing market yields and comparable market conditions. If any of the assumptions used by the Directors prove to be incorrect this could result in the valuation of the Group's investment property portfolio differing from the valuation incorporated into the financial statements and the difference could have a material effect on the financial statements.

The current global pandemic of coronavirus has impacted the investment property market as there is a shortage of comparable market evidence and as such the valuation of the property portfolio at the year end is subject to material valuation uncertainty in accordance with RICS valuation standards. As a result, there is less certainty in the valuation of the investment properties and a higher degree of caution should be attached to the valuation.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

LONG TERM CONTRACT PROVISIONS

Judgement is required in the area of provisions for losses on long term contracts. The Directors take into account the estimated costs to complete and the percentage stage of completion of current contracts when determining the provision for losses. 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. If different assumptions were used then this could materially affect the results disclosed in the financial statements. These are set out in note 30 to the Accounts.

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.

BUSINESS COMBINATIONS AND GOODWILL

Subsidiaries acquired in the year are accounted for using the acquisition method of accounting. Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The consideration transferred for the acquisition is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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.

CAPITAL MANAGEMENT

Group objectives in managing capital are to safeguard the interests of the Group 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, working capital 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 14 and 15 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

INVESTMENT PROPERTIES

Investment properties are properties which are either owned or leased by the Group which are held for long term rental income or for capital appreciation or both.

Investment properties, whether completed or under development, are initially recognised at cost and revalued at the Balance Sheet date to fair value as determined by the Directors in accordance with the RICS Valuation Standards. Fair value is based on the market value of properties at the Balance Sheet date. Surpluses or deficits 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 properties under construction, includes certain internal staff and associated costs directly attributable to the management of the development of these properties. Acquisition of properties are treated as acquired when the Group assumes control of the properties. Properties are treated as disposed when control of the property is transferred to the buyer. Profits or losses on disposal are determined as the difference between the sales proceeds and the carrying value amount of the asset at the beginning of the accounting period plus any capital expenditure in the period to the date of disposal. Profits or losses are presented separately in the Income Statement.

Some of the Group's investment properties are built on leasehold land on which the Group pays ground rent. Under IFRS 16: Leases where the rent on the land is not contingent on the rents the Group receives from tenants on the investment properties built on the land then a right-of-use asset is required to be incorporated into the accounts for the land and an associated lease liability also requires to be incorporated into the accounts. The lease liability is calculated as the discounted present value of the outstanding rental payments and the right-of-use asset is set as being equal to the liability. As the right-of-use asset relate to investment properties after initial recogition these will be included at fair value.

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.

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

IMPAIRMENT REVIEWS

PROPERTY, PLANT AND EQUIPMENT

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

IMPAIRMENT REVIEWS (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

The Group assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If an indication exists the Group makes an estimate of the recoverable amount of each asset group, being the higher of its fair value less costs to sell and its value in use as is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets.

If there is an indication that previously recognised impairment losses may have decreased or no longer exist, a reversal of the loss may be made. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the Income Statement.

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value. Where necessary, provision is made to reduce cost to no more than net realisable value after having regard to the nature, condition, and sales value of inventory.

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

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 due from customers for construction contracts which have not yet been invoiced are disclosed as Contract Assets and 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.

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. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities for Investment Properties that are measured at fair value.

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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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 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. For ground leases where payments to the lessors are not contingent on rents received by the Group from tenants then a right-of-use asset has to be recognised and a corresponding lease liability has also to be recognised. On initial recognition the liability is calculated as the discounted present value of the outstanding rental payments. The lease payments are allocated between the liability and finance charges which are recognised in Finance Costs in the Income Statement.

For ground leases where payments to the lessors are contingent on rents received by the Group from tenants then these leases are classified as operating leases and the Group recognises the lease payments as ground rent payable and 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 (continued)

REVENUE

IFRS 15: Revenue from Contracts with Customers establishes a five step model to determine the amount and timing of revenue recognition.

Revenue is recognised by the Group from long and short term construction contracts, sale of private residential housing and from sale of manufactured concrete products.

Revenue from long term construction contracts is based on the stage of completion of the contract at the balance sheet date. The stage of completion is based on valuations agreed with third party surveyors. Invoices are raised to customers based on these agreed valuations. The Group uses the output method to recognise revenue where it is recognised over time. Prior to raising invoices, the Group will recognise a contract asset for work performed, only when the invoice is raised will the contract asset be reclassified to trade receivables. When it is probable that the total costs of construction will exceed the total contract revenue, the expected loss is recognised immediately in the Income Statement. When it is probable that total revenue will exceed the total costs of construction the anticipated profit will only be accounted for when the profit is reasonably certain. This policy requires judgement to be made on the anticipated costs to complete and the Group has in place procedures to ensure that the evaluation of the total costs of the contract and its revenues is based on reliable estimates.

Construction contracts consist of the structure being built and all associated external and internal services. Contracts for construction are typically accounted for as one performance obligation. Modification to contracts are assessed on a case by case basis but are generally modifications of the existing performance obligation and are therefore accounted for under the existing obligation.

The value of construction work undertaken by the Group for its investment properties is excluded from revenue.

Revenue from sale of private residential housing is recognised at the point in time when there is legal completion of the sale and the transfer of title. Revenue is recognised at the fair value of the consideration received.

Revenue for the sale of manufactured concrete products is recognised at the point in time when the goods are transferred to the customer.

The Group has no obligations for returns or warranties.

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

Revenue for service charges and insurance receivable for the year in relation to the Group's investment properties are based on annual invoices to tenants and are also disclosed under Other operating income in the Income Statement.

All revenue is stated net of Value Added Tax.

All invoices raised are due for payment no later than 30 days from date of invoice, therefore the Group does not adjust transaction prices for the time value of money.

GOVERNMENT GRANTS AND ASSISTANCE

Government assistance provided under the UK Government's Job Retention Scheme for payroll costs for employees placed on furlough due to the coronavirus pandemic has been accounted for directly to the Income Statement on a received basis. The amount received has been disclosed within payroll costs.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in 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

Available for sale financial assets represent investments in quoted shares which are recognised at fair value at the year end. The movement in fair value is accounted for in the Consolidated Income Statement.

