J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2022

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
Northrigg 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 *19th January 2023* at 12 noon, for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st July 2022 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 2022 as set out on pages 29 to 34 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 re-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 adopt, via a special resolution, the new Articles of Association of the Company.
11. To transact any other business of an Annual General Meeting.

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

A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of him/her. A proxy need not be a member. Forms of proxy, if used, must be lodged with the Registrars of the Company at least 48 hours before the time fixed for the Meeting. Forms of proxy may also be lodged electronically by submitting a duly completed scanned copy of the proxy card to proxyvotes@equiniti.com. You may not use the electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than that expressly stated.

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

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

BY ORDER OF THE BOARD OF DIRECTORS
PATRICIA SWEENEY
Company Secretary

28 Cramond Road South,
Edinburgh
EH4 6AB

17th November 2022

CHAIRMAN'S REVIEW

ACCOUNTS

Headline Group profit for the year before tax on continuing and discontinued operations, including an unrealised surplus in revalued property and a deficit in revalued financial assets, was £8,192,000, compared with £14,784,000 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 £7,840,000 and was more than last year's figure of £2,367,000.

The Board is recommending a Final Dividend of 2.27p, making a total of 3.23p, which compares with 3.22p for the previous year. The Final Dividend will cost the company no more than £926,000.

TRADING ACTIVITIES

Group construction activities, including private residential sales on continuing operations, decreased by 22%. Headline Group profit on continuing operations decreased substantially this financial year, which was mainly due to the exceptional increase in the value of the commercial property portfolio in the previous financial year to 31st July 2021. Underlying profit before tax on continuing operations increased substantially this year, mainly due to the profit on the sale of the industrial estates: Bilston Glen Industrial Estate, Loanhead, Inchwood Park, Bathgate and West Edinburgh Business Park, Edinburgh.

Trading activities continued to be affected by supply chain issues and the seemingly unstoppable rise in the price of construction materials. These issues, coupled with the continued prolonged process in obtaining not only statutory approvals, but also simple utility approvals and associated infrastructure, has meant that all our construction sites have experienced delays and thereby longer programmes. This has resulted in overall costs being greater than original budgets.

All of the above has caused an increase in aborted site acquisitions and a lack of tender work being acquired in the Housing Association sector. It has again given rise to an erosion of profits of recently completed and soon to be completed projects.

The private housing development at Winchburgh, Canal Quarter, has experienced delays in progress on site for the reasons noted above, albeit reservations remain encouraging. The first sale has recently concluded at this development, but after the end of the financial year. The majority of the completions will occur prior to the end of the financial year to 31st July 2023.

The residential development at Clovenstone Gardens did not start prior to the end of the financial year due to delays in obtaining statutory approvals. Construction has now started, but the first completions will not take place until the middle of 2024.

Progress in our commercial property portfolio continues to be positive to date, albeit with a note of caution. The sale of the three industrial estates, as mentioned above and reported in the Interim results, completed in January 2022 with a significant profit achieved. It is worth noting that if the same sale took place in the current climate, then the price achieved would have been less. This is reflected in the valuation of the commercial property portfolio being relatively similar to last year indicating a plateau in yields.

In both our office and industrial properties we have seen a general churn of tenants leaving and new tenants leasing space. There has been no rental growth as in recent years as rents, like yields, have remained static.

As reported in the Interim results, construction completed at the second phase of Gartcosh Industrial Park, developed through the joint venture company, Gartcosh Estates LLP. Whilst interest in the two medium sized units remains promising, we had hoped that a letting would have been achieved by now.

TRADING ACTIVITIES (continued)

As predicted the small commercial development at Winchburgh was completed after the end of the financial year. There is good interest in the speculative retail units, although the increased programme, due to delays in utility infrastructure delivery, will impact on profit margins.

The second phase at Belgrave Point, Bellshill, a large speculative single user industrial unit, started just after the end of the financial year. The progress in construction is satisfactory to date, but it is too early to gauge demand from any prospective tenants.

FUTURE PROSPECTS

We have substantially more work in hand in our own private housing at this time than we did last year. We do not have any real prospects of external contracts at present.

We currently have several planning applications stuck in the Scottish planning system totalling over 500 residential units and over 60,000 sq ft of commercial space. Regrettably we may have to utilise the appeal process in order to hopefully obtain planning consent on more than one of these applications.

