J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
TO
31st JULY 2021

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
BDO LLP,
Chartered Accountants,
City Point,
65 Haymarket Terrace,
Edinburgh,
EH12 5HD

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 *18th January 2022* at 12 noon, for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st July 2021 and the Report of the Directors and the Independent Auditor's Report.
2. To approve the Directors' Remuneration Report for the financial year ended 31st July 2021 as set out on pages 27 to 32 in the Annual Report.
3. To declare a Final Dividend of 2.27p per share.
4. To re-elect John R Smart as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
5. To re-elect Alasdair H Ross as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
6. To re-elect Patricia Sweeney as a Director, who retires in accordance with provision 18 of the UK Corporate Governance Code.
7. To appoint BDO LLP as the Company's auditor.
8. To authorise the Directors to determine the remuneration of the Auditor.
9. 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.
10. 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.

BY ORDER OF THE BOARD OF DIRECTORS
PATRICIA SWEENEY
Company Secretary

28 Cramond Road South,
Edinburgh
EH4 6AB

18th November 2021

ACCOUNTS

Headline Group profit for the year before tax on continuing and discontinued operations, including an unrealised surplus in revalued property and a surplus in revalued financial assets, was £14,784,000, compared with £4,083,000 last financial year.

As in previous years, our view is that disregarding the movement in the revaluation of the commercial property portfolio and adjusting for the revaluation movement on financial assets provides a truer reflection of the Group's performance, which we refer to as underlying profit. The underlying profit before tax for the year was £2,367,000 and was more than last year's figure of £1,283,000.

The Board is recommending a Final Dividend of 2.27p, making a total of 3.22p, which compares with 3.22p for the previous year. The Final Dividend will cost the company no more than £949,000.

TRADING ACTIVITIES

Group construction activities, including private residential sales on continuing operations, decreased by 36%. Headline Group profit on continuing operations increased substantially this financial year, which was mainly due to the increase in the value of the commercial property portfolio, most noticeably in the industrial element. Underlying profit before tax on continuing operations increased by 83%, due to an unexpected profit in a perennial loss making subsidiary company, profit in the Joint Venture Company Gartcosh Estates LLP, due to the enhanced value in the first industrial unit developed and an unrealised surplus in revalued financial assets.

Trading activities in the second half of the financial year continued to be impacted by the coronavirus crisis, albeit in a different manner to last financial year. Practically, whilst our construction sites have remained open, although still working under covid guidelines, the majority of our office-based staff continued to work from home in line with legislation and guidance. The majority of our office-based staff are now back working in the office, which happened after the year end.

Whilst the above has hampered trading activities in the financial year, the main negative impacts of the coronavirus crisis have been with supply chain issues and an inexorable rise in the price of construction materials.

All our construction sites have, and continue to experience, delays and prolonged lead in times for most essential construction materials and the increases in material costs show no sign of abating.

This has directly resulted in aborted site acquisitions and tender work negotiations in the Housing Association sector being halted. Moreover, it has led to an erosion of profits of recently completed and soon to be completed projects.

The small private housing development at Winchburgh, The Courtyard, completed after the year end and all the units are either sold or reserved. The margin achieved was disappointing for the reasons noted above.

The larger private housing development at Winchburgh, Canal Quarter, started just prior to the financial year end, but there will be no private housing sales until late 2022. This project has already suffered delays in material deliveries and this coupled with material cost increases will affect profit margins.

As an antithesis to the negative issues above, our commercial property portfolio has continued to progress positively. Property valuation levels, especially in the industrial sector, have continued to rise with the yields for prime industrial stock at unprecedented levels. Rental growth in our industrial properties improved in the financial year, as well as occupancy rates. In our office properties, whilst rental growth and occupancy levels are not quite as pronounced as the industrial stock, these are progressing satisfactorily.

The third and final phase at Inchwood Park, Bathgate is now complete, with a third of the space being let shortly after completion to a trade counter operator.

Construction is progressing well at the second phase of Gartcosh Industrial Park, developed through the joint venture company, Gartcosh Estates LLP. The two medium sized units at the second phase are due for completion at the end of 2021, and interest is promising.

TRADING ACTIVITIES (continued)

A small commercial development at Winchburgh town centre, with pre-let offices and speculative retail units, was started just prior to the year end, and completion is due after the next financial year.

FUTURE PROSPECTS

We have similar work in hand in contracting as at the same time last year. Whilst we have a number of potential new contracts, it remains to be seen, due to the rise in construction costs and general delays in the development process, when these new contracts will commence.

As mentioned above, there will be a small amount of private housing sales in the year to 31st July 2022. We are hopeful that one or more of our future private housing sites will commence in this current financial year.

We expect letting and positive rental growth in our industrial properties to continue, as with our office properties, albeit at a reduced scale. Due to the increased values of our industrial properties and the appetite of property investors for multi-let industrial stock, the Board has decided to sell a selection of our corporeal industrial property. The estates at Bilston Glen Industrial Estate, Loanhead, Inchwood Park, Bathgate and West Edinburgh Business Park, South Gyle have been marketed recently for sale. Interest in these assets has been promising and a sale is expected in this current financial year.

At this stage it is difficult to make an informed forecast for the outcome of the year to 31st July 2022. The lull in contracting work and private housing will result in an erosion in profits due to a lack of recovery of overhead costs. This erosion in profit will be further exacerbated by the increase in material costs.

David W Smart
Chairman

18th November 2021

The Directors present their Annual Report and Statement of Accounts of the Group for the year ended 31st July 2021.

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). A copy of the Code can by reviewed on the Financial Reporting Council's website at www.frc.org.uk. The information required by the Code and also the Disclosure and Transparency Rules and the Listing Rules can be found on pages 20 to 26 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 2021 amounted to £10,970,000 (2020, £3,585,000).

During the year the Company paid on 8th February 2021 a final dividend for the year to 31st July 2020 of 2.27p per share (2020, 2.24p) and paid on 7th June 2021 an interim dividend for the year to 31st July 2021 of 0.95p per share (2020, 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 2022 and has not been included as a liability in these financial statements. 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 24th December 2021. Dividend warrants will be posted on 28th January 2022.

DIRECTORS

The following were Directors of the Company during the financial year ended 31st July 2021:

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

Details of the Directors are given on page 19.

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' interests between 31st July 2021 and 18th November 2021 are given on page 30.

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 2020 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 2021 comprises a single class of ordinary share of 2p each. Details of the issued share capital are shown in note 26 to the financial statements.

At the 2020 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 2021 Annual General Meeting.

During the year the Company made market purchases of 650,016 ordinary shares of 2p under the existing authority, for a total consideration of £782,000. 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.

Despite the coronavirus pandemic there has been no change in the capital management, there have been no change in the Company's dividend policy nor were there any suspensions of dividends in this or the previous 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 2021 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 UK or EU Political Parties or incur UK or 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.

Carbon emissions and energy used by the Group:	**2021**	2020
	Tonnes of CO2e	Tonnes of CO2e
Emissions from:		
Combustion of fuel and operation of facilities . . .	**804**	1,026
Electricity, heat, steam and cooling purchased for own use . .	**63**	151
Total emissions	**867**	1,177
Group's chosen intensity measurement:		
Emissions reported above normalised to per full time equivalent employee	**5.25**	6.13
Emissions reported above normalised to per £million of revenues .	**83.31**	70.00
	kWh	kWh
Energy used:		
Electricity	**269,765**	645,558
Natural Gas	**552,900**	2,051,773
Gas Oil	**89,683**	91,986
Diesel	**1,886,012**	1,606,662
Unleaded Petrol	**34,188**	37,599

Overall the total greenhouse gas emissions of the Group have decrease in the year mainly due to the volume of construction work in the year and the reduction in vacant properties in the Group's investment property portfolio.

The decrease in the Group's reported revenue for the year to 31st July 2021 mainly due to volume of private house sales in the year, reduced level of contracts with third parties and level of work undertaken on our own private house developments has resulted in the increase in the intensity measure of emissions reported per £million of revenues. The fall in number of full time equivalent employees has decreased that intensity measure.

Our Scope 1 emissions have decreased by 22% and our Scope 2 emissions on the location basis have reduced by 58% and on market basis have decreased by 91%. The main factors behind the reduction in the Scope 2 location basis emissions is the reduction in electricity used and for the market basis this is due to a shift in the Group's main energy provider to a 100% renewable energy tariff.

GREENHOUSE GAS EMISSIONS (continued)

The Group continues to apply the relevant building regulations for new build housing and industrial properties to ensure compliance with the current emission regulations and within its investment property portfolio undertaking measures to reduce carbon emissions including replacing lighting with energy efficient LED and PIR lights and installing electric car charging points.

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and Streamlined Energy and Carbon Reporting (SECR) Regulations. 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.

We have use the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) data gathered to fulfil our requirement under these Regulations and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2020 and 2021. Emissions are calculated on the location and contract based methodologies, using fuel mixes reported from 2020/21.

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 into 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 Directors having assessed the business risks of the Company and Group as detailed in the Strategic Report on pages 15 to 17 confirm that they have a reasonable expectation that the Company and Group having 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.

The Directors have made this confirmation after reviewing the expected cash position of the Group under various scenarios taking into account future trading activities around construction projects in hand and anticipated projects, land acquisitions, rental income, investment property acquisitions and disposals and other capital expenditure. The Directors prepare a number of cash flows to predict the cash position of the Group under these varies scenarios. The aim of these varies cash flows is to ensure at all times regardless of the scenario the Group remains cash positive thus ensuring the Group does not have to rely of external funding. The Group ensures that all companies within the Group are financially supported by each other and where necessary dividends from cash and reserve positive subsidiaries are paid to the Parent Company to allow that company to provide financial support to all subsidiary companies.

The coronavirus continues to have an impact on the trading activities of the Company and Group but in a different manner to the previous year. All of our construction sites have remained opened this year but supply lead times and increased cost of construction materials have resulted in postponement of commencement of new projects and reconsidering the nature of construction contracts and the increased costs have eroded profits on contracts. Our investment property portfolio however, remains resilient in both the industrial and commercial sectors. Rental income has remained consistent with no significant loss of income due to reduced occupancy or default in tenants paying rents and the Directors do not believe that this situation will significantly change due to the types of investment properties held.

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, BDO LLP, has expressed willingness to continue in office. Resolutions to re-appoint them as the Company's auditor and to authorise the Directors to determine their remuneration will be proposed at the Company's forthcoming Annual General Meeting.

CAUTIONARY STATEMENT

The Chairman's Review on pages 4 and 5 and the Strategic Report on pages 11 to 18 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

18th November 2021

The Directors present their Strategic Report of the Group for the year ended 31st July 2021.

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 Scottish Stock Exchange in 1965 and was admitted to the London Stock Exchange on 25th March 1973.

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 with which we are most familiar with and understand. Our portfolio currently extends to almost 920,000 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 a 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 with 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 most 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

	2021	2020
Continuing Operations	£000	£000
Revenue from Group construction activities	**12,308**	19,223
Operating loss	**(2,305)**	(3,472)

Turnover in the year has significantly decreased this year and this is due to the fact that in the current year in the private housing development at West Bowling Green Street there were only sales of the remaining 6 unsold flats at the development compared to the 41 flats sold in the previous year.