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. For the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

MONIES HELD ON DEPOSIT

Monies held on deposit with original maturity dates exceeding three months are disclosed separately in the Statement of Financial Position. As these monies originated from investing activities any movements in the year on these monies are disclosed under Investing Activities in the Statement of Cash Flows.

TRADE AND OTHER PAYABLES

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

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which a change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – Investment Properties;
- Note 17 – Available for Sale Financial Assets;
- Note 23 – Financial Instruments;
- Note 30 – Retirement Benefit Obligations.

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 identified 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 results.

	External Revenue	Internal Revenue	Total Revenue	Operating Profit / (Loss)	
				2020	*2019*
	£000	£000	£000	£000	*£000*
2020					
Construction activities - continuing operations	16,813	2,410	19,223	(3,472)	–
Construction activities - discontinued operations	1	–	1	(57)	–
Investment activities - continuing operations	7,198	–	7,198	7,820	–
Investment activities - discontinued operations	9	–	9	–	–
	24,021	2,410	26,431	4,291	–
2019					
Construction activities - continuing operations	16,035	147	16,182	–	*(2,084)*
Construction activities - discontinued operations	645	–	645	–	*(627)*
Investment activities - continuing operations	7,560	–	7,560	–	*9,051*
Investment activities - discontinued operations	6	–	6	–	–
	24,246	147	24,393	–	*6,340*

	2020	*2019*
OPERATING PROFIT	4,291	*6,340*
Share of results of Joint Ventures	(13)	*48*
Finance and investment income	196	*264*
Finance and investment costs	(391)	*(9)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4,083	*6,643*

Internal revenue relates to own work capitalised, all other internal transactions are eliminated on consolidation. The Group had sales from construction activities from one customer amounting to £2,498,000 (2019, sales from construction activities from two customers amounting to £4,010,000).

2. SEGMENTAL INFORMATION (continued)

OTHER SEGMENTAL INFORMATION

	Non-Current Asset Additions £000	Depreciation £000	Segment Assets £000	Segment Liabilities £000
2020				
Construction activities - continuing operations	322	330	12,516	10,636
Construction activities - discontinued operations	–	–	27	591
Investment activities	2,926	50	102,465	5,422
Joint Ventures	–	–	901	–
			115,909	16,649
Allocation of corporation tax debtor			(927)	(927)
			114,982	15,722
2019				
Construction activities - continuing operations	260	320	18,227	11,577
Construction activities - discontinued operations	–	8	161	500
Investment activities	454	48	99,995	6,938
Joint Ventures	–	–	914	–
			119,297	19,015
Allocation of corporation tax debtor			(872)	(872)
			118,425	18,143

3. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods over time in relation to construction contracts and also at point in time in relation to housing sales and sale of concrete products. This is consistent with the revenue information that is disclosed for Construction Activities segment under IFRS 8: Operating Segments.

Construction contracts are generally for social housing or industrial and commercial properties. The Group provides a complete service including architectural and surveyor services from the pre-contract design through to completion.

Disaggregation of Revenue

	2020 £000	*2019 £000*
Continuing operations:		
Social housing	3,229	*4,610*
Civil engineering	3,833	*4,388*
Industrial	148	*1,193*
General construction	2	*144*
Private house sales	9,601	*5,700*
	16,813	*16,035*
Discontinued operations:		
Concrete products	1	*645*
	16,814	*16,680*

The transaction price allocated to unsatisfied performance obligations at 31st July 2020 are as set out below.

Social housing	1,337	*4,290*
Civil engineering	334	*980*
Industrial	280	*143*
Private house sales	1,886	*11,251*

The Directors expect that 93% (2019, 84%) of the transaction price allocated to the unsatisfied contracts as at 31st July 2020 will be recognised as revenue in the year to 31st July 2021.

4. OTHER OPERATING INCOME

	2020 £000	*2019 £000*
Rental income	6,365	*6,673*
Service charges and insurance receivable	833	*757*
Sundry income	–	*130*
	7,198	*7,560*
Direct property costs	(2,383)	*(2,362)*
Net rental income	4,815	*5,198*

Direct property costs included £652,000 (2019, £466,000) in respect of investment properties that did not generate rental income in the year.

5. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:

	2020 £000	*2019 £000*
Wages, salaries and short term benefits.	7,188	*7,589*
Government assistance – HMRC Job Retention Scheme	(853)	*–*
Social security costs	779	*817*
Post-employment benefits	1,048	*1,194*
	8,162	*9,600*
Continuing operations	8,162	*9,169*
Discontinued operations	–	*431*
	8,162	*9,600*

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

	No.	*No.*
Construction and related services.	171	*182*
Office and management	21	*25*
	192	*207*
Continuing operations	192	*192*
Discontinued operations	–	*15*
	192	*207*

Directors' remuneration:

	£000	*£000*
– Salaries and short term benefits	504	*492*
– Post-employment benefits	109	*99*
	613	*591*
Continuing operations	613	*591*
Discontinued operations	–	*–*
	613	*591*

David W Smart and Alasdair H Ross are members of the Group's defined benefit pension scheme.

John R Smart and Patricia Sweeney are members of the Group's defined contribution Group Personal Pension Plan.

Key management is comprised solely of the Directors of the Company. Full details of Directors' remuneration is given in the Directors' Remuneration Report on pages 24 to 29.

6. OPERATING PROFIT

	2020 £000	*2019 £000*
This is stated after charging/(crediting):		
Cost of inventories recognised as an expense	10,883	*5,138*
Staff costs (per note 5)	8,162	*9,169*
Hire of plant and machinery	473	*489*
Ground rents	100	*110*
Depreciation of owned assets	372	*368*
Profit on disposal of property, plant and equipment	(18)	*(17)*
Auditor remuneration and expenses – audit services	95	*94*

The audit fees for the Parent Company are £42,000 (2019, £42,000).