The continuing increases in construction costs, interest rates and inflation and the cost of living crisis all contribute to a high degree of uncertainty as to when any of these sites will commence. As mentioned above, there will be private housing sales this year, but what impact the economic problems will have on the level of sales is uncertain.

Due to the above issues, whilst we expect lettings to continue in our commercial property portfolio, it is already evident that rents and yields have already started to plateau and property values in our sectors may drop.

At this stage it is evident that the headline profit will drop for the year to 31st July 2023. Indeed, if commercial property values fall, we may make a headline loss. Profits will continue to be eroded by the lack of external contracting work, the lack of recovery of overhead costs and the increase in material costs.

David W Smart
Chairman

17th November 2022

The Directors present their Annual Report and Statement of Accounts of the Group for the year ended 31st July 2022.

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 22 to 28.

RESULTS AND DIVIDENDS

The profit of the Group after tax for the year ended 31st July 2022 amounted to £6,621,000 (2021, £10,970,000).

During the year the Company paid on 28th January 2022 a final dividend for the year to 31st July 2021 of 2.27p per share (2021, 2.27p) and paid on 6th June 2022 an interim dividend for the year to 31st July 2022 of 0.96p per share (2021, 0.95p).

The Directors recommend a proposed final dividend for the year of 2.27p per share, making a total for the year of 3.23p. This final dividend is subject to approval by the shareholders at the Annual General Meeting in January 2023 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 23rd December 2022. Dividend warrants will be posted on 27th January 2023.

DIRECTORS

The following were Directors of the Company during the financial year ended 31st July 2022:

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

Details of the Directors are given on page 21.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company's current Articles of Association (the Company's Articles) and the Articles of Association that are proposed to be adopted at the 2022 Annual General Meeting (the Company's New Articles) give the Directors the power to appoint or remove any Director. Initial appointments may 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 provision 18 of the UK Corporate Governance Code all Directors must retire and offer themselves for re-election annually at the Annual General Meeting. This provision of the Corporate Governance Code is followed for all the Company's Directors except for the Chairman. The Company's New Articles have been amended to reflect that each Director (other than the Chairman) must retire at each 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 2022 and 17th November 2022 are given on page 32.

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 2021 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 2022 comprises a single class of ordinary share of 2p each. Details of the issued share capital are shown in note 27 to the financial statements.

At the 2021 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 2022 Annual General Meeting.

During the year the Company made market purchases of 1,113,260 ordinary shares of 2p under the existing authority, for a total consideration of £1,749,000. The shares purchased were subsequently cancelled, and represented less than 2.65% of the Company's issued share capital at the start of the financial year.

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

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

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 falling interest rates on the amount we can earn on monies on deposit.

FINANCIAL INSTRUMENTS (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.

ARTICLES OF ASSOCIATION

The Company's Articles can only be amended by a special resolution at a General Meeting. At the forthcoming Annual General Meeting a resolution will be proposed to adopt new Articles of the Company. The Articles have been revised to bring them in line with current market practice for a company listed on the main market of the London Stock Exchange. In particular the new Articles to be adopted at the Annual General Meeting provide for the appointment of Independent Directors, should the Board choose to do this in the future.

LISTING RULES

There are no disclosures required by LR9.8.4 that apply to the Company other than as noted below relating to controlling shareholders.

In the year, a Shareholder Relationship Agreement as required by LR6.5.4R between the Company and the controlling shareholders, David W Smart and John R Smart was prepared and duly signed by all parties. The Company can confirm that the independence provisions of LR6.1.4D and procurement obligations have been complied with throughout the year.

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:

	2022	2021
	Tonnes of CO2e	Tonnes of CO2e
Emissions from:		
Combustion of fuel and operation of facilities . . .	**1,184**	804
Electricity, heat, steam and cooling purchased for own use . .	**98**	63
Total emissions	**1,282**	867
Group's chosen intensity measurement:		
Emissions reported above normalised to per full time equivalent employee	**8.72**	5.25
Emissions reported above normalised to per £million of revenues .	**172.54**	83.31
	kWh	kWh
Energy used:		
Electricity	**508,761**	269,765
Natural Gas	**2,413,741**	552,900
Gas Oil	**74,077**	89,683
Diesel	**2,225,339**	1,886,012
Unleaded Petrol	**26,874**	34,188

Overall the total greenhouse gas emissions of the Group have increased this year mainly due to the increase in volume of construction work in the year and due to the increased occupancy of our commercial investment properties by tenants post the relaxing of the coronavirus restrictions on working from home.