At the commencement of the year we only had one social housing project, being the Ferrymuir contract. This completed in the year and was handed over to the social housing provider in December 2020. No new social housing projects have commenced this year.

We commenced work for our Joint Venture, Gartcosh Estates LLP being phase 2 of the development consisting of two industrial units. Both of these units are due for completion and handover in December 2021.

During the year we completed the work at our own industrial developments at the final phases at West Edinburgh Business Park, which was fully let in the year, and at Inchwood Park, Bathgate, although there were no lettings in the year at this development post year end letting have been secured for part of the phase.

The turnover of our civil engineering subsidiary increased in the year.

Although our construction sites have remained open for the entire year throughout the Group, coronavirus has still had a significant impact on the running of our sites and also financially on the results of our construction activities. We continued to follow the legislation and guidance issued by the Scottish Government in relation to coronavirus safe working conditions for all our staff whether they are site or office based which has again resulted in additional costs being incurred to ensure this. We continued to utilise the UK Government's Furlough scheme of site-based operatives although to a lesser extent than the previous year.

Brexit along with coronavirus has had a financial impact on the results for the year via supply chain issues and significant increase in the cost of construction materials. These increased costs have been borne by the Group resulting in the margins on construction work continuing to be poor, although not to the same level as previous year due to the level of work undertaken in the year.

The Directors continue to fully appraise contracts prior to acceptance to ascertain the likely outcome of the contract. The contract reporting functions between the finance team and the surveyors relating to the recording of costs have been revised with the view to providing increased detail and analysis of costs to the surveyors, who along with the Directors can appraise contract performance on a timely basis and analysis areas of contracts were losses are been incurred and aim to rectify were possible.

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.

PERFORMANCE REVIEW (continued)

Investment activities	2021	2020
	£000	£000
Income from investment properties	7,411	7,198
Profit on sale of investment properties	37	–
Net surplus on valuation of investment properties	12,105	3,179
Operating profit from investment properties	16,578	7,820
Income from financial assets	36	50
Profit on sale of financial assets	1	16
Net surplus/(deficit) on valuation of financial assets	312	(379)
Share of profits/(losses) in Joint Ventures	264	(13)

Rental income from the Group's investment property portfolio increased in the year by 4% (2020, decreased by 5%) mainly due to increase rental growth and occupancy in our industrial properties and to a lesser extend in our commercial properties. Coronavirus continues to affect our tenants and a small number left before the end of their leases resulting in rental income loss to the Group, however in the main we have secured in the year new tenants to take occupancy of these properties. Recoverability of rental income continues to remain high despite the impact coronavirus has had on our tenants.

During the year construction of our industrial units at West Edinburgh Business Park Phase 3 was completed and the entire phase was leased in the year to a national tool and equipment hire company. Construction at Inchwood Phase 3 also completed in the year, and although there was no occupancy in the current financial year a trade counter operator has since taken occupancy of a third of the phase

Service charges and insurance receivable income has decreased by 5% (2020, increased by 10%) but this is dependent on costs incurred in the year that can be recovered and varies from year to year.

There was one small disposal of vacant land at one of our industrial estates in the year which resulted in the profit on sale of £37,000.

The Group has recorded a significant surplus on the revaluation of its investment property portfolio. The surplus relates to both our industrial and commercial properties but particularly to our industrial properties due to the yields for prime industrial stock being at unprecedented levels.

If the surplus on the valuation of investment properties is excluded the Group generated a profit from its investment activities of £4,473,000 compared to £4,641,000 in 2020 being a fall of £168,000. Despite the increased income levels there have also been significant costs incurred on properties not generating income of £1,011,000 (2020, £652,000) which has contributed to the fall in underlying profits in the year.

Income from our financial assets has fallen in the year due to the fact that companies are just not paying out dividends. There have been no additions to the portfolio in the year and the disposals in the year generated a very small profit of £1,000. Despite the fact the world is still in a worldwide pandemic the fair value for the shares held by the Group increased and as at the year end a surplus of £312,000 was recorded.

The share of the results in our Joint Ventures is a profit this year of £264,000 which is due to the effect of accounting for the revaluation surplus relating the completed phase 1 development owned by Gartcosh Estates LLP. The only income generating Joint Venture is Gartcosh Estates LLP. Post year end, one of the Joint Venture companies, Duff Street Limited was dissolved.

PERFORMANCE REVIEW (continued)

Group results and financial position

Continuing and discontinued activities

	2021	2020
	£000	£000
Profit before tax	**14,784**	4,083
Net bank position	**7,831**	13,062
Net assets	**113,384**	99,260

The Group has reported a significant profit before tax for the year as compared to the previous year and this is mainly due to the surplus on valuation of investment properties recorded. Even if this surplus and that recorded on revaluation of financial assets is excluded the Group generated a profit for the year of £2,367,000 compared to £1,283,000 in the previous year. The movement being the result of reduction in the loss suffered within construction activities netted against the fall in the profits earned in our investment activities.

Our net bank position, which comprises monies held on deposit, cash and cash equivalents and the netting of our bank overdraft has decreased in the year. This is mainly due to fact revenue for private house sales is considerably lower this year than last year and the nature of the work undertaken this year was predominately private housing with only cash outflows with no sales revenue on current developments underway. There has again been significant expenditure this year on our own work capitalised. Also, in the year the Group lent money to its Joint Ventures amounting to £1,320,000 and invested a further £133,000 in them. Despite the decrease in our net bank position the Group continues to be net debt free.

The Group's net assets have increased overall by £14,124,000, the main impact on this being the profit earned in the year as discussed above. Other significant impacts on net assets are the movement in the Group's defined benefit pension scheme which moved from a deficit at 31st July 2020 of £1,076,000 to a surplus this year of £4,725,000 and the increase in deferred tax liability which resulted from the increase in valuation of investment properties and the surplus arising on the pension scheme.

FINANCIAL INSTRUMENTS

The Group's financial instruments consist of bank balances and cash, 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 (2020, 3.22p), being the same as the dividend rate for 2020.

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 2021 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 make them more attractive to buyers. • Building a range of homes within a development thus providing choice to buyers. • Providing sales incentives. • Considering the letting of built homes at market rates until the market improves.
Social housing sector and the housing market in general 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, and 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 most 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 most 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's 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.
Failure to evolve business practices and operations in response to climate change.	• Continue to monitor all requirements relating to the construction industry in relation to improvements in buildings to ensure they comply with current and emerging requirements. • Review of designs for new buildings to ensure they are as energy efficient as possible. • Procurement of building materials from sustainable sources.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk

The Group's credit risk is mainly mitigated due to the fact the majority of the Group's revenue relates to private house sales which are made on completion of a legal contract for the transfer of title and are to numerous customers. Other construction contract sales are mainly to social housing providers and government local authorities who undertake projects knowing funds are available to fulfil payment of contracts. With regards to rental income there is no concentration of credit risk as exposure is spread over a number of tenants.

Liquidity risk

The Group finances its operation through equity it has no bank borrowings and therefore has no exposure to liquidity risk.

Emerging risk

The Group faces a number of emerging risks which could have a significant impact on the Group's performance and future prospects. These risks are discussed by the Directors and appropriate actions taken to mitigate these risks as soon as they are considered to be a principal risk of the Group.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a three year period to July 2024, 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 together with current commitments and then assumptions on future developments and investment property acquisitions and disposals. The continuing impact of coronavirus on future operational and financial commitments is also assessed.

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 remains 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 2024.

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	150	15

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

18th November 2021

DIRECTORS

David W Smart, Chairman and Joint Managing Director Aged 48
Joined the Company in 1998
Appointed Director in 2010
Appointed Chairman and Joint Managing Director in 2017

John R Smart, Joint Managing Director Aged 51
Joined the Company in 2002
Appointed Director in 2013
Appointed Joint Managing Director in 2017

Alasdair H Ross Aged 59
Joined the Company in 1989
Appointed Director in 2012

Patricia Sweeney Aged 52
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 or shareholders. 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.

BOARD LEADERSHIP AND COMPANY PURPOSE (continued)

S172 COMPANIES ACT 2006

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.

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. Although for the 2020 Annual General Meeting due to coronavirus restrictions shareholders could not physically attend the meeting they were able to submit questions to the Board via a dedicated email address prior to the meeting for consideration during the meeting. No questions were submitted by shareholders.

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 2021 and 18th November 2021, 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 2021	Number	%
Octet Investments Limited	1,872,400	4.46
Estate of A J Whitehead	2,311,495	5.51
As at 18th November 2021		
Octet Investments Limited	1,872,400	4.48
Estate of A J Whitehead	2,311,495	5.53

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.

Coronavirus impacted the Group again this year, although all of our sites remained opened with the appropriate Scottish Government guidance in place for safe working conditions relating to social distancing and provision of personal protection equipment, a number of site employees were furloughed receiving the maximum receivable under the UK Government's Coronavirus Job Retention Scheme. Office based staff in the main continued to work as normal from home, a small number of staff for whom home working was not practical worked from the offices.

During the year site based employees were consulted on whether or not they wished to adopted new working hours meaning a reduction in hours worked per week with shorter breaktimes resulting in an earlier finishing time on Fridays. These new working hours were adopted in the year.

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.

We have continued to support our suppliers and subcontractors during the coronavirus pandemic by continuing to make payments to them based on pre-pandemic standard industry terms and we have adopted BACS payment methods thus ensuring suppliers receive their payments directly into their bank without the need for them to physically visit their banks with cheques.

BOARD LEADERSHIP AND COMPANY PURPOSE (continued)

S172 COMPANIES ACT 2006 (continued)

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.

With regards to rental payments from tenant we have continued to allow tenants who are having cash flow issues resulting from the coronavirus pandemic to make monthly payments as opposed to the normal quarterly payments in advance. A number of our tenants have and continue to make use of this arrangement.

In our multi let offices were our tenants are not yet back working in them we have continued to ensure that the security of the buildings in maintained with external security patrols throughout the day and night. Where tenants are now coming back to work in the offices we continue to ensure in the common areas relevant coronavirus protocols for safety are in place.

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 4 formal board meetings all of which were attended by all the Directors.

DIVISION OF RESPONSIBILITY (continued)

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 pages 33 and 34.

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.

AUDIT, RISK AND INTERNAL CONTROL (continued)

RISK MANAGEMENT AND INTERNAL CONTROLS (continued)

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 principal and emerging risks 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 theof principal and emerging 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 only 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 the Group remains net debt free.

The Board has identified that one its 3 joint ventures as being a material investment. Both parties to the joint venture have equal interest in the joint venture and jointly manage it with the regular board meeting being held attended by both joint venture parties to discuss construction progress and financial position. All decisions are taken relating to the joint venture between both parties. J Smart & Co (Contractors) PLC deals with the day to day administration and accounting function of the joint venture.

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 financial statements.

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.