7. INCOME FROM INVESTMENTS

Dividend income from available for sale financial assets	50	*53*

8. FINANCE INCOME AND COSTS

Income:	Interest on short term deposits	78	*70*
	Other interest	–	*1*
	Net interest income on retirement benefit obligations	52	*114*
		130	*185*
Costs:	Interest on leases	12	*–*

9. TAXATION

UK Corporation Tax		
Current tax on income for the year	239	*632*
Corporation tax under/(over) provided in previous years	9	*(11)*
	248	*621*
Deferred taxation (note 24)	260	*(92)*
	508	*529*
Current Tax Reconciliation		
Profit on ordinary activities before tax	4,140	*7,270*
Share of losses/(profits) of Joint Ventures	13	*(48)*
	4,153	*7,222*
Current tax at 19.00% (2019, 19.00%)	789	*1,372*
Effects of:		
Expenses not deductible for tax purposes	19	*3*
Non taxable income including revaluation surplus	(689)	*(798)*
Effect of change in tax rate	195	*3*
Adjustments to corporation tax charge in respect of prior years	9	*(11)*
Adjustments to deferred tax charge in respect of prior years	194	*(16)*
Deferred tax not recognised	(9)	*(24)*
	508	*529*

9. TAXATION (continued)

The Finance Act 2020, which received Royal Ascent on 22nd July 2020, states that the corporation tax rate for the financial year commencing 1st April 2020 is 19%.

The effective corporation tax rate is 19.00% (2019, 19.00%) being the average rate applicable over the period. Deferred tax provisions have been calculated using the 19% rate.

In addition to amounts charged to the Income Statement, a deferred tax credit of £942,000 (2019, credit £190,000) relating to actuarial losses on the defined benefit pension scheme has been recognised directly to Equity.

The value of the deferred tax asset in respect of capital losses not recognised in the financial statements amounted to £426,000 (2019, £16,000).

There are no income tax consequences attached to dividends paid or proposed by the Company to its shareholders.

10. DISCONTINUED OPERATIONS

In the year to 31st July 2019 Concrete Products (Kirkcaldy) Limited ceased trading.

The results of the discontinued operation, which have been included in the profit for the year, were as follows:

	2020 £000	*2019 £000*
Revenue	1	*645*
Cost of sales	(18)	*(817)*
Gross Loss	(17)	*(172)*
Other operating income	9	*6*
Net operating expenses	(49)	*(461)*
Loss Before Tax	(57)	*(627)*
Taxation		
Corporation tax	10	*137*
Deferred tax	–	*(15)*
	10	*122*
Net loss attributable to discontinued operations (attributable to owners of the Company)	(47)	*(505)*
The operating loss is stated after charging/(crediting):		
Cost of inventories recognised as an expense	14	*664*
Staff costs (per note 5)	–	*431*
Hire of plant and machinery	–	*4*
Depreciation of owned assets	8	*8*
Profit on disposal of property, plant and equipment	–	*(124)*
Auditor remuneration and expenses	4	*8*

During the year, Concrete Products (Kirkcaldy) Limited had cash outflows of £417,000 (2019, £76,000) in relation to Operating activities and contributed £nil (2019, contributed £138,000) in respect of Investing activities.

11. PROFIT FOR THE FINANCIAL YEAR

	2020 £000	*2019* *£000*
CONTINUED AND DISCONTINUED OPERATIONS		
Dealt with in the accounts of the Parent Company	1,920	*(1,404)*
Retained by Subsidiary and Joint Venture Companies	1,665	*7,640*
	3,585	*6,236*

The Group uses underlying profit before tax as an alternative performance measure, which is the profit before tax excluding net surplus or deficit on valuation of investment properties and available for sale financial assets accounted for through the Income Statement. As the net surplus or deficit on valuation of investment properties and available for sale financial assets can fluctuate from year to year and is not a realised surplus or deficit by excluding this amount a truer reflection of actual Group performance is obtained. Analysis of this alternative performance measure is as follows:

Profit before tax	4,083	*6,643*
Surplus on valuation of investment properties	(3,179)	*(4,052)*
Deficit on valuation of available for sale financial assets	379	*9*
	1,283	*2,600*

12. DIVIDENDS

2018 Final Dividend of 2.21p per share, after waivers	–	*402*
2019 Interim Dividend of 0.95p per share	–	*411*
2019 Final Dividend of 2.24p per share, after waivers	390	*–*
2020 Interim Dividend of 0.95p per share	405	*–*
	795	*813*

The Board is proposing a Final Dividend of 2.27p per share (2019, 2.24p) which will cost the Company no more than £963,000.

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.

13. EARNINGS/(LOSS) PER SHARE

	2020	*2019*
CONTINUING OPERATIONS		
Profit attributable to Equity shareholders £000	3,632	*6,741*
Basic Earnings per share	8.46p	*15.47p*
DISCONTINUED OPERATIONS		
Loss attributable to Equity shareholders £000	(47)	*(505)*
Basic Loss per share	(0.11)p	*(1.16)p*
CONTINUING AND DISCONTINUED OPERATIONS		
Profit attributable to Equity shareholders £000	3,585	*6,236*
Basic Earnings per share	8.35p	*14.31p*

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares in issue during the year.

The weighted average number of shares for the year to 31st July 2020 amounted to 42,948,000 (2019, 43,580,000).

There is no difference between basic and diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2019	896	4,806	5,702
Additions	–	355	355
Disposals	–	(304)	(304)
At 31st July 2020	896	4,857	5,753
Depreciation:			
At 1st August 2019	635	3,763	4,398
Provided during year	16	364	380
Disposals	–	(293)	(293)
At 31st July 2020	651	3,834	4,485
Net book value:			
At 31st July 2020	245	1,023	1,268
Cost:			
At 1st August 2018	896	5,954	6,850
Additions	–	424	424
Disposals	–	(1,572)	(1,572)
At 31st July 2019	896	4,806	5,702
Depreciation:			
At 1st August 2018	619	4,923	5,542
Provided during year	16	360	376
Disposals	–	(1,520)	(1,520)
At 31st July 2019	635	3,763	4,398
Net book value:			
At 31st July 2019	261	1,043	1,304

Included within Freehold Land and Buildings is land costing £13,000 (2019, £13,000) which is not depreciated.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) COMPANY