The decrease in the Group's reported revenue for the year to 31st July 2022 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. Similarly, the reduction in the number of full time equivalent employees in the year has increased that intensity measure.

Our Scope 1 emissions have increased by 22% and our Scope 2 emissions on the location basis have increased by 57% and on market basis have increased by 11%. The main factors behind both emission basis is mainly due to the increased occupancy in our commercial investment properties. The increase in the market basis is less pronounced as the majority of our electricity supplies, being 81% of usage is provided by a supplier on a 100% renewable energy tariff.

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, installing electric car charging points and providing facilities for persons wishing to cycle to work at our commercial properties.

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 2021 and 2022. Emissions are calculated on the location and contract based methodologies, using fuel mixes reported from 2021/22.

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 on pages 12 to 20.

The Directors having assessed the business risks of the Company and Group as detailed in the Strategic Report on pages 16 to 18 confirm that they have a reasonable expectation that the Company and Group has 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. The Directors therefore consider 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 various scenarios. The aim of these various 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 on 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.

Although the coronavirus continues to impact trading activities of the Company and Group it is to a lesser extent than previous years. All of our construction sites remained opened in the year with the required safe working protocols in place. However, supply lead times and the increased cost of construction materials resulting from the current economic climate within the United Kingdom with the cost of living crisis, interest and inflation rates rising have resulted in longer project programmes for current projects and the postponement of commencement of new projects and reconsidering the nature of construction contracts to be undertaken. Although these issues have an impact of the finances of the Company and Group the Directors consider that as they can determine the work programme to be undertaken then they are well placed to manage the financial risks in Company and Group are currently experiencing.

Our investment property portfolio however, remains resilient in both the industrial and commercial sectors despite the current economic climate. Rental income, after accounting for the loss of rents following the sale of the properties in the year, have 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 forseeable future.

POST BALANCE SHEET EVENTS

There have been no events occuring after the Statement of Financial Position 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 12 to 20 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

17th November 2022

The Directors present their Strategic Report of the Group for the year ended 31st July 2022.

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. Our portfolio currently extends to almost 762,000 square feet.

The Group has six 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. During the year the joint venture company Northrigg Limited, bought back the share owned by William Sanderson, the other party to the joint venture on 21st February 2022 at which point Northrigg Limited became a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC.

The Group also has an interest in a Joint Venture Company which was established for the purpose 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

	2022	2021
Continuing Operations	£000	£000
Revenue	**7,430**	10,407
Operating loss	**(2,487)**	(2,305)

Turnover in the year has significantly decreased again this year and this is due to the fact that in the current year there was only one private housing development at The Courtyard, Winchburgh that had sales. This development had 4 detached houses all of which were sold in the year. The only other private housing development currently underway is at Canal View, Winchburgh. This is an ongoing development and in there were no concluded sales in the year. Sales at this development are expected in the year to 31st July 2023.

There were no social housing projects in the year.

We completed the work in the year for our Joint Venture, Gartcosh Estates LLP at phase 2 of their development consisting of two industrial units. In one of the completed units we also undertook the work to fit out the unit with office and welfare facilities. To date neither of these units have been let.

The turnover of our civil engineering subsidiary decreased slightly in the year and with tighten margins resulted also in a slight decrease in the overall profit earned by the subsidiary.

Our construction sites remained open for the entire year throughout the Group, although coronavirus still has an impact both operationally and financially on the running of our sites. 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. We did not take advantage of the UK Government's Furlough scheme in the year.

Brexit and the impact of increasing inflation rates, impacting the country as a whole, have also had a financial impact on the results for the year via supply chain issues and significant increase in the cost of construction materials and services required by the Group. These increased costs have been borne by the Group resulting in the margins on construction work continuing to be tight, although not to the same level as the previous year due to the level and nature of work undertaken in the year.

The Directors continue to fully appraise contracts, at various stages, prior to acceptance to ascertain the likely outcome of the contract. These appraisals are also conducted prior to land bank acquisitions. The contract reporting functions between the finance and surveyor teams relating to the recording of costs have been revised and fully implemented this year and provide the surveyors with increased detail and analysis of costs. The surveyors along with the Directors can then appraise contract performance on a timely basis to analyse areas of contracts where losses are being incurred with the 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. The increased energy costs which will impact on the Group this year are been monitored and the Group is entering into supply contracts with the most favourable rates and contract durations it is able to obtain.