AUDIT, RISK AND INTERNAL CONTROL (continued)

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 2021 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 especially around capitalisation yields and future rental streams. Details of impact on the value of the investment property portfolio incorporated into the financial statements is given in note 15. The Directors appoint external valuers to value 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, contract performance and stage of completion of contracts are considered and loss provisions determined and recognised where necessary. Both costs and revenues may require to be revised as future events unfold and uncertainties are resolved, including the future impact of the coronavirus pandemic on costs and supplies, which would have a direct impact on overall performance of these contracts.
- Retirement Benefit Surplus – 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 surplus disclosed in the financial statements, details of the impact of changes in these assumptions are given in note 30.

The Board discusses fully all issues relevant to the above areas and obtains where possible information and advice from external experts for consideration by the 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. The Board is responsible for setting the remuneration of the Auditor.

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.

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.

REMUNERATION (continued)

The remuneration policy, as approved by the shareholders at the 2020 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

18th November 2021

ANNUAL STATEMENT

On behalf of the Board of Directors, I present the Directors' Remuneration Report for the year ended 31st July 2021.

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 2020 Annual General Meeting and the policy was effective for three years from that date.

The Annual Report on Remuneration will be subject to a vote at the 2021 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

18th November 2021

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.

THE POLICY REPORT (continued)

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.

THE POLICY REPORT (continued)

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 2020 Directors' Remuneration Report at the 2020 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 2021.

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 2021 and the prior year:

	Salary £000	Taxable Benefits[1] £000	Pension £000	Total £000
David W Smart				
2021	**116**	**10**	**18**[2]	**144**
2020	116	10	53[2]	179
John R Smart				
2021	**116**	**10**	**14**	**140**
2020	116	10	14	140
Alasdair H Ross				
2021	**116**	**10**	**12**[2]	**138**
2020	116	10	55[2]	181
Patricia Sweeney				
2021	**116**	**10**	**14**	**140**
2020	116	10	14	140

1. Taxable benefits consist of cash in lieu of company car and private medical insurance.
2. 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.

ANNUAL REPORT ON REMUNERATION (continued)

DIRECTORS' PENSION ENTITLEMENTS

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 2021 £000	Accrued pension as at 31 July 2020 £000
David W Smart	44	42
Alasdair H Ross	54	52

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)	
	31 July 2021	31July 2020
David W Smart	12,782,750	12,268,500
John R Smart	12,782,750	12,268,500
Alasdair H Ross	150,000	100,000
Patricia Sweeney	150,000	50,000

There have been no changes in any Directors' beneficial holdings between 31st July 2021 and 18th November 2021.

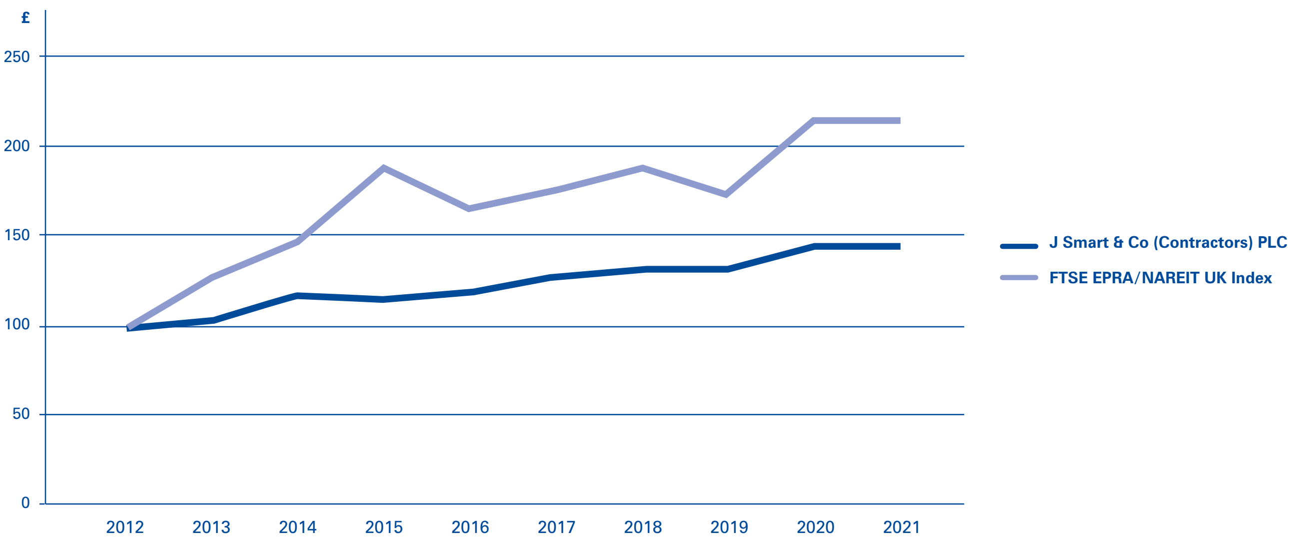
ANNUAL REPORT ON REMUNERATION (continued)

PERFORMANCE GRAPH

The graph below shows a comparison of the total shareholder return for the Company's shares for each of the last ten 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 ten financial years



GROUP MANAGING DIRECTORS TOTAL REMUNERATION

The following table details each of the Managing Directors their single figure of remuneration over the last ten financial years:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
David W Smart	144	179	177	154	148	166	165	207	184	46
John R Smart	140	140	136	133	130	126	122	115	52	–

GROUP MANAGING DIRECTORS CHANGE IN REMUNERATION

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

	Managing Directors % change 2020-2021	Other employees % change 2020-2021
Base salary	0.25 %	3 %
Taxable benefits	– %	3 %

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 2021 and 31st July 2020:

	2021 £000	2020 £000	Difference in spend £000	Difference as a percentage %
Remuneration of employees	8,137	9,015	(878)	(10)
Total distributions paid (being dividends and share buy backs)	2,143	1,588	555	35

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2022

After taking into consideration Group employees' salary increases for the year to 31st July 2022, an increase of 3% of base salary was awarded to all Directors.

	Base salary from 1st July 2021 £	Base salary from 1st July 2020 £
David W Smart	119,100	115,625
John R Smart	119,100	115,625
Alasdair H Ross	119,100	115,625
Patricia Sweeney	119,100	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 2020 ANNUAL GENERAL MEETING

The 2020 Directors' Remuneration Report was put to the shareholders for their approval at the 2020 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	28,343,942	100
Against	454	–
Total votes cast (excluding votes withheld)	28,344,396	100
Votes withheld	–	
Total votes cast (including votes withheld)	28,344,396	

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

18th November 2021

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 financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements and have elected to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Company and of the profit or loss for the Group and company for that period. The Directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Statement of Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and Statement of Accounts are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DIRECTORS' RESPONSIBILITES PURSANT TO DTR4

The Directors confirm to the best of their knowledge:

– The financial statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.

– The Annual Report and Statement of Accounts includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

18th November 2021

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st July 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 Regulation.

We have audited the financial statements of J Smart & Co. (Contractors) PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31st July 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Board.

INDEPENDENCE

We were appointed by the Board on 28th January 2021 to audit the financial statements for the year ending 31st July 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year covering the year ending 31st July 2021. We remain independent of the Group and the Parent Company 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of the Directors' assessment in respect to their ability to continue as a going concern for at least twelve months from the date of this Annual Report. This included checking the mathematical accuracy of the models used.
- Evaluation and challenge of the Directors' key assumptions and judgements made in respect to their going concern assumption. We did this by considering the appropriateness of the assumptions and judgements made by the Directors, based on our understanding of the business and challenging the Directors as to the accuracy of these relative to those actually achieved in the recent history of the Group's performance. We evaluated the Directors' sensitivity analysis for appropriateness and also performed our own sensitivity analysis based on our own assumptions and judgements comparing results to the Directors' outcomes.
- Evaluation of the Directors' cash flow projections and challenge of their assumptions in relation to this. Again, we challenged the assumptions and judgements made by the Directors based on our understanding of the business in respect to construction contracts won, ability to deliver these within agreed timeframes and the probability of the cash flows materialising, as well as performing sensitivities based on our own assumptions and judgements and comparing results to the Directors' outcomes.
- We performed stress tests in order to identify key areas that would cause the Group to fail and assess of the likelihood of these. We performed these sensitivities by identifying what key indicators such as revenue and profit would need to reduce by before the Group would no longer have the ability to repay their debts as they became due. We considered new construction contracts and private housing sales to be some of the main assumptions made by management and duly sensitised these by assuming much reduced trading profit noting that the Group had sufficient cash and reserves to absorb any such reasonable downside scenarios.
- Performing ratio analysis to identify key risk areas in relation to going concern.
- Performing procedures to identify unrecorded liabilities that may exist in the Group. These procedures included inspection of Director meeting minutes, post year end payments and invoice sampling, inspection of correspondence with management's legal advisors including obtaining confirmation of no material claims or litigations for which we were not aware of, as well as challenging new contracts taken out in the year in order to identify any unrecorded liabilities or conditions not otherwise met by the Group. This included testing the Directors' ability to forecast especially in relation to construction contracts in order to identify any potentially material forecasting errors.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage[1]	*99% of Group profit before tax* *100% of Group revenue* *94% of Group total assets*	
Key audit matters		2021
	Revenue recognition	✓
	Valuation of defined pension benefit scheme	✓
	Valuation of investment properties	✓
Materiality	*Group financial statements as a whole* £1,000,000 based on 1% of total assets	

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from a central location in the UK and has common financial systems, processes and controls covering all significant components.

In assessing the risk of material misstatement in the Group financial statements, and to ensure we obtained adequate quantitative coverage of significant categories of balances in the Annual Report, we determined that two significant components, J Smart & Co. (Contractors) PLC and Thomas Menzies (Builders) Limited, represented the principal business units within the Group. A full scope audit was undertaken on these components by the Group audit team.

In addition, we scoped in the significant investment property balance and revenue of C&W Assets Limited for full scope audit work. We did not scope in the entire C&W Assets Limited subsidiary on the basis that only these two balances form the significant risk and value areas of the subsidiary with all other balances not being significant from a Group perspective.

We performed analytical procedures in respect of the non-significant components and obtained further reasoning for movements exceeding a pre-determined threshold. In addition, we performed specific tests over risk areas such as revenue, journals and costs in respect to these insignificant components by testing a statistical sample of these balances to corroborating evidence, focussing on the cut-off and manual journals.

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.