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2019	361	2,617	2,978
Additions	–	86	86
Disposals	–	(163)	(163)
At 31st July 2020	361	2,540	2,901
Depreciation:			
At 1st August 2019	130	2,261	2,391
Provided during year	5	132	137
Disposals	–	(156)	(156)
At 31st July 2020	135	2,237	2,372
Net book value:			
At 31st July 2020	226	303	529
Cost:			
At 1st August 2018	361	2,694	3,055
Additions	–	148	148
Disposals	–	(225)	(225)
At 31st July 2019	361	2,617	2,978
Depreciation:			
At 1st August 2018	125	2,292	2,417
Provided during year	5	156	161
Disposals	–	(187)	(187)
At 31st July 2019	130	2,261	2,391
Net book value:			
At 31st July 2019	231	356	587

15. INVESTMENT PROPERTIES

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Right-of-use Asset £000	Total £000
Cost or valuation:				
At 1st August 2019	62,043	11,831	–	73,874
Adoption of IFRS 16	–	–	205	205
	62,043	11,831	205	74,079
Additions	865	2,028	–	2,893
Disposals	(1,519)	–	–	(1,519)
Surplus/(deficit) on valuation	3,948	(769)	–	3,179
At 31st July 2020	65,337	13,090	205	78,632

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Right-of-use Asset £000	Total £000
Cost or valuation:				
At 1st August 2018	58,423	11,109	–	69,532
Additions	55	235	–	290
Surplus on valuation	3,565	487	–	4,052
At 31st July 2019	62,043	11,831	–	73,874

Valuation Process

The Group's investment properties are valued by David W Smart, MRICS, who is a Director of the Parent Company, on the basis of fair value, in accordance with the RICS Valuation – Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). As in previous years, external valuers have reviewed a sample of the Group's investment properties and provided a report to the Group detailing the valuations they would have placed on the sample of investment properties reviewed. The valuations prepared by the Director and the external valuers are compared to ensure that there are no material variations between the valuations.

Investment properties, excluding ongoing developments, are valued using the investment method of valuation. This approach involves applying capitalisation yields to current and estimated future rental streams and then allowing for voids arising from vacancies and rent free periods and associated running costs. The capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgment and market observations. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

The coronavirus pandemic has resulted in the year end investment property valuations being subject to material valuation uncertainty as disclosed on page 46, Critical Accounting Estimates and Judgements.

In the case of ongoing developments, the approach applied is the residual method of valuation, which is the same as the investment method, as described above, with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk.

In accordance with IAS 40: Investment Property, net annual surpluses or deficits are taken to the Income Statement and no depreciation is provided in respect of these properties.

15. INVESTMENT PROPERTIES (continued)

The Group considers all of its investment properties fall within 'Level 3' of the fair value hierarchy as described by IFRS 13: Fair Value Measurement. Level 3 valuations are those using inputs for the asset or liability that are not based on observable market data. The main unobservable inputs relate to estimated rental value and equivalent yield. There have been no transfers of properties in the fair value hierarchy in the financial year.

The table below summarises the key unobservable inputs used in the valuation of the Group's Freehold and Leasehold investment properties as at 31st July 2020:

	Fair Value at 31 July 2020 £000	Estimated Rental Value £ per sq ft Low	Average	High	Equivalent Yield % Low	Average	High
Investment							
Commercial	20,569	11.00	15.25	19.50	6.41	8.42	9.97
Industrial	57,858	4.00	7.00	10.00	7.02	7.76	9.46

The following table illustrates the impact of changes in the key unobservable inputs (in isolation) on the fair value of the Group's Freehold and Leasehold investment properties as at 31st July 2020:

	Fair Value at 31 July 2020 £000	5% change in estimated rental value Increase £000	Decrease £000	25bps change in equivalent yield Decrease £000	Increase £000
Investment					
Commercial	20,569	194	(194)	91	(86)
Industrial	57,858	983	(983)	630	(592)

The Group had obligations of £1,583,000 (2019, £1,271,000) in respect of future developments and repair costs of investment properties at the Balance Sheet date.

16. INVESTMENTS

	Group 2020 £000	*2019 £000*	*Company* 2020 £000	*2019 £000*
Shares in Subsidiaries at Cost	–	*–*	708	*708*
Joint Ventures	901	*914*	857	*857*
	901	*914*	1,565	*1,565*

16. INVESTMENTS (continued)

(a) JOINT VENTURES

The Directors considered Gartcosh Estates LLP to be a material joint venture. The following table summarises the financial information as included in its own financial statements adjusted for differences in accounting policies.

	2020 £000	2019 £000
Non-Current assets	1,822	1,822
Current assets	149	147
Of which are cash and cash equivalents	*87*	*114*
Non-Current liabilities	(250)	(250)
Of which are financial liabilities excluding trade and other payables and provisions	*(250)*	*(250)*
Current liabilities	(6)	(4)
Of which are financial liabilities excluding trade and other payables and provisions	*–*	*–*
Net assets	1,715	1,715
Group's interest in net assets	827	843
Revenue	–	–
Other Operating Income	–	–
Total comprehensive loss	(30)	(30)
Group's share of total comprehensive loss	(15)	(15)

The Group accounts for all Joint Ventures using the equity method of accounting.

16. INVESTMENTS (continued)

(a) JOINT VENTURES (continued)

The Group's interests in its other Joint Venture companies are not considered to be material and the aggregate financial information for these associated companies is as follows:

	2020 £000	*2019 £000*
Aggregate carrying amount of individually immaterial joint ventures	74	*71*
Aggregate carrying amount of the Group's share of:		
Profit after tax and total comprehensive income	2	*63*
Dividend received	–	*(59)*
Total comprehensive income	2	*4*

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

Name of Joint Venture	*Jointly managed with*	*Issued Share capital*	*Issued shares held by J. Smart & Co. (Contractors) PLC*
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	DKG Estates LLP	100 ordinary £1 shares split equally into A & B shares and ranking equally in all respects	50 A Shares
Gartcosh Estates LLP	Fusion Assets Limited	Partnership Interest	

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

Invertiel Developments Limited was dissolved on 22nd September 2020.