PERFORMANCE REVIEW (continued)

Investment activities	2022	2021
	£000	£000
Income from investment properties	**6,983**	7,411
Profit on sale of investment properties	**6,055**	37
Net surplus on valuation of investment properties	**473**	12,105
Operating profit from investment properties	**10,309**	16,578
Income from financial assets	**63**	36
Profit on sale of financial assets	**17**	1
Net (deficit)/surplus on valuation of financial assets	**(121)**	312
Share of profits in Joint Ventures	**254**	264

Rental income from the Group's investment property portfolio decreased in the year by 6% (2021, increased by 4%) mainly due to reduction in rent following the sale of three of our industrial estates in the year. For our remaining industrial and commercial properties we have experienced increased occupancy but there has been no rental growth as rents have remained static. Recoverability of rental income continues to remain high despite the continuing impact of coronavirus and generally the increase in costs due to inflation.

During the year construction of our office and retail development at Winchburgh continued and was completed and handed over to our investment property company just after the conclusion of our year end. We have a tenant in place for the office however, we have still to lease any of the retail units, although we have received a number of enquires for the units. We commenced work on phase 2 at our industrial site at Bellshill for the construction of one 53,735 square foot unit.

Service charges and insurance receivable income has increased by 4% (2021, decreased by 5%) due mainly to the increased occupancy of our commercial properties. Service charges are dependent on costs incurred in the year that can be recovered and varies from year to year.

As noted above the Group sold three of its industrial estates for £24,032,000 which generated a profit on sale of £6,055,000.

The Group has recorded another surplus on the revaluation of investment property portfolio, however this is significantly down on the level recorded in the previous year due to the sale of three of our industrial estates and the fact that in the previous financial year the yields for our prime industrial stock rose to unprecedented levels.

Income from our financial assets has risen in the year due to the fact that companies are recommencing the payment of dividends after putting these on hold due to the impact of coronavirus. There were a number of acquisitions is the year to our portfolio and disposals which generated a profit of £17,000. The impact of world and domestic events on the financial markets has resulted in a deficit of £121,000 on the fair value of our financial assets being recorded this year.

The share of the results in our Joint Ventures is a profit this year of £254,000 which is due to the effect of accounting for the revaluation surplus relating the completed phases 1 and 2 of the development owned by Gartcosh Estates LLP. During the year the Joint Venture company, Northrigg Limited became a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC following Northrigg Limited buying back the share of the other party to the Joint Venture. The Joint Venture company, Duff Street Limited was dissolved on 10th August 2021.

PERFORMANCE REVIEW (continued)

Group results and financial position

Continuing and discontinued activities

	2022	2021 Restated Note 35
	£000	£000
Profit before tax	**8,192**	14,784
Net bank position	**20,795**	7,831
Net assets	**124,676**	115,737

The profit before tax reported by the Group has decreased significantly mainly due to the level of the surplus on valuation of investment properties recorded this year in comparison to the previous year. However, this impact is mitigated by the level of profit on sale of investment properties recorded this year, being £6,055,000 as compared to £37,000 in 2021. If the surplus on revaluation of investment properties, the profit on sale of investment properties and the deficit on the revaluation of the Group's financial assets are excluded the Group generated a profit for the year of £1,785,000 compared to £2,330,000 in the previous year. The movement being the result of the increase in the loss suffered within construction activities and the reduction in rents received from investment properties.

Our net bank position, which comprises monies held on deposit, cash and cash equivalents and the netting of our bank overdraft has increased in the year. This is due to the proceeds received from the sale of investment properties net of the cash outflows on current private housing and own industrial development currently in progress. Also, in the year the Group lent money to its Joint Ventures amounting to £1,440,000 and invested a further £50,000 in them. Overall, the Group continues to be net debt-free.

The Group's net assets have increased overall by £8,939,000, the main impact on this being due to the revision in the accounting for the pension scheme surplus. Further advice on the Group's right to a surplus arising on the pension scheme was sought in the year from a firm of lawyers who specialise in this area. Their advice was that the Group had an unconditional right to the surplus based on the original Trust Deed and Deed of Variation and therefore the full surplus arising on the calculation thereof under IAS 19 (amended): Employee Benefits should be accounted for in the financial statements. This revised advice impacted on the accounts for the year to 31st July 2021 and resulted in that year's accounts having to be revised. Full details of this prior year adjustment can be found in note 35 to the financial statements. The profit earned in the year as discussed above and the accounting for share buy backs and dividends paid to shareholders in the year also impact on the net assets.