1. These are areas which have been subject to a full scope audit by the Group engagement team.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
REVENUE RECOGNITION	As detailed in Note 1 and Note 3, the Group's revenue is generated from construction activities. Revenue is derived from construction contracts as well as from the sale of private housing. Revenue from private house sales is recognised when control has been transferred to the purchaser which will normally occur at handover / legal completion. Revenue from construction contracts is recognised based on different, individual, commercial contract terms. This includes areas of judgement such as when to recognise the right to revenue arising from the value of work performed based on valuations and the identification and recognition of losses in respect to loss making contracts. Given the nature and complexity of revenue and its importance to the activities of the business, we considered there to be a significant risk arising in respect of the completeness, accuracy and existence of revenue in all revenue streams. As a result, we consider revenue recognition to be a key audit matter.	We reviewed the revenue accounting policies and practices as well as the basis of material recognition estimates for consistency of application and whether they were in accordance with the requirements of the applicable accounting standards. We tested the Group's material revenue streams individually according to their characteristics, performing detailed testing, as articulated in the following paragraphs below, of a sample of contracts during the year based on pre-determined metrics (related to contribution to revenue and profit) designed to address higher risk contracts and areas of judgement, as well as an additional unpredictable sample of contracts. We engaged in detailed discussions with the relevant commercial directors and other key individuals in ascertaining and verifying the judgements made for each contract and critically assessed and challenged the recognition of revenue and profit by reference to costs incurred to total costs as well as valuations performed at year end in comparison to our site attendance and other corroborating evidence such as the revenue contract agreement, testing of material variations and claims, as well as year-end payment certificates and cash received. This also included testing the recoverability of contract balances and trade debtors, certification of works, billing and receipts. Through our audit work we obtained an understanding of the key estimates taken by management around these contracts and sought detailed explanations and support for judgements taken, in particular, where material claims for variations had been recognised. We then obtained evidence to support recoverability of these variations or claims by reference to customer agreement as well as cash payment of these variations and, where appropriate, consulted with management's experts (in the form of Quantity Surveyors and Commercial Directors) to gain an understanding of the basis for the judgements made and challenged the judgements made. We obtained and reviewed legal correspondence relating to significant claims and variations. Our revenue and contract profit recognition testing focused on the timing of and amounts recognised in respect of any variable income to check that it is improbable that a significant reversal of amounts recognised will occur. We tested the calculations underlying the estimate of costs to complete in relation to ongoing contracts to supporting agreements and documentation, including the completeness of liabilities and cost of sales at a contract/project level.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
REVENUE RECOGNITION (continued)		We performed, on a sample of projects, site visits to improve our understanding of the projects and their risk and attended contract review meetings to understand the process and challenges identified. As part of testing of construction contracts we also agreed a sample of applications for payment to customer correspondence and agreed a sample to cash receipt. We checked that costs had been appropriately allocated to a particular contract, including the application of payroll, subcontractor and purchasing costs by sampling all costs in the year over all contracts and checking that the corroborative evidence obtained in relation to these samples supported the allocation of the cost to the particular contract being tested. As part of our detailed testing, we reviewed post year end performance of contracts to corroborate estimates taken at the year-end in respect of costs expected to be incurred and challenged assumptions which appeared inconsistent with actual post year end performance. This included assessing the reliability of management estimates in light of the positions adopted in previous years compared to actual outturn. Revenue recognised in respect to private housing sales has been subjected to detailed testing. As part of this, we checked that revenue had only been recognised at the point at which all performance obligations had been met and reviewed legal correspondence corroborating this by reference to the passing of legal title. By testing to source documentation and to cash receipt, we also checked that the Group recognised the appropriate value in the correct period. We tested a sample of private housing stock by reconciliation to opening balances and movements in the year, which included additions and disposals resulting in revenue. This testing, together with review of Director meeting minutes, testing over cost of sales and cut-off testing, we are able to gain assurance over the completeness of private housing revenue. *Key observations* Based on our procedures we found management’s judgements in respect of revenue recognition to be appropriate.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
VALUATION AND RECOVERABILITY OF DEFINED BENEFIT PENSION SCHEME NET ASSET	As described in Note 1 and Note 30, the Group has a defined benefit pension scheme. The pension valuation is dependent on market conditions and key assumptions made by management, in particular relating to investment markets, discount rate, inflation expectations and life expectancy assumptions. This area represented a key audit matter given that the setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. The related sensitivities of any changes in assumptions are disclosed in Note 30.	In testing the pension valuation, we utilised pension actuarial experts to review the key actuarial assumptions used, both financial and demographic, and in conjunction with our experts considered the appropriateness of the methodology utilised to derive these assumptions. We benchmarked the scheme assumptions against publicly available published data. Specifically, we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using pension experts to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. We performed sensitivity analysis on the assumptions determined by the Directors. We considered the recoverability of the surplus and the related asset ceiling adjustment to gain assurance that the Group has an unconditional right to recover the asset and by recalculation, checked that the asset ceiling adjustment was an appropriate adjustment. We confirmed the competence, independence and ability to perform the work of the third party Actuaries used by management. We assessed the disclosure of the net pension asset and the related assumptions and sensitivities in the financial statements against the relevant accounting framework and the findings of our work. *Key observations* We have not identified any evidence to suggest that the methodology and assumptions applied in relation to determining the pension valuation are not within an acceptable range.

KEY AUDIT MATTERS (continued)

<table>
<tr><th colspan="2">KEY AUDIT MATTER</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>VALUATION OF INVESTMENT PROPERTIES</td><td>As described in Note 1 and Note 15, the Group has a significant portfolio of investment property.

Judgement is required by management in terms of the assessment of the effect on the valuation of the individual nature of each property, its location, expected future rental income, tenure and tenancy profiles, prevailing market yields and comparable market conditions.

Input inaccuracies or unreasonable bases used in these assumptions could result in a material misstatement in the financial statements.

This area represented a key audit matter given that the setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party valuation experts.</td><td>Investment properties have been agreed to title deeds to check that the Group holds the right of ownership.

In auditing the investment property portfolio, we utilised audit experts who are independent 3rd party RICS valuers to independently review the investment property portfolio valuation in order to assess the key assumptions used and considered the appropriateness of the methodology utilised to derive these assumptions as well as the appropriateness of the valuation technique used.

We performed detailed testing on a sample of properties, agreeing the key judgements such as the nature of each property, its location, expected future rental income, tenure and tenancy profiles and prevailing market yields to corroborating documentation, giving assurance that the valuations performed by management, reviewed by management's experts and the auditor's expert are based on accurate and reliable information in relation to those properties.

A sample of additions to investment properties were agreed to legal documentation and the other properties at year end were agreed to the prior year listing to confirm the completeness of the portfolio. We performed further tests such as inspection of director meeting minutes and post year end receipts to identify any unrecorded disposals. A sample of properties was physically inspected by our audit experts.

We confirmed the competence, independence and ability to perform the work of the third party valuation experts used by management.

Assumptions made by management in their valuation were challenged to consider whether they are appropriate and the completeness and accuracy of disclosure in the financial statements were specifically audited to check that the disclosures were adequate.

Key observations

We have not identified any evidence to suggest that the methodology and assumptions applied in relation to determining the investment property valuation are not within an acceptable range. Based on our procedures we found management's valuation in respect of investment properties to be appropriate within a range.</td></tr>
</table>

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	**Parent company financial statements**
	2021 £	2021 £
Materiality	£1,000,000	£120,000
Basis for determining materiality	1% of total assets at the year end, rounded down to £1,000,000.	1% of total assets at the year end.
Rationale for the benchmark applied	We consider this to be the principal consideration in assessing the financial performance of the Group as the Group considers total assets to be their key performance indicator, which demonstrates less volatility than other performance measures.	We consider this to be the principal consideration in assessing the financial performance of the Company as the Company considers total assets to be their key performance indicator which demonstrates less volatility than other performance measures.
Performance materiality	£650,000	£78,000
Basis for determining performance materiality	65% of the above materiality thresholds to adequately address the expected total value of known and likely misstatements, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments, given this is our first year of engagement.	65% of the above materiality thresholds to adequately address the expected total value of known and likely misstatements, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments, given this is our first year of engagement.

Component materiality

We set materiality for each component of the Group based on a percentage of between 7% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £68,000 to £900,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Board that we would report to them all individual audit differences in excess of £30,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Statement of Accounts other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

GOING CONCERN AND LONGER-TERM VIABILITY	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 24; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 24.
OTHER CODE PROVISIONS	• Directors' statement on fair, balanced and understandable set out on page 23; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 23 and 24; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 23 and 24; and • The section describing the work of the Board set out on pages 23 and 24.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
DIRECTORS' REMUNERATIONS	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION	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' Responsibility, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those laws and regulations that relate to the form and content of the financial statements, such as the Group accounting policies, IFRS's, the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as regulations impacting the construction industry. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, controls around supplier payments and information changes, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recognition of revenue, the assumptions and estimates used in the valuation of investment property and the defined pension benefit scheme net asset (for more information on how we audited these areas, refer to the "Key audit matters" section above). We looked to identify any areas of management bias by corroborating these estimates and judgements and challenging management as to their appropriateness based on third party empirical evidence, recalculating management's estimate, following up on information in relation to estimates to the date of issue as well as in some cases developing our own estimate range and comparing this to management's estimate;
- At the planning stage, engaging forensic accounting experts in our risk assessment in order to identify areas of potential manipulation or fraud based specifically on construction entities and designed targeted audit tests to address these concerns which included:
    - testing for unusual capitalised assets;
    - remaining aware to the possibility of money laundering in construction contracts;
    - consideration of unusual cash payments by use of our data analytics software;
    - comparison of bank accounts between suppliers and payroll in order to identify any duplicates;
    - reviewing supplier transactions to identify unusual movements;
    - testing supplier changes to identify unauthorised or fraudulent changes; and
    - testing petty cash movements in order to identify fraudulent payments.
- Focussing on revenue year end cut-off procedures and the inclusion of revenue in the correct accounting periods;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords, manual journals to revenue and cash, journals posted by super users and an unpredictable sample of journals;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Testing of payroll calculations and payments in order to identify any fraudulent or tax evasive payments by reference to processors of payroll.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, 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 Parent Company's members 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ALISTAIR RAE *(Senior Statutory Auditor)*
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK
18th November 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127

CONSOLIDATED INCOME STATEMENT
for the year ended 31st JULY 2021

	Notes	2021 £000	*2020 £000*
CONTINUING OPERATIONS			
Group construction activities		12,308	*19,223*
Less: Own construction work capitalised		(1,901)	*(2,410)*
REVENUE	3	10,407	*16,813*
Cost of sales		(8,977)	*(16,764)*
GROSS PROFIT		1,430	*49*
Other operating income	4	7,446	*7,198*
Net operating expenses		(6,745)	*(6,078)*
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET SURPLUS ON VALUATION OF INVESTMENT PROPERTIES		2,131	*1,169*
Profit on sale of investment properties		37	*–*
Net surplus on valuation of investment properties	15	12,105	*3,179*
OPERATING PROFIT	6	14,273	*4,348*
Share of profits/(losses) in Joint Ventures	16	264	*(13)*
Income from financial assets	7	36	*50*
Profit on sale of financial assets		1	*16*
Net surplus/(deficit) on valuation of financial assets		312	*(379)*
Finance income	8	4	*130*
Finance costs	8	(25)	*(12)*
PROFIT BEFORE TAX		14,865	*4,140*
Taxation	9	(3,802)	*(508)*
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		11,063	*3,632*
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	10	(93)	*(47)*
PROFIT FOR YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	11	10,970	*3,585*
EARNINGS/(LOSS) PER SHARE			
From continuing operations – basic and diluted	13	26.16p	*8.46p*
From discontinued operations – basic and diluted	13	(0.22)p	*(0.11)p*
From continuing and discontinued operations – basic and diluted	13	25.94p	*8.35p*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st JULY 2021