16. INVESTMENTS (continued)

(b) SUBSIDIARIES

	2020	*2019*
	£000	*£000*
At 1st August 2019 and 31st July 2020	708	*708*

At 31st July 2020 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 and Company (Contractors) Limited	Plumbing contractors
Cramond Real Estate Company Limited	Investment holding
Thomas Menzies (Builders) Limited	Civil Engineering contractors
Concrete Products (Kirkcaldy) Limited	Non trading
C. & W. Assets Limited	Investment Property company
Smart Serviced Offices Limited	Serviced office and co-working space provider

17. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group	
	2020	*2019*
	£000	*£000*
Listed investments	886	*1,309*

Fair value movement on shares held at 31st July 2020 before tax amounted to £(379,000) (2019, £(9,000)).

There has been no impairment adjustment on available for sale financial assets in this or the previous year.

As the Group's available for sale financial assets consisted entirely of equities of companies listed on quoted markets then these fall within 'Level 1' of the fair value hierarchy as described by IFRS 13: Fair Value Measurement. Level 1 valuations are those using inputs which are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access at the year end date.

18. INVENTORIES

	Group		*Company*	
	2020	*2019*	2020	*2019*
	£000	*£000*	£000	*£000*
Work in progress	1,863	*8,193*	1,863	*8,193*
Land held for development	4,195	*354*	4,195	*354*
Raw materials and consumables	123	*96*	32	*22*
	6,181	*8,643*	6,090	*8,569*
CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:				
Aggregate amount of costs incurred and recognised profits less recognised losses to date	7,433	*6,699*	4,804	*4,347*
Retentions outstanding	217	*200*	146	*140*
Advances received	(7,150)	*(6,596)*	(4,560)	*(4,289)*
Net value of contracts in progress	500	*303*	390	*198*

19. CONTRACT BALANCES

The timing of revenue recognition results in amounts due from customers for construction contracts, those which have not yet been invoiced are disclosed as Contract Assets and once invoiced they are disclosed as Trade Receivable (note 20). The Group does not receive deposits or payments in advance for contracts and therefore has no Contract Liabilities to disclose. The Group did not incur costs to obtain contracts.

	Group		*Company*	
	2020 £000	*2019 £000*	2020 £000	*2019 £000*
Contract Assets	423	*549*	277	*408*
As at 1st August 2019	549	*770*	408	*659*
Transfers from contract assets recognised at the beginning of the year to trade receivables	(549)	*(770)*	(408)	*(659)*
Increase related to services provided in the year	423	*549*	277	*408*
As at 31st July 2020	423	*549*	277	*408*

20. TRADE AND OTHER RECEIVABLES

	Group 2020 £000	*Group 2019 £000*	Company 2020 £000	*Company 2019 £000*
NON-CURRENT ASSETS:				
Loan to Joint Venture companies	250	*250*	250	*250*
CURRENT ASSETS:				
Trade receivables	894	*1,474*	118	*305*
Amounts owed by Subsidiaries	–	*–*	3,174	*1,481*
Other receivables	1,555	*997*	563	*9*
Prepayments and accrued income	198	*188*	144	*132*
Loans to Joint Venture companies	176	*176*	176	*176*
	2,823	*2,835*	4,175	*2,103*

Trade receivables are shown net of provision for doubtful debts of £59,000 (2019, £3,000).

The ageing of past due but not impaired trade debtors is as follows:

	Group 2020 £000	*Group 2019 £000*	Company 2020 £000	*Company 2019 £000*
Less than 30 days	640	*1,196*	118	*305*
30 to 60 days	230	*266*	–	*–*
Greater than 60 days	24	*12*	–	*–*
	894	*1,474*	118	*305*

Trade receivables and amounts recoverable on contracts includes £135,000 (2019, £182,000) in respect of outstanding retentions.

The loans to Joint Venture companies (note 16(a)) are repayable on demand, with the exception of the loan to Gartcosh Estates LLP. Given the expected future repayment profile this loan has been disclosed as due after one year.

Amounts owed by subsidiaries are repayable on demand and are interest free.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

21. BANK

Cash and cash equivalents comprise the following:

	Group		Company	
	2020	*2019*	2020	*2019*
	£000	*£000*	£000	*£000*
Cash at bank and on hand	10,121	*12,903*	–	*–*
Short term deposits	12,997	*12,796*	–	*–*
	23,118	*25,699*	–	*–*

Monies held on deposit of £48,000 (2019, £48,000) are held in bank accounts which have original maturity dates exceeding three months and therefore do not meet the criteria of cash and cash equivalents as defined in IAS 7: Statement of Cash Flows.

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.

22. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES:

Trade payables	798	*1,197*	488	*724*
Amounts owed to Subsidiaries	–	*–*	82	*–*
Other taxes and social security costs	244	*509*	168	*250*
Other creditors and accruals	2,030	*1,688*	1,412	*791*
	3,072	*3,394*	2,150	*1,765*

Included in Other creditors and accruals are contract loss provisions.

23. 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 number of counterparties and customers.

There is no significant impairment loss recognised or significant receivables that are past due but not impaired.

The Group has assessed that there is no significant credit risk in relation to loans to Joint Venture companies given the underlying value of the assets within these entities.

IFRS 7: Financial Instrument Disclosures requires a company to undertake a sensitivity analysis on its financial instruments which are affected by changes in interest rates. The Group financial instruments affected by interest rate fluctuations are bank deposits and bank overdrafts. Based on the Group's net position at the year end, a 1% increase or decrease in the interest rates would change the Group's profit before tax by approximately £87,000 and £78,000 respectively (2019, £146,000 and £70,000 respectively).

24. DEFERRED TAXATION

DEFERRED TAX ASSETS

	Group Retirement Benefit Obligations £000	Group Other £000	Group Total £000	Company Retirement Benefit Obligations £000
At 1st August 2018	–	94	94	–
Credited to Income Statement – continuing operations	–	24	24	–
Charged to Income Statement – discontinued operations	–	(17)	(17)	–
At 31st July 2019	–	101	101	–
(Charged)/Credited to Income Statement – continuing operations	(2,347)	8	(2,339)	(2,347)
Credited to Equity	2,551	–	2,551	2,551
At 31st July 2020	204	109	313	204

Deferred tax assets arising in respect of valuation surpluses on Investment Properties of £426,000 (2019, £16,000) have not been recognised because it is not probable that relevant future taxable profits will be available against which the Group can use the benefits therefrom.