TOTAL DIVIDEND

The Directors are recommending a final dividend of 2.27p per share which taken with the interim dividend of 0.96p already paid in the year gives a total dividend for the year of 3.23p (2021, 3.22p), being an increase of 0.3% on the dividend rate for 2021.

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, due to bank interest rates, and availability of affordable mortgages and cost of living crisis 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. • Programming commencement of new build housing projects to market conditions. • 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 and improvements to our properties for improved economic and climate efficiencies. • 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 impact of coronavirus on the Group's operational and financial performance.	• Continue to follow 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.
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. • Investment in energy saving measures within our investment property portfolio.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 2025, 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 2025

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 2022 are set out in the Report of the Directors on page 9.

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES

The Board at J. Smart & Co. (Contractors) PLC recognises the scale of the climate emergency and its potential impact on the construction and commercial and residential real estate sectors. It also appreciates that immediate action is required and is seeking to collaborate with clients, suppliers and the people who occupy and use our commercial real estate portfolio to realise this vision. This is why the Board is committed to reducing the impact of the Company's operations on the planet. As part of this pathway, we will be working towards decarbonising our operations and our property portfolio through various mechanisms. These will include partnerships with clients and our supply chain to mitigate wherever possible our impact on the planet. In delivering these ambitious plans, we believe we will create value in our business as demand increases from occupiers and clients who gravitate to more sustainable products and places.

This year we are required to report in line with the Task Force on Climate-Related Financial Disclosures (TCFD) reporting requirements for UK listed companies. We are currently developing and instigating our strategy and are in the process of setting and agreeing goals, targets and metrics for addressing climate change. As this is an ongoing process, we are aware that there are numerous targets, procedures, risks and opportunities that are yet to be identified.

The Board recognises that it has not fully complied with the Listing Rule requirements as per LR 9.8.6(R)(8) for the disclosures for TCFD. In particular the Board recognises that it has not included disclosures for the actual and potential impacts of climate related risks and opportunities on the Group's business model, strategy and financial planning. Nor have we identified and assessed climate-related risks and identified the metrics and targets to manage these risks. We have not fully complied the disclosures this year because the Sustainability Committee established to oversee the identification, assessment and management of our response to climate-related risks and opportunities was only established in the year and has not completed its work in these areas and therefore is not yet in a position to submit its recommendations to the

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (continued)

Board or fully comply with the disclosures for TCFD. We are appointing an external Consultant to assist us with our strategy and reporting requirements going forward.

The following sections address how we propose to incorporate climate change into our corporate governance processes, its potential impact on our strategy and financial planning, its treatment in our risk management procedures and the relevant climate related risks and opportunities for our business. The following sections and subsection headings correspond with the sections of the TCFD framework.

Governance

The Board is taking climate related risks and opportunities into consideration when making business decisions.

The Board Director responsible for climate-related issues is David Smart and the Senior Manager who leads the delivery of the sustainability strategy is Jane Oliver.

This year saw the inauguration of our Sustainability Committee which is formed of representatives from across the business including the Joint Managing Directors, members of the Real Estate, Construction, HR, Design and Engineering Teams. Meeting quarterly, this Committee is responsible for identifying, assessing and managing our response to climate-related risks and opportunities. The Committee will report to the Board bi-annually with its recommendations.

Strategy

We are currently appointing Consultants to assist us in developing our Climate Strategy. This will include identifying the climate related risks and opportunities that will affect the business over the short, medium and long term. In undertaking this process we have identified a number of climate-related issues which will impact the organisation's businesses, strategy and financial planning. These include products and services, supply chain and operations. We will also consider the impact on financial planning relating to operating costs and revenue, capital expenditure and capital allocation, acquisitions and disposals and access to capital.

We will then assess the impact of these risks and opportunities and how they affect our businesses, strategies and financial planning. Examination of the resilience of the proposed Climate Strategy will be undertaken at this point. This exercise should be completed by mid-2023.

The recommendations of our Consultants will be reported to the Sustainability Committee which will then report to the Board. Thereafter, the Board will agree the scope of and programme for the implementation of the strategy.

Risk Management

The Sustainability Committee and ultimately the Board is responsible for identifying, reporting, managing and mitigating (where possible and practical) climate-related risks. Due to the size of the Company, there is no Risk Committee as these responsibilities lie with the Board.