	Notes	2021 £000	*2020 £000*
PROFIT FOR THE YEAR		10,970	*3,585*
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be subsequently reclassified to Income Statement:			
Remeasurement gains/(losses) on defined benefit pension scheme	30	5,988	*(3,961)*
Deferred taxation on remeasurement (gains)/losses on defined benefit pension scheme	24	(691)	*942*
TOTAL ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		5,297	*(3,019)*
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		5,297	*(3,019)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		16,267	*566*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		16,267	*566*

J. Smart & Co. (Contractors) PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31st JULY 2021

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 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
Profit for the year	–	–	10,970	10,970
Other comprehensive gain	–	–	5,297	5,297
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	16,267	16,267
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(13)	–	(769)	(782)
Transfer to Capital Redemption Reserve	–	13	(13)	–
Dividends	–	–	(1,361)	(1,361)
TOTAL TRANSACTIONS WITH OWNERS	(13)	13	(2,143)	(2,143)
At 31st July 2021	840	168	112,376	113,384

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31st JULY 2021

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 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
Loss for the year	–	–	(482)	(482)
Other comprehensive gain	–	–	5,297	5,297
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	4,815	4,815
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(13)	–	(769)	(782)
Transfer to Capital Redemption Reserve	–	13	(13)	–
Dividends	–	–	(1,361)	(1,361)
TOTAL TRANSACTIONS WITH OWNERS	(13)	13	(2,143)	(2,143)
At 31st July 2021	840	168	5,021	6,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st JULY 2021

	Notes	2021 £000	*2020 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,245	*1,268*
Investment properties	15	93,060	*78,632*
Investments in Joint Ventures	16	1,267	*901*
Available for sale financial assets	17	1,184	*886*
Trade and other receivables	20	1,570	*250*
Retirement benefit surplus	30	4,725	*–*
Deferred tax assets	24	179	*313*
		103,230	*82,250*
CURRENT ASSETS			
Inventories	18	7,531	*6,181*
Contract assets	19	246	*423*
Corporation tax asset	9	35	*139*
Trade and other receivables	20	2,945	*2,823*
Monies held on deposit	21	48	*48*
Cash and cash equivalents	21	19,355	*23,118*
		30,160	*32,732*
TOTAL ASSETS		133,390	*114,982*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	5,171	*1,265*
Lease liabilities	25	213	*205*
Retirement benefit deficit	30	–	*1,076*
		5,384	*2,546*
CURRENT LIABILITIES			
Trade and other payables	22	3,050	*3,072*
Lease liabilities	25	–	*–*
Bank overdraft	21	11,572	*10,104*
		14,622	*13,176*
TOTAL LIABILITIES		20,006	*15,722*
NET ASSETS		113,384	*99,260*
EQUITY			
Called up share capital	26	840	*853*
Capital redemption reserve	26	168	*155*
Retained earnings		112,376	*98,252*
TOTAL EQUITY		113,384	*99,260*

The financial statements on pages 47 to 90 were approved by the Board of Directors and authorised for issue on 18th November 2021 and were signed on its behalf by:

David W Smart
Director

John R Smart
Director

Company Number SC025130

J. Smart & Co. (Contractors) PLC

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31st JULY 2021

	Notes	2021 £000	*2020 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	683	*529*
Investments in Subsidiaries and Joint Ventures	16	1,698	*1,565*
Trade and other receivables	20	1,570	*250*
Retirement benefit surplus	30	4,725	*–*
Deferred tax asset	24	–	*204*
		8,676	*2,548*
CURRENT ASSETS			
Inventories	18	7,477	*6,090*
Contract assets	19	246	*277*
Trade and other receivables	20	1,924	*4,175*
Corporation tax asset		962	*869*
Cash and cash equivalents	21	–	*–*
		10,609	*11,411*
TOTAL ASSETS		19,285	*13,959*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	1,262	*26*
Retirement benefit deficit	30	–	*1,076*
		1,262	*1,102*
CURRENT LIABILITIES			
Trade and other payables	22	2,229	*2,150*
Bank overdraft	21	9,765	*7,350*
		11,994	*9,500*
TOTAL LIABILITIES		13,256	*10,602*
NET ASSETS		6,029	*3,357*
EQUITY			
Called up share capital	26	840	*853*
Capital redemption reserve	26	168	*155*
Retained earnings		5,021	*2,349*
TOTAL EQUITY		6,029	*3,357*

A separate Statement of Comprehensive Income for the Company has not been presented as permitted by Section 408 of the Companies Act 2006. The loss for the Company is £482,000 (2020, profit £1,920,000).

The financial statements on pages 47 to 90 were approved by the Board of Directors and authorised for issue on 18th November 2021 and were signed on its behalf by:

David W Smart
Director

John R Smart
Director

Company Number SC025130

J. Smart & Co. (Contractors) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st JULY 2021

	Notes	2021 £000	*2020 £000*
CASH INFLOW FROM OPERATING ACTIVITIES	27 (a)	1,257	*5,387*
Tax paid		(361)	*(531)*
NET CASH INFLOW FROM OPERATING ACTIVITIES		896	*4,856*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(336)	*(355)*
Additions to investment properties		(439)	*(483)*
Expenditure on own work capitalised - investment properties		(1,901)	*(2,410)*
Proceeds of sale of property, plant and equipment		45	*29*
Proceeds of sale of investment property		62	*–*
Purchase of financial assets		–	*–*
Proceeds of sale of financial assets		15	*60*
Interest received		4	*78*
Loan to Joint Ventures		(1,320)	*–*
Investment in Joint Ventures		(133)	*–*
Dividend received from Joint Ventures		31	*–*
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,972)	*(3,081)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest costs on leases		(12)	*(12)*
Purchase of own shares		(782)	*(793)*
Dividends paid		(1,361)	*(795)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(2,155)	*(1,600)*
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,231)	*175*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27 (b)	13,014	*12,839*
CASH AND CASH EQUIVALENTS AT END OF YEAR	27 (b)	7,783	*13,014*

J. Smart & Co. (Contractors) PLC

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31st JULY 2021

	Notes	2021 £000	*2020 £000*
CASH OUTFLOW FROM OPERATING ACTIVITIES	28 (a)	(1,414)	*(2,251)*
Tax received		382	*227*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(1,032)	*(2,024)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(326)	*(86)*
Proceeds of sale of property, plant and equipment		8	*9*
Loan to Joint Ventures		(1,320)	*–*
Investment in Joint Ventures		(133)	*–*
Dividend received from subsidiaries and Joint Ventures		2,531	*5,000*
NET CASH INFLOW FROM INVESTING ACTIVITIES		760	*4,923*
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(782)	*(793)*
Dividends paid		(1,361)	*(795)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(2,143)	*(1,588)*
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,415)	*1,311*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28 (b)	(7,350)	*(8,661)*
CASH AND CASH EQUIVALENTS AT END OF YEAR	28 (b)	(9,765)	*(7,350)*

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 financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31st JULY 2021

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 2021:

- IAS 1 (amended): Presentation of Financial Statements.
- IAS 8 (amended): Accounting Policies, Changes in Accounting Estimates and Errors.

None of the above amendments to standards had a significant impact on the Group's financial statements.

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 2024).
- IAS 8 (amended): Accounting Policies, Changes in Accounting Estimates and Errors (effective in the year ending 31st July 2024).
- IAS 39 (amended): Financial Instruments: Recognition and Measurement (effective in the year ending 31st July 2022).
- IFRS 3 (amended): Business Combinations (effective in the year ending 31st July 2023).
- IFRS 7 (amended): Financial Instruments: Disclosures (effective in the year ending 31st July 2022).
- IFRS 9 (amended): Financial Instruments (effective in the year ending 31st July 2022).
- IFRS 16 (amended): Leases (effective in the year ending 31st July 2022).
- 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

BASIS OF PREPARATION

The financial statements 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, 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 financial statements.

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 financial statements 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 prepared a number of cashflows scenarios taking account of trading activities around construction projects in hand and anticipated projects, land acquisitions, rental income, investment property acquisitions and disposals and other capital expenditure. The Directors also have taken account of the continuing impact of the coronavirus on the construction and investment activities of the Group. In each scenario reviewed by the Directors the Group remains cash positive with no reliance on external funding and therefore remains net debt free. The net assets of the Group are £113,384,000 at 31st July 2021 and the Group's net current assets amount to £15,538,000. Taking all of the information the Directors currently have they are of the opinion that the Company and Group are well placed to manage its financial and business risks and have a reasonable expectation 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 consider the adoption of the going concern basis as appropriate for the preparation of these financial statements.

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.

LONG TERM CONTRACT PROVISIONS

Judgement is required in the area of provisions for losses on long term contracts. The Directors make judgements relating to 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 financial statements.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements 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 financial statements.

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 financial statements 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 15 to 17 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. The Directors also requested a third party external valuer to value the Group's investment property portfolio. The valuations are compared to ensure no material variations between the valuations. 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. 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 financial statements for the land and an associated lease liability also requires to be incorporated into the financial statements. 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 relates to investment properties after initial recogition 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 less residual value of each asset over its expected useful life, as follows:

Freehold buildings	-	over 40 to 66 years
Plant and machinery	-	3 to 4 years
Office furniture and fittings	-	3 to 5 years
Motor vehicles	-	3 years

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 substantively 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 substantively 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. Both lease payments and finance charges are disclosed in the Statement of Cash Flows under Financing Activities.

For ground leases where payments to the lessors are contingent on rents received by the Group from tenants the Group recognises the lease payments as ground rent payable and are charged to the Income Statement as incurred and included in Statement of Cash Flows under Operating Activities.

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 and disclosed in the Statement of Cash Flows under Operating Activities.

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 from construction contracts as it is recognised over time as the work progresses. 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. In some cases land held by the Group is sold to third parties and then a build contract is obtain for construction work on the land, the sale of land is a separate obligation from the construction contract and recognised at the point in time the land is sold.

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. Rental income is generally charged quarterly in advance.

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.

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)

FINANCE INCOME AND COSTS

Finance income arising from short term deposits is accounted for on a received basis.

Finance costs relating to leases are accounted for on a straight line basis.

Finance income or costs relating to retirement benefit obligations are accounted for in accordance with the requirements of IAS 19 (amended): Employee Benefits.

DIVIDEND INCOME

Dividend income from financial assets is accounted for on a received basis.

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.

FINANCIAL ASSETS

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 of lifetime expected credit losses. Cash flow movements relating to loans to Joint Ventures are disclosed under Investing Activities whereas all other items of trade and other receivables are disclosed under Operating Activities.

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. Cash flow movements in trade and other payables are included in the Statement of Cash Flows under Operating Activities.

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 – 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. Dividends paid in the year are included in the Statement of Cash Flows under Financing Activities.

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. The chief operating decision maker has identified two distinct areas of activities in the Group being construction activities and investment property activities.