DEFERRED TAX LIABILITIES
GROUP

	Accelerated Capital Allowances £000	Retirement Benefit Obligations £000	Fair Value £000	Other Timing Differences £000	Total £000
At 1st August 2018	1,242	715	13	25	1,995
Credited to Equity	–	(190)	–	–	(190)
Credited to Income Statement – continuing operations	(25)	(32)	(8)	(3)	(68)
Credited to Income Statement – discontinued operations	–	–	–	(2)	(2)
At 31st July 2019	1,217	493	5	20	1,735
Charged to Equity	–	1,609	–	–	1,609
Charged/(credited) to Income Statement – continuing operations	27	(2,102)	(5)	1	(2,079)
At 31st July 2020	1,244	–	–	21	1,265

COMPANY

	Accelerated Capital Allowances £000	Retirement Benefit Obligations £000	Other Timing Differences £000	Total £000
At 1st August 2018	7	715	19	741
Credited to Equity	–	(190)	–	(190)
(Credited)/charged to Income Statement	3	(32)	(4)	(33)
At 31st July 2019	10	493	15	518
Charged to Equity	–	1,609	–	1,609
(Credited)/charged to Income Statement	–	(2,102)	1	(2,101)
At 31st July 2020	10	–	16	26

25. LEASE LIABILITIES

	Group 2020	*Group 2019*
Amounts payable under leases:		
Within one year	–	–
In two – five years exclusively	–	–
After five years	205	–
Present value of lease liabilities	205	–
Due for settlement within one year (shown in current liabilities)	–	–
Due for settlement after one year (shown in non-current liabilities)	205	–

26. SHARE CAPITAL

	2020 Number	2020 £000	*2019 Number*	*2019 £000*
Issued and fully paid ordinary shares of 2p each				
At 1st August 2019	43,275,000	866	*43,988,000*	*880*
Purchased and cancelled	(665,000)	(13)	*(713,000)*	*(14)*
At 31st July 2020	42,610,000	853	*43,275,000*	*866*

During the year to 31st July 2020 the Company purchased for cancellation 665,000 ordinary shares of 2p each with a nominal value of £13,000 for a consideration of £793,000.

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting and each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 £000	*2019 £000*
Profit before tax	4,083	*6,643*
Share of losses/(profits) from Joint Ventures	13	*(48)*
Depreciation	380	*376*
Unrealised surplus on valuation of investment properties	(3,179)	*(4,052)*
Unrealised deficit on valuation of available for sale financial assets	379	*9*
Profit on sale of property, plant and equipment	(18)	*(141)*
Profit on sale of available for sale financial assets	(16)	*(26)*
Change in retirement benefits	14	*188*
Interest received	(78)	*(71)*
Interest paid	12	*–*
Change in inventories	3,981	*164*
Change in contract assets	126	*221*
Change in receivables – non-current	–	*(250)*
Change in receivables – current	12	*935*
Change in payables	(322)	*(186)*
CASH FLOWS FROM OPERATING ACTIVITIES	5,387	*3,762*

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

	2020 £000	*2019 £000*
Cash and cash equivalents	23,118	*25,699*
Bank overdraft	(10,104)	*(12,860)*
Net position	13,014	*12,839*

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) ANALYSIS OF NET FUNDS

	At 1st August 2019 £000	Cash Flow £000	At 31st July 2020 £000
Cash and cash equivalents	25,699	(2,581)	23,118
Bank overdraft	(12,860)	2,756	(10,104)
Net funds	12,839	175	13,014

28. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF PROFIT/(LOSS) BEFORE TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

	2020 £000	*2019 £000*
Profit/(loss) before tax	1,677	*(1,705)*
Depreciation	137	*161*
Profit on sale of property, plant and equipment	(2)	*(10)*
Dividend received from Subsidiaries and Joint Ventures	(5,000)	*(59)*
Change in retirement benefits	14	*188*
Interest received	–	*(1)*
Change in inventories	2,479	*80*
Change in contract assets	131	*251*
Change in receivables – non-current	–	*(250)*
Change in receivables – current	(2,072)	*1,559*
Change in payables	385	*(646)*
CASH FLOWS FROM OPERATING ACTIVITIES	(2,251)	*(432)*

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

Cash and cash equivalents	–	*–*
Bank overdraft	(7,350)	*(8,661)*
	(7,350)	*(8,661)*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2019 £000	Cash Flow £000	At 31st July 2020 £000
Cash and cash equivalents	–	–	–
Bank overdraft	(8,661)	1,311	(7,350)
	(8,661)	1,311	(7,350)

29. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2020 or 31st July 2019.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2020 amounted to £nil (2019, £nil).

30. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit pension scheme for certain active and former employees of the Group. The scheme was closed to new members in the year to 31st July 2003. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council.

The scheme is administered by a separate Board of Trustees which is composed of employer nominated representatives and member nominated Trustees and is a separate legal entity. The assets of the scheme are held separately from the assets of the Group and are administered and managed professionally under the supervision of the Trustees. The Trustees are required by law to act in the best interests of all classes of beneficiaries to the scheme and are responsible for the investment policy and the day-to-day running of the scheme. The Trustees are also responsible for jointly agreeing with the employer the level of contributions due to the Pension scheme.

The scheme provides qualifying employees with an annual pension based on final pensionable salary on attainment of a normal retirement age of 65. Active members also benefit from life assurance cover. However the payment of these benefits are at the discretion of the Trustees of the scheme.

The pension scheme's independent qualified Actuary carries out a triennial valuation using the Projected Unit Credit Method to determine the level of the scheme's surplus or deficit. The last completed triennial valuation was as at 31st October 2018 which revealed a surplus of £1,451,000, representing a funding level of 104%. Following this latest triennial valuation the Group and the scheme Trustees agreed that employer contributions to the scheme as from 31st October 2019 would increase from 31.9% to 35.4% and employee contributions are to remain at 3%.