All revenue and investment property income 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	Other Operating Income	Operating Profit / (Loss)	
					2021	*2020*
	£000	£000	£000	£000	£000	*£000*
2021						
Construction - continuing operations	10,407	1,901	12,308	–	(2,305)	–
Construction - discontinued operations	–	–	–	–	(81)	–
Investment property - continuing operations	–	–	–	7,411	16,578	–
Investment property - discontinued operations	–	–	–	7	–	–
	10,407	1,901	12,308	7,418	14,192	–
2020						
Construction - continuing operations	16,813	2,410	19,223	–	–	*(3,472)*
Construction - discontinued operations	1	–	1	–	–	*(57)*
Investment property - continuing operations	–	–	–	7,198	–	*7,820*
Investment property - discontinued operations	–	–	–	9	–	–
	16,814	2,410	19,224	7,207	–	*4,291*

	2021	2020
OPERATING PROFIT (continuing and discontinued activities)	14,192	*4,291*
Share of results of Joint Ventures	264	*(13)*
Finance and investment income	353	*196*
Finance and investment costs	(25)	*(391)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX (continuing and discontinued activities)	14,784	*4,083*

Internal revenue relates to own work capitalised, all other internal transactions are eliminated on consolidation. The Group had sales from construction activities from two customers amounting to £1,335,000 and £1,638,000 respectively (2020, sales from construction activities from one customer amounting to £2,498,000).

2. SEGMENTAL INFORMATION (continued)

OTHER SEGMENTAL INFORMATION

	Non-Current Assets Additions £000	Non-Current Assets Depreciation £000	Segment Assets £000	Segment Liabilities £000
2021				
Construction activities - continuing operations	336	293	20,090	13,516
Construction activities - discontinued operations	–	7	21	529
Investment activities	2,348	49	113,012	6,961
Joint Ventures	–	–	1,267	–
			134,390	21,006
Allocation of corporation tax debtor			(1,000)	(1,000)
			133,390	20,006
2020				
Construction activities - continuing operations	322	322	12,516	10,636
Construction activities - discontinued operations	–	8	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

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

	2021 £000	*2020 £000*
Continuing operations:		
Social housing	1,514	*3,229*
Civil engineering	4,521	*3,833*
Industrial	1,638	*148*
General construction	421	*2*
Private house sales	2,313	*9,601*
	10,407	*16,813*
Discontinued operations:		
Concrete products	–	*1*
	10,407	*16,814*

The transaction price allocated to unsatisfied performance obligations at 31st July 2021 are as set out below.

Social housing	–	*1,337*
Civil engineering	801	*334*
Industrial	1,264	*280*
Private house sales	12,552	*1,886*

The Directors expect that 14% (2020, 93%) of the transaction price allocated to the unsatisfied contracts and private house sales included in inventory as at 31st July 2021 will be recognised as revenue in the year to 31st July 2022.

4. OTHER OPERATING INCOME

	2021 £000	*2020 £000*
Rental income	6,619	*6,365*
Service charges and insurance receivable	792	*833*
Sundry income	–	*–*
	7,411	*7,198*
Direct property costs	(2,800)	*(2,383)*
Net rental income	4,611	*4,815*

Direct property costs included £1,011,000 (2020, £652,000) in respect of investment properties that did not generate rental income in the year.

Profit on disposal of property, plant and equipment	35	*–*

5. STAFF COSTS AND DIRECTORS' REMUNERATION

	Group		*Company*	
	2021 £000	*2020 £000*	2021 £000	*2020 £000*
Staff costs during the year amounted to:				
Wages, salaries and short term benefits	6,374	*7,188*	4,613	*5,400*
Government assistance – HMRC Job Retention Scheme	(519)	*(853)*	(413)	*(599)*
Social security costs	694	*779*	515	*599*
Post-employment benefits	1,069	*1,048*	889	*874*
	7,618	*8,162*	5,604	*6,274*

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

	No.	*No.*	No.	*No.*
Construction and related services	143	*171*	96	*119*
Office and management	22	*21*	17	*16*
	165	*192*	113	*135*

	Group and Company	
	2021 £000	*2020 £000*
Directors' remuneration:		
Salaries and short term benefits	504	*504*
Social security costs	64	*64*
Post-employment benefits	111	*109*
	679	*677*

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 27 to 32.

All staff costs including Directors' remuneration relate to the Group's continuing operations only. The Group's discontinued operations incurred no staff costs.

6. OPERATING PROFIT

	2021	*2020*
	£000	*£000*
This is stated after charging/(crediting):		
Cost of inventories recognised as an expense	1,906	*10,883*
Staff costs (per note 5)	7,618	*8,162*
Hire of plant and machinery	390	*473*
Ground rents	175	*100*
Depreciation of owned assets	342	*372*
Profit on disposal of property, plant and equipment	–	*(18)*
Auditor's remuneration		
Audit of these financial statements	46	*42*
Amounts receivable by the auditor in respect of:		
Audit of these financial statements of subsidiaries pursant to legislation	68	*53*

Amounts paid to the Company's Auditor in respect of services to the Company, other than the audit of the Company's financial statements has not been disclosed as the information is required instead to be disclosed on a consolidated basis.

7. INCOME FROM INVESTMENTS

Dividend income from available for sale financial assets	36	*50*

8. FINANCE INCOME AND COSTS

Income:	Interest on short term deposits	4	*78*
	Net interest income on retirement benefit obligations	–	*52*
		4	*130*
Costs:	Interest on leases	12	*12*
	Net interest expense on retirement benefit obligations	13	*–*
		25	*12*

9. TAXATION

UK Corporation Tax		
Current tax on income for the year	450	*239*
Corporation tax under provided in previous years	3	*9*
	453	*248*
Deferred taxation (note 24)	3,349	*260*
	3,802	*508*
Current Tax Reconciliation		
Profit on ordinary activities before tax	14,865	*4,140*
Share of (profits)/losses of Joint Ventures	(264)	*13*
	14,601	*4,153*
Current tax at 19.00% (2020, 19.00%)	2,774	*789*
Effects of:		
Expenses not deductible for tax purposes	45	*19*
Non taxable income including revaluation surplus	(1,223)	*(689)*
Effect of change in tax rate	1,320	*195*
Adjustments to corporation tax charge in respect of prior years	3	*9*
Adjustments to deferred tax charge in respect of prior years	466	*194*
Deferred tax not recognised	417	*(9)*
	3,802	*508*

9. TAXATION (continued)

The Finance Act 2020, which received Royal assent on 22nd July 2020, states that the corporation tax rate for the financial year commencing 1st April 2020 is 19%. The Finance Act 2021, which received Royal assent on 24th May 2021, states that the corporation tax rate for the financial year commencing 1st April 2023 is 25%.

The effective corporation tax rate is 19.00% (2020, 19.00%) being the average rate applicable over the period. Deferred tax provisions have been calculated using the 25% rate.

In addition to amounts charged to the Income Statement, a deferred tax charge of £691,000 (2020, credit £942,000) relating to actuarial gains 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 £nil (2020, £426,000).

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:

	2021 £000	*2020* *£000*
Revenue	–	*1*
Cost of sales	–	*(18)*
Gross Loss	–	*(17)*
Other operating income	7	*9*
Net operating expenses	(88)	*(49)*
Loss Before Tax	(81)	*(57)*
Taxation		
Corporation tax	(12)	*10*
Net loss attributable to discontinued operations (attributable to owners of the Company)	(93)	*(47)*
The operating loss is stated after charging/(crediting):		
Cost of inventories recognised as an expense	–	*14*
Staff costs (per note 5)	–	*–*
Hire of plant and machinery	–	*–*
Depreciation of owned assets	7	*8*
Profit on disposal of property, plant and equipment	–	*–*
Auditor's remuneration – audit of these financial statements	4	*4*

During the year, Concrete Products (Kirkcaldy) Limited had cash outflows of £64,000 (2020, £417,000) in relation to Operating activities and contributed £nil (2020, contributed £nil) in respect of Investing activities.

11. PROFIT FOR THE FINANCIAL YEAR

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 financial assets accounted for through the Income Statement. As the net surplus or deficit on valuation of investment properties and 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:

	2021 £000	*2020* *£000*
Profit before tax – continuing and discontinued operations	14,784	*4,083*
Surplus on valuation of investment properties	(12,105)	*(3,179)*
(Surplus)/Deficit on valuation of financial assets	(312)	*379*
	2,367	*1,283*

12. DIVIDENDS

	2021	*2020*
2019 Final Dividend of 2.24p per share, after waivers	–	*390*
2020 Interim Dividend of 0.95p per share	–	*405*
2020 Final Dividend of 2.27p per share	961	*–*
2021 Interim Dividend of 0.95p per share	400	*–*
	1,361	*795*

The Board is proposing a Final Dividend of 2.27p per share (2020, 2.27p) which will cost the Company no more than £949,000.

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

		2021	*2020*
CONTINUING OPERATIONS			
Profit attributable to Equity shareholders	£000	11,063	*3,632*
Basic Earnings per share		26.16p	*8.46p*
DISCONTINUED OPERATIONS			
Loss attributable to Equity shareholders	£000	(93)	*(47)*
Basic Loss per share		(0.22)p	*(0.11)p*
CONTINUING AND DISCONTINUED OPERATIONS			
Profit attributable to Equity shareholders	£000	10,970	*3,585*
Basic Earnings per share		25.94p	*8.35p*

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 2021 amounted to 42,284,000 (2020, 42,948,000).

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 2020	896	4,857	5,753
Additions	–	336	336
Disposals	–	(345)	(345)
At 31st July 2021	896	4,848	5,744
Depreciation:			
At 1st August 2020	651	3,834	4,485
Provided during year	15	334	349
Disposals	–	(335)	(335)
At 31st July 2021	666	3,833	4,499
Net book value:			
At 31st July 2021	230	1,015	1,245
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

Included within Freehold Land and Buildings is land costing £13,000 (2020, £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 2020	361	2,540	2,901
Additions	–	326	326
Disposals	–	(119)	(119)
At 31st July 2021	361	2,747	3,108
Depreciation:			
At 1st August 2020	135	2,237	2,372
Provided during year	5	161	166
Disposals	–	(113)	(113)
At 31st July 2021	140	2,285	2,425
Net book value:			
At 31st July 2021	221	462	683
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

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 2020	65,337	13,090	205	78,632
Additions	1,773	567	8	2,348
Disposals	(25)	–	–	(25)
Surplus on valuation	8,659	3,446	–	12,105
At 31st July 2021	75,744	17,103	213	93,060
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

Right-of-use Asset relates to a ground lease on which the Group has built investment properties. The rent paid by the Group to the lessee for the ground is a set annual rent and is not contingent on rents received by the Group from tenants and therefore the lease falls within the definition of IFRS 16: Leases.

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). The Directors also requested a third party external valuer to value the Group's investment property portfolio. 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.

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:

		Estimated Rental Value £ per sq ft			Equivalent Yield %		
	£000	Low	Average	High	Low	Average	High
Fair Value at 31st July 2021							
Investment							
Commercial	21,885	11.00	15.25	19.50	6.70	8.91	11.67
Industrial	70,962	4.75	7.75	10.75	5.89	7.02	8.89
Fair Value at 31st July 2020							
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:

		5% change in estimated rental value		25bps change in equivalent yield	
		Increase	Decrease	Decrease	Increase
	£000	£000	£000	£000	£000
Fair Value at 31st July 2021					
Investment					
Commercial	21,885	1,094	(1,094)	655	(618)
Industrial	70,962	3,426	(3,426)	2,588	(2,407)
Fair Value at 31st July 2020					
Investment					
Commercial	20,569	194	(194)	91	(86)
Industrial	57,858	983	(983)	630	(592)

The Group had obligations of £1,442,000 (2020, £1,583,000) in respect of future developments and repair costs of investment properties at the Balance Sheet date.

16. INVESTMENTS

	Group		*Company*	
	2021	*2020*	2021	*2020*
	£000	*£000*	£000	*£000*
Shares in Subsidiaries at Cost	–	*–*	708	*708*
Joint Ventures	1,267	*901*	990	*857*
	1,267	*901*	1,698	*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.

	2021 £000	2020 £000
Non-Current assets	3,846	1,822
Current assets	370	149
Of which are cash and cash equivalents	*51*	*87*
Non-Current liabilities	(1,570)	(250)
Of which are financial liabilities excluding trade and other payables and provisions	*(1,570)*	*(250)*
Current liabilities	(666)	(6)
Of which are financial liabilities excluding trade and other payables and provisions	*–*	*–*
Net assets	1,980	1,715
Group's interest in net assets	1,227	827
Revenue	–	–
Other Operating Income	111	–
Profit and total comprehensive income/(loss)	534	(30)
Group's share of profit and total comprehensive income/(loss)	267	(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:

	2021 £000	*2020 £000*
Aggregate carrying amount of individually immaterial joint ventures	40	*74*
Aggregate carrying amount of the Group's share of:		
Profit after tax and total comprehensive income	(3)	*2*
Dividend received	(31)	*–*
Total comprehensive income	(34)	*2*

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%
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
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.

Duff Street Limited was dissolved on 10th August 2021.

16. INVESTMENTS (continued)

(b) SUBSIDIARIES

	2021	*2020*
	£000	*£000*
At 1st August 2020 and 31st July 2021	708	*708*

At 31st July 2021 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. FINANCIAL ASSETS

	Group	
	2021	*2020*
	£000	*£000*
Listed investments	1,184	*886*

Listed investments are measured at fair value with changes in their value taken to the Income Statement.

The fair value movement on financial assets held at 31st July 2021 before tax amounted to £312,000 (2020, £(379,000)) and was taken to the Income Statement.

There has been no impairment adjustment on 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*	
	2021	*2020*	2021	*2020*
	£000	*£000*	£000	*£000*
Work in progress	4,118	*1,863*	4,118	*1,863*
Land held for development	3,329	*4,195*	3,329	*4,195*
Raw materials and consumables	84	*123*	30	*32*
	7,531	*6,181*	7,477	*6,090*

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amount of costs incurred and recognised profits less recognised losses to date	2,271	*7,433*	1,763	*4,804*
Retentions outstanding	44	*217*	25	*146*
Advances received	(2,140)	*(7,150)*	(1,542)	*(4,560)*
Net value of contracts in progress	175	*500*	246	*390*

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 Receivables (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*	
	2021	*2020*	2021	*2020*
	£000	*£000*	£000	*£000*
Contract Assets	246	*423*	246	*277*
As at 1st August 2020	423	*549*	277	*408*
Transfers from contract assets recognised at the beginning of the year to trade receivables	(423)	*(549)*	(277)	*(408)*
Increase related to services provided in the year	246	*423*	246	*277*
As at 31st July 2021	246	*423*	246	*277*

20. TRADE AND OTHER RECEIVABLES

	2021	*2020*	2021	*2020*
NON-CURRENT ASSETS:				
Loan to Joint Venture companies	1,570	*250*	1,570	*250*
CURRENT ASSETS:				
Trade receivables	1,431	*894*	246	*118*
Amounts owed by Subsidiaries	–	*–*	1,374	*3,174*
Other receivables	1,137	*1,555*	–	*563*
Prepayments and accrued income	201	*198*	128	*144*
Loans to Joint Venture companies	176	*176*	176	*176*
	2,945	*2,823*	1,924	*4,175*

Trade receivables are subject to standard payment terms and conditions normal for construction industry being 14 days from date applications are issued or 30 days from date of invoice whichever is applicable and for the investment property rent it is payable in advance and insurance and service charge invoices due on demand.

The Group measures the loss allowance on trade receivables at an amount equal to lifetime expected credit loss using the simplified model in IFRS 9: Financial Instruments which are estimated by reference to past default experience of debtors and an analysis of debtors' current financial position and adjusted for items specific to debtors. There has been no change in the estimation techniques or significant assumptions in the year.

The Group has considered the measure of the loss allowance separately for its construction activities and investment activities as the transactions within each activity differ significantly as does previous credit experience.

For construction activities due to the nature of the customers of the Group which tend to be social housing providers or local government and in respect of private house sales which do not occur until receipt of proceeds the risk of credit loss is almost nonexistent. In the years to 31st July 2021 and 31st July 2020 the Group had no specific bad debt write offs. Therefore, based in this past experience the Group has incorporated a £nil expected credit loss for construction activities.

For investment activities the Group has reviewed the bad debts written off in previous years, which occurs when the Group has information indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery of the debt and has calculated over the last three financial years an average expected credit loss percentage of 0.14%.

20. TRADE AND OTHER RECEIVABLES (continued)

The Group is able to review all of this trade receivables in its investment activities and make specific provisions as it considers necessary based on the knowledge of its debtors and likelihood of recoverability of the debts. As at 31st July 2021 the Group made a provision for lifetime expected credit losses of £23,000 (2020, £57,000).

Trade receivables and amounts recoverable on contracts includes £262,000 (2020, £135,000) 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. These loans are not subject to significant increase in credit risk since initial recognition and consequently there is no lifetime credit losses for non-current receivables.

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*	
	2021	*2020*	2021	*2020*
	£000	*£000*	£000	*£000*
Cash at bank and on hand	11,531	*10,121*	–	–
Short term deposits	7,824	*12,997*	–	–
	19,355	*23,118*	–	–
Bank overdrafts	(11,572)	*(10,104)*	(9,765)	*(7,350)*
	7,783	*13,014*	(9,765)	*(7,350)*

Monies held on deposit of £48,000 (2020, £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	858	*798*	641	*488*
Amounts owed to Subsidiaries	–	–	50	*82*
Other taxes and social security costs . . .	633	*244*	410	*168*
Other creditors and accruals	1,094	*2,030*	1,128	*1,412*
Deferred income	465	–	–	–
	3,050	*3,072*	2,229	*2,150*

Included in Other creditors and accruals are contract loss provisions.

23. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of bank balances and cash, financial assets, trade and other receivables and trade and other payables. The amounts presented in relation to trade receivables are net of allowances for expected credit losses.

Financial assets are held at fair value as per IFRS 13: Fair Value Measurement with changes in value being taken to the Income Statement all other instruments are carried at cost which approximates to their fair value.

The financial instruments are held to finance the Group's operations.

Details of significant accounting policies and methods adopted in relation to recognition and measurement are given in note 1 to the financial statements.

The principal risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk. All transactions for the Group are undertaken in pound sterling and therefore the Group is not exposed to foreign exchange rate risk.

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 who the Group assess as being creditworthy. In some instances, relating to tenants within investment properties, guarantees from parent companies and/or deposits are obtained prior to granting of a lease should the Group assess any potential issues with creditworthiness.

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

Trade receivables - Trade receivables are subject to standard payment terms and conditions normal for construction industry and for the investment property rent is payable in advance and insurance and service charge invoices are due on demand. The Group measures the loss allowance on trade receivables at an amount equal to lifetime expected credit loss which are estimated by reference to past default experience of debtors and an analysis of debtors' current financial position and adjusted for items specific to debtors. There has been no change in the estimation techniques or significant assumptions in the year.

Trade receivables are written off when the Group becomes aware that the debtor is in severe financial difficulty and there is no prospect of recovery of the debt.

As at 31st July 2021 for the Group 15.7% (2020, 28.4%) of the trade receivables are past due but not impaired and for the Company 7.7% (2020, nil)

Joint Ventures - 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.

Bank deposits - The Group deposits surplus monies with various banks and accounts to reduce the Group's exposure to any one financial institution or product.

MARKET RISK

The Group's exposure here is in relation to interest rates. The Group only has monies on deposits it has no bank borrowings, so the risk relates to interest receivable only.

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 £78,000 and £4,000 respectively (2020, £87,000 and £78,000 respectively).

LIQUIDITY RISK

The Group pays all trade creditors in accordance with standard payment terms in the construction industry being end of month following receipt of invoice. All other creditors are paid in accordance with their standard terms.

24. DEFERRED TAXATION

DEFERRED TAX ASSETS

	Group			Company
	Retirement Benefit Obligations £000	Other £000	Total £000	Retirement Benefit Obligations £000
At 1st August 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
Credited to Income Statement – continuing operations	2,347	70	2,417	2,347
Charged to Equity	(2,551)	–	(2,551)	(2,551)
At 31st July 2021	–	179	179	–

Deferred tax assets arising in respect of valuation surpluses on Investment Properties of £nil (2020, £426,000) 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	Valuation Surplus on Investment Properties £000	Fair Value £000	Other Timing Differences £000	Total £000
At 1st August 2019	1,217	493	–	5	20	1,735
Charged/(credited) to Income Statement – continuing operations	27	(2,102)	–	(5)	1	(2,079)
Charged to Equity	–	1,609	–	–	–	1,609
At 31st July 2020	1,244	–	–	–	21	1,265
Charged to Income Statement – continuing operation	509	3,041	2,209	6	1	5,766
Credited to Equity	–	(1,860)	–	–	–	(1,860)
At 31st July 2021	1,753	1,181	2,209	6	22	5,171

COMPANY

	Accelerated Capital Allowances £000	Retirement Benefit Obligations £000	Other Timing Differences £000	Total £000
At 1st August 2019	10	493	15	518
(Credited)/charged to Income Statement	–	(2,102)	1	(2,101)
Charged to Equity	–	1,609	–	1,609
At 31st July 2020	10	–	16	26
Charged/(credited) to Income Statement	56	3,041	(1)	3,096
Credited to Equity	–	(1,860)	–	(1,860)
At 31st July 2021	66	1,181	15	1,262

25. LEASE LIABILITIES

	Group 2021	Group *2020*
Amounts payable under leases:		
Within one year	–	–
In two – five years exclusively	–	–
After five years	213	205
Present value of lease liabilities	213	205
Due for settlement within one year (shown in current liabilities)	–	–
Due for settlement after one year (shown in non-current liabilities)	213	205

26. SHARE CAPITAL

	2021 Number	2021 £000	*2020 Number*	*2020 £000*
Issued and fully paid ordinary shares of 2p each				
At 1st August 2020	42,610,409	853	*43,275,409*	*866*
Purchased and cancelled	(650,016)	(13)	*(665,000)*	*(13)*
At 31st July 2021	41,960,393	840	*42,610,409*	*853*

During the year to 31st July 2021 the Company purchased for cancellation 650,016 ordinary shares of 2p each with a nominal value of £13,000 for a consideration of £782,000.

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.