There were no outstanding contributions at the year end.

The Group expects to pay a contribution of £544,000 during the financial year to 31st July 2021.

ASSUMPTIONS

The financial assumptions used to calculate scheme liabilities under IAS 19 (amended): Employee Benefits are:

	2020	*2019*	*2018*
Valuation method	Projected Unit	*Projected Unit*	*Projected Unit*
Discount rate	1.3%	*1.8%*	*2.7%*
Inflation rate - Retail price index . . .	3.1%	*3.4%*	*3.2%*
Inflation rate - Consumer price index . . .	2.2%	*2.5%*	*2.3%*
Salary increases	3.1%	*3.4%*	*3.2%*
Pension increases	1.8% – 3.4%	*1.9% – 3.5%*	*1.8% – 3.4%*

The mortality assumptions imply the following expectations of years of life from age 65:

Man currently aged 65	21.9	*21.8*	*21.8*
Woman currently aged 65	24.2	*24.0*	*23.7*
Man currently aged 45	23.2	*23.1*	*22.8*
Woman currently aged 45	25.6	*25.5*	*24.9*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

SENSITIVITY TO KEY ASSUMPTIONS

The scheme exposes the Group to actuarial risks, such as interest rate risk, inflation risk, longevity risk and investment risk. The key assumptions used for IAS 19 are discount rate, inflation rates and mortality. If different assumptions were used then this could materially affect the results disclosed in the financial statements. Movements in the key assumptions would have the following effect on the level of the deficit:

	Change in assumption	Increase in scheme liabilities 2020 £000	*2019 £000*
Discount rate	Decrease of 0.25%	1,517	*1,413*
Inflation rate	Increase of 0.25%	304	*344*
Mortality rate	Increase in life expectancy of 1 year	1,873	*1,662*

The sensitivity information has been prepared using the same methodology as the calculation of the current year scheme obligations.

BALANCE SHEET DISCLOSURES

The investments held by the scheme and the reconciliation of the scheme assets and liabilities to the Balance Sheet were:

	Valuation 2020 £000	*Valuation 2019 £000*	*Valuation 2018 £000*
EQUITIES			
UK	11,054	*14,672*	*13,068*
Overseas	17,846	*15,586*	*16,605*
Multi-asset diversified funds	3,399	*3,500*	*3,039*
Absolute return funds	952	*921*	*890*
BONDS			
Government	1,302	*1,332*	*1,130*
Corporate	3,824	*2,979*	*2,596*
OTHER			
Cash	1,978	*2,551*	*2,754*
Fair value of scheme assets	40,355	*41,541*	*40,082*
Present value of scheme liabilities	(41,431)	*(38,642)*	*(32,497)*
	(1,076)	*2,899*	*7,585*
Asset ceiling adjustment	–	*–*	*(3,380)*
Scheme (deficit)/surplus	(1,076)	*2,899*	*4,205*
Deferred taxation	204	*(493)*	*(715)*
Net pension scheme (deficit)/surplus	(872)	*2,406*	*3,490*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

The assets of the scheme are invested in funds managed by Standard Life Wealth, in direct investments via Rathbone Brothers PLC, in insurance policies with companies belonging to the Royal London Group and in bank accounts. The assets do not include any directly owned ordinary shares issued by J. Smart & Co. (Contractors) PLC. The fair value of the assets of the pension scheme are determined based on publicly available market prices wherever available.

The following amounts are incorporated into the financial statements

	2020 £000	*2019 £000*
Analysis of amounts charged to operating profit:		
Current service cost	(629)	*(606)*
Past service cost	–	*(251)*
Total service cost	(629)	*(857)*
Analysis of amounts charged to net finance income:		
Interest income	741	*980*
Interest costs	(689)	*(866)*
	52	*114*
Movement in present value of defined benefit obligations:		
At 1st August 2019	38,642	*32,497*
Service cost	629	*857*
Interest cost	689	*866*
Charges paid	–	*(60)*
Employee contributions	38	*43*
Benefit payments	(1,187)	*(1,372)*
Actuarial movements due to scheme experiences	(372)	*1,479*
Actuarial movements due to changes in demographic assumptions	778	*(543)*
Actuarial movements due to changes in financial assumptions	2,214	*4,875*
At 31st July 2020	41,431	*38,642*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2020 £000	*2019 £000*
Movement in fair value of scheme assets:		
At 1st August 2019	41,541	*40,082*
Interest income	741	*980*
Interest income relating to asset ceiling adjustment	–	*91*
Employer contributions	563	*555*
Employee contributions	38	*43*
Benefits paid	(1,187)	*(1,372)*
Charges paid	–	*(60)*
Return on plan assets excluding amount shown in interest income	(1,341)	*1,222*
At 31st July 2020	40,355	*41,541*
Movement in scheme (deficit)/surplus:		
At 1st August 2019	2,899	*4,205*
Current service cost	(629)	*(606)*
Past service cost	–	*(251)*
Contributions	563	*555*
Net finance income included in finance income	52	*114*
Actuarial remeasurement of pension scheme liability	(3,961)	*(4,589)*
Effect of asset ceiling adjustment	–	*3,471*
At 31st July 2020	(1,076)	*2,899*
Analysis of the actuarial loss included in the statement of comprehensive income:		
Return on scheme assets excluding amounts shown in interest income	(1,341)	*1,222*
Changes in assumptions underlying present value of scheme liabilities	(2,620)	*(5,811)*
Effect of asset ceiling adjustment	–	*3,471*
At 31st July 2020	(3,961)	*(1,118)*

The asset ceiling adjustment incorporated in the accounts for the year to 31st July 2018 was to reflect the difference between the projected value of future contributions compared with the pure surplus of the scheme, as under IAS 19 (amended): Employee Benefits the maximum surplus that can be recognised is the value of future contributions. This adjustment was reversed in the accounts for the year to 31st July 2019 net of £91,000 relating to interest on the adjustment.