Capital redemption reserve

The Capital redemption reserve relates to the nominal value of issued share capital bought back by the Company and cancelled.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2021 £000	*2020 £000*
Profit before tax – continuing and discontinued operations	14,784	*4,083*
Share of (profits)/losses from Joint Ventures	(264)	*13*
Depreciation	349	*380*
Unrealised surplus on valuation of investment properties	(12,105)	*(3,179)*
Unrealised (surplus)/deficit on valuation of financial assets	(312)	*379*
Profit on sale of property, plant and equipment	(35)	*(18)*
Profit on sale of investment property	(37)	–
Profit on sale of available for sale financial assets	(1)	*(16)*
Change in retirement benefits	187	*14*
Interest received	(4)	*(78)*
Interest paid	12	*12*
Change in inventories	(1,350)	*3,981*
Change in contract assets	177	*126*
Change in receivables – current	(122)	*12*
Change in payables	(22)	*(322)*
CASH FLOWS FROM OPERATING ACTIVITIES	1,257	*5,387*

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

	2021 £000	*2020 £000*
Cash and cash equivalents	19,355	*23,118*
Bank overdraft	(11,572)	*(10,104)*
Net position	7,783	*13,014*

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

(c) ANALYSIS OF NET FUNDS

	At 1st August 2020 £000	Cash Flow £000	At 31st July 2021 £000
Cash and cash equivalents	23,118	(3,763)	19,355
Bank overdraft	(10,104)	(1,468)	(11,572)
Net funds	13,014	(5,231)	7,783

28. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

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

	2021 £000	*2020 £000*
(Loss)/profit before tax	(208)	*1,677*
Depreciation	166	*137*
Profit on sale of property, plant and equipment	(2)	*(2)*
Dividend received from Subsidiaries and Joint Ventures	(2,531)	*(5,000)*
Change in retirement benefits	187	*14*
Change in inventories	(1,387)	*2,479*
Change in contract assets	31	*131*
Change in receivables – current	2,251	*(2,072)*
Change in payables	79	*385*
CASH FLOWS FROM OPERATING ACTIVITIES	(1,414)	*(2,251)*

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

Cash and cash equivalents	–	*–*
Bank overdraft	(9,765)	*(7,350)*
	(9,765)	*(7,350)*

(c) ANALYSIS OF NET FUNDS

	At 1st August 2020 £000	Cash Flow £000	At 31st July 2021 £000
Cash and cash equivalents	–	–	–
Bank overdraft	(7,350)	(2,415)	(9,765)
	(7,350)	(2,415)	(9,765)

29. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2021 or 31st July 2020.

The Group had obligations of £1,442,000 (2020, £1,583,000) in respect of future developments and repair costs of investment properties at the Balance Sheet date.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2021 amounted to £nil (2020, £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 Group has concluded that the trust deed relating to the scheme grants the unconditional right to any surplus of the scheme on the full settlement of the scheme liabilities to the Group and therefore have concluded that any surplus on the scheme can be incorporated into the Group and Company financial statements.

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 £559,000 during the financial year to 31st July 2022.

ASSUMPTIONS

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

	2021	*2020*
Valuation method	Projected Unit	*Projected Unit*
Discount rate	1.6%	*1.3%*
Inflation rate - Retail price index	3.4%	*3.1%*
Inflation rate - Consumer price index	2.7%	*2.2%*
Salary increases	3.4%	*3.1%*
Pension increases	2.0% – 3.5%	*1.8% – 3.4%*

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

Man currently aged 65	21.4	*21.9*
Woman currently aged 65	23.9	*24.2*
Man currently aged 45	22.6	*23.2*
Woman currently aged 45	25.3	*25.6*

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 surplus:

		Increase in scheme liabilities	
		2021	*2020*
	Change in assumption	£000	*£000*
Discount rate	Decrease of 0.25%	1,349	*1,517*
Inflation rate	Increase of 0.25%	363	*304*
Mortality rate	Increase in life expectancy of 1 year	1,733	*1,873*

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 2021 £000	*Valuation 2020 £000*	*Valuation 2019 £000*
EQUITIES			
UK	13,001	*11,054*	*14,672*
Overseas	22,441	*17,846*	*15,586*
Multi-asset diversified funds	3,507	*3,399*	*3,500*
Absolute return funds	973	*952*	*921*
BONDS			
Government	1,158	*1,302*	*1,332*
Corporate	3,632	*3,824*	*2,979*
OTHER			
Cash	2,565	*1,978*	*2,551*
Fair value of scheme assets	47,277	*40,355*	*41,541*
Present value of scheme liabilities	(39,414)	*(41,431)*	*(38,642)*
	7,863	*(1,076)*	*2,899*
Asset ceiling adjustment	(3,138)	*–*	*–*
Scheme surplus/(deficit)	4,725	*(1,076)*	*2,899*
Deferred taxation	(1,181)	*204*	*(493)*
Net pension scheme surplus/(deficit)	3,544	*(872)*	*2,406*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

In the most recent triennial valuation dated 31st October 2018, the defined benefit scheme liabilities were split 34% in respect of active scheme members, 6% in respect of deferred scheme members and 60% in respect of retirees.

The duration of the defined benefit scheme liabilities as at 31st July 2021 is 14 years (2020, 14 years).

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

	2021 £000	*2020* *£000*
Analysis of amounts charged to operating profit:		
Current service cost	(642)	*(629)*
Past service cost	(85)	*–*
Total service cost	(727)	*(629)*
Analysis of amounts charged to net finance income:		
Interest income	521	*741*
Interest costs	(534)	*(689)*
	(13)	*52*
Movement in present value of defined benefit obligations:		
At 1st August 2020	41,431	*38,642*
Service cost	727	*629*
Interest cost	534	*689*
Charges paid	–	*–*
Employee contributions	36	*38*
Benefit payments	(1,273)	*(1,187)*
Actuarial movements due to scheme experiences	(231)	*(372)*
Actuarial movements due to changes in demographic assumptions	(970)	*778*
Actuarial movements due to changes in financial assumptions	(840)	*2,214*
At 31st July 2021	39,414	*41,431*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2021 £000	*2020 £000*
Movement in fair value of scheme assets:		
At 1st August 2020	40,355	*41,541*
Interest income	521	*741*
Interest income relating to asset ceiling adjustment	–	*–*
Employer contributions	553	*563*
Employee contributions	36	*38*
Benefits paid	(1,273)	*(1,187)*
Charges paid	–	*–*
Return on plan assets excluding amount shown in interest income	7,085	*(1,341)*
At 31st July 2021	47,277	*40,355*
Movement in scheme surplus /(deficit):		
At 1st August 2020	(1,076)	*2,899*
Current service cost	(642)	*(629)*
Past service cost	(85)	*–*
Contributions	553	*563*
Net finance (costs)/income included in finance (costs)/income	(13)	*52*
Actuarial remeasurement of pension scheme liability	9,126	*(3,961)*
Effect of asset ceiling adjustment	(3,138)	*–*
At 31st July 2021	4,725	*(1,076)*
Analysis of the actuarial gain/(loss) included in the statement of comprehensive income:		
Return on scheme assets excluding amounts shown in interest income	7,085	*(1,341)*
Changes in assumptions underlying present value of scheme liabilities	2,041	*(2,620)*
Effect of asset ceiling adjustment	(3,138)	*–*
At 31st July 2021	5,988	*(3,961)*

The asset ceiling adjustment incorporated in the financial statements for the year to 31st July 2021 was to reflect the measurement of the net defined benefit asset to the lower of the surplus in the scheme and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

History of experience gains and losses:	2021	*2020*
Return on scheme assets		
Amount (£000)	7,085	*(1,341)*
Percentage of market value of scheme assets	15.0%	*3.3%*
Changes in assumptions underlying present value of scheme liabilities		
Amount (£000)	2,041	*(2,620)*
Percentage of market value of scheme liabilities	5.2%	*6.3%*
Total amounts included in Consolidated Statement of Comprehensive Income		
Amount (£000)	5,988	*(3,961)*
Percentage of market value of scheme liabilities	15.2%	*9.6%*

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 £253,000 (2020, £314,000) 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 £63,000 (2020, £90,000) 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 £4,000 (2020, £13,000) 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 2021 these amounted to £nil.

32. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

Future minimum lease payments payable under non-cancellable operating leases for ground leases were payments to the lessors are contingent on rents received by the Group from tenants and as such, do not fall within the scope of IFRS 16: Leases for capitalisation:

	2021 £000	*2020* *£000*
Within one year	106	*129*
In two – five years exclusively	322	*250*
After five years	244	*172*
	672	*551*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £6,626,000 (2020, £6,374,000). At the Balance Sheet date, the Group had contracted with its tenants for the following future minimum lease payments:

	2021	*2020*
Within one year	6,642	*6,727*
Within one and two years	5,344	*5,345*
Within two and three years	4,492	*4,277*
Within three and four years	3,935	*3,640*
Within four and five years	3,425	*3,254*
After five years	8,313	*9,761*
	32,151	*33,004*

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:

SUBSIDIARY	2021 £000	*2020 £000*	2021 £000	*2020 £000*
	Sale of goods and services		Purchase of goods and services	
McGowan and Company (Contractors) Limited	126	*125*	298	*457*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	126	*146*	5	*3*
Concrete Products (Kirkcaldy) Limited	2	*13*	–	*1*
C. & W. Assets Limited	3,031	*3,413*	–	–
Smart Serviced Offices Limited	118	*120*	–	–

In addition, during the year the Company received a dividend of £2,500,000 from C. & W. Assets Limited (2020, £5,000,000).

SUBSIDIARY	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan and Company (Contractors) Limited	–	–	50	*82*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	4	–	–	–
Concrete Products (Kirkcaldy) Limited	–	–	–	–
C. & W. Assets Limited	1,370	*3,173*	–	–
Smart Serviced Offices Limited	940	*861*	–	–

During the year the Company advanced a further £80,000 to its subsidiary Smart Serviced Offices Limited and as at 31st July 2021 the total due from the subsidiary was £940,000. As at 31st July 2021 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 £529,000 (2020, £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 £1,408,000 (2020, £nil), receipt of dividends of £31,000 (2020, £nil).

During the year the Group was repaid £nil (2020, £nil) of outstanding loans to Joint Venture Companies and advanced £1,320,000 (2020, £nil) to Joint Venture Companies.

As at 31st July 2021 loans outstanding from Joint Venture Companies amounted to £1,746,000 (2020, £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 2021 the Group purchased materials amounting to £10,000 (2020, £51,000) from these companies and sold materials and services amounting to £82,000 (2020, £51,000) to these companies.

All transactions were at normal commercial rates.

As at 31st July 2021 the Group owed these companies £4,000 (2020, £3,000) and was owed £53,000 (2020, £nil).

(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 financial statements 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:

	2021 £000	*2020 £000*
David W Smart	412	*117*
John R Smart	412	*117*
Alasdair H Ross	5	*3*
Patricia Sweeney	5	2

(f) DIRECTORS' TRANSACTIONS

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

David W Smart	24	*1*
John R Smart	75	*84*
Alasdair H Ross	–	–
Patricia Sweeney	–	–

(g) PENSION SCHEMES

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

During the year the Company paid fees and expenses on behalf of the defined benefit pension scheme amounting to £179,000 (2020, £171,000).

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