History of experience gains and losses:	2020	*2019*	*2018*	*2017*	*2016*
Return on scheme assets					
Amount (£000)	(1,341)	*1,222*	*2,219*	*2,833*	*1,694*
Percentage of market value of scheme assets	3.3%	*2.9%*	*5.5%*	*7.5%*	*4.9%*
Changes in assumptions underlying present value of scheme liabilities					
Amount (£000)	(2,650)	*(5,811)*	*1,272*	*473*	*(3,950)*
Percentage of market value of scheme liabilities	6.4%	*15.0%*	*3.9%*	*1.4%*	*11.4%*
Total amounts included in Consolidated Statement of Comprehensive Income					
Amount (£000)	(3,961)	*(1,118)*	*111*	*3,306*	*(2,256)*
Percentage of market value of scheme liabilities	9.6%	*2.9%*	*0.3%*	*9.7%*	*6.5%*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

DEFINED CONTRIBUTION SCHEMES

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 UK. The net contribution to the plan for the year was £314,000 (2019, £246,000) and are expensed through the Income Statement as incurred.

STAKEHOLDER SCHEMES

The Group has stakeholder pension arrangements for those employees not eligible for membership of either the Defined Benefit or Defined Contribution schemes. The Group makes contributions to these schemes and has no liability beyond these contributions. The contributions to these schemes in the year amounted to £90,000 (2019, £78,000) and are expensed through the Income Statement as incurred.

MULTI EMPLOYER SCHEME

The Group was also a member of the multi-employer pension scheme, Plumbing & Mechanical Services (UK) Industry Pension Scheme which closed to future benefit buildup effective 30th June 2019. The Group makes contributions to this scheme which in the year amounted to £13,000 (2019, £14,000) and are expensed through the Income Statement as incurred.

No provision has been made for amounts payable by the Group in respect of Section 75 pension liabilities relating to the Group's participation in this scheme given that, as at the date of these financial statements, any potential liability has not yet been assessed.

31. 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. As at 31st July 2020 these amounted to £nil.

32. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

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

	2020 £000	*2019* *£000*
Within one year	129	*117*
In two – five years exclusively	250	*317*
After five years	172	*1,307*
	551	*1,741*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £6,374,000 (2019, £6,679,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

	2020	*2019*
Within one year	6,727	*6,201*
In two – five years exclusively	16,516	*15,833*
After five years	9,761	*10,826*
	33,004	*32,860*

33. 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:

	2020	*2019*	2020	*2019*
	£000	*£000*	£000	*£000*
SUBSIDIARY	Sale of goods and services		Purchase of goods and services	
McGowan and Company (Contractors) Limited	125	*126*	457	*488*
Cramond Real Estate Company Limited	–	*–*	–	*–*
Thomas Menzies (Builders) Limited	146	*125*	3	*5*
Concrete Products (Kirkcaldy) Limited	13	*66*	1	*14*
C. & W. Assets Limited	3,413	*1,188*	–	*–*
Smart Serviced Offices Limited	120	*126*	–	*–*

During the year the Company received a dividend of £5,000,000 from C. & W. Assets Limited (2019, £nil).

SUBSIDIARY	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan and Company (Contractors) Limited	–	*49*	82	*–*
Cramond Real Estate Company Limited	–	*–*	–	*–*
Thomas Menzies (Builders) Limited	–	*62*	–	*–*
Concrete Products (Kirkcaldy) Limited	–	*76*	–	*–*
C. & W. Assets Limited	3,173	*1,174*	–	*–*
Smart Serviced Offices Limited	861	*770*	–	*–*

During the year the Company advanced a further £210,000 to its subsidiary Smart Serviced Offices Limited and as at 31st July 2020 the total due from the subsidiary was £860,000. As at 31st July 2020 the Company has provided in full against this debt. No other provision for bad or doubtful debts have been made against any other amounts due from Subsidiary companies.

The Company has also incorporated a provision against the net liabilities of Concrete Products (Kirkcaldy) Limited amounting to £455,000 due to the fact that the Company is providing financial support to this subsidiary to meet all of its liabilities as they fall due for a period of twelve months from the date of approval of its financial statements.

(b) JOINT VENTURE COMPANIES

Transactions between the Group and its Joint Venture Companies were the sale of materials and services of £nil (2019, £1,155,000), receipt of dividends of £nil (2019, £59,000).

During the year the Group was repaid £nil (2019, £nil) of outstanding loans to Joint Venture Companies and advanced £nil (2019, £250,000) to Joint Venture Companies.

As at 31st July 2020 loans outstanding from Joint Venture Companies amounted to £426,000 (2019, £426,000).

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 Venture Companies.

33. RELATED PARTY TRANSACTIONS (continued)

(c) DIRECTORS' INTEREST IN CONTRACTS

David W Smart and John R Smart, throughout the year had material beneficial interests in Plean Precast Limited, Sterling Precast Limited and The Roofing and Building Supply Co. Limited, which have interests in continuing contracts for the purchase of materials and services from and for the sale of materials and services to the Group.

During the year to 31st July 2020 the Group purchased materials amounting to £51,000 (2019, £157,000) from these companies and sold materials and services amounting to £51,000 (2019, £60,000) to these companies.

All transactions were at normal commercial rates.

As at 31st July 2020 the Group owed these companies £3,000 (2019, £3,000) and was owed £nil (2019, £35,000).

(d) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the only key management of the Company, is set out in note 5 to the Accounts with further information contained in the audited part of the Directors' Remuneration Report.

(e) DIRECTORS' DIVIDENDS

During the year the Directors received dividends from the Company as follows:

	2020 £000	*2019* *£000*
David W Smart	117	*117*
John R Smart	117	*117*
Alasdair H Ross	3	*3*
Patricia Sweeney	2	2

(f) DIRECTORS' TRANSACTIONS

The following Directors received goods and services from Group Companies in the year amounting to:

David W Smart	1	*7*
John R Smart	84	*6*
Alasdair H Ross	–	–
Patricia Sweeney	–	–

All transactions were at normal commercial rates.

(g) PENSION SCHEMES

Disclosures in relation to the pension schemes are included in note 30 to the Accounts.

During the year the Company paid fees and expenses on behalf of the defined benefit pension scheme amounting to £171,000 (2019, £225,000).

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