When we have received the reports and recommendations of our specialist Consultants, we shall then develop and programme action plans based on the level and type of risk presented for both transitional and physical short, medium and long term risks and opportunities. These will include consideration of existing regulatory requirements relating to climate change.

Climate risks will be included within the Risk Register and the Board will consider these alongside other risks affecting the business.

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (continued)

Metrics & Targets

Once the Sustainability Committee has the feedback from the Consultants, it, together with the Board will decide how to measure the impact of the business on climate change. We also look forward to compiling data sets year-on-year to improve our understanding of where the risks lie within the business and to set targets for mitigating their impact. We have, as part of the existing reporting process, been compiling and reporting on the Group's greenhouse gas emissions and this data reporting will be expanded and will form part of our impact on climate change reporting going forward.

The Board appreciates that action is required and as part of the Company's commitment to reduce the impact its operations have on the environment, we have already introduced the following measures:

- Purchase of Eco Site cabins which benefit from a B energy rating.
- Wind and solar powered CCTV security cameras installed on sites.
- Hybrid company vehicles have been ordered.
- New waste recycling regimes introduced on sites and at Head Office.
- Electric vehicle car chargers installed at industrial estates and office building.
- PIR and LED lighting introduced throughout the common areas of all office buildings in the property portfolio.
- PV panels installed to residential and commercial properties.

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	131	16

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

17th November 2022

DIRECTORS

David W Smart, Chairman and Joint Managing Director Aged 49
Joined the Company in 1998
Appointed Director in 2010
Appointed Chairman and Joint Managing Director in 2017

John R Smart, Joint Managing Director Aged 52
Joined the Company in 2002
Appointed Director in 2013
Appointed Joint Managing Director in 2017

Alasdair H Ross Aged 60
Joined the Company in 1989
Appointed Director in 2012

Patricia Sweeney Aged 53
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 and the re-election of executive Directors. 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.

In the course of this financial year the principal decisions made by the Board were around the sale of three industrial estates from the Group's investment portfolio. The aim of the sale was to inject cash funds into the Group to enable the Group to fund ongoing construction projects and allow the Board to consider the commencement of new construction projects and land acquisitions for future development. The decisions were taken after due consideration of market conditions at the time and the potential financial outcome of the transaction. The Board believes that by proceeding with the sale of the investment properties they have secured the financial position of the Group which provides security to the Group's employees of future employment and provision of work to our suppliers and subcontractors. The profit earned on the sale of the properties has been reflected in the profit earned by the Group which improves the investment held by our shareholders in the Company.

During the year the Company established a Sustainability Committee comprising of some executive Board members and senior members of staff from various departments within the Group. The aim of this Committee is to ensure that the Company and Group review the impact of climate change on all aspects of the Group's operations and take appropriate actions to ensure that the impact of climate change is minimised as much as possible.

The welfare of our staff continues to be of upmost importance. During the year health checks for all employees wishing to utilise the service where introduced. Members of staff were also encouraged to attend mental health first aid courses for their benefit and also to provide support to other staff members.

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 2021 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. Only one question was submitted regarding future investment plans in industrial buildings. A reply was sent to the shareholder post the Annual General Meeting and no further comment was received..

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 2022 and 17th November 2022, 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 2022	Number	%
Octet Investments Limited	1,872,400	4.58
Estate of A J Whitehead	2,311,495	5.66
As at 17th November 2022		
Octet Investments Limited	1,872,400	4.59
Estate of A J Whitehead	2,311,495	5.67

BOARD LEADERSHIP AND COMPANY PURPOSE (continued)

S172 COMPANIES ACT 2006 (continued)

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 continues to impact the Group again this year, all of our sites are opened with the appropriate Scottish Government guidance in place for safe working conditions relating to social distancing and provision of personal protection equipment. Office based staff in the main are now working in the office, this move helped to re-establish working relationships and communication between departments and helps with the general efficiency of work flow.

During the year health checks for all employees wishing to utilise the service where introduced and will take place on an annual basis. Through our private medical insurance provider a Health & Wellbeing app was made available to employees and regular updates are issued to all employees on Wellbeing topics.

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 by continuing to make payments to them based on standard industry terms and we have adopted BACS payment methods thus ensuring suppliers receive their payments directly into their bank on the due date for payment.

Supplies of some materials have proven difficult to obtain and costs thereof have also increased, however, were possible we have continued to places orders with those suppliers we would normal used.

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 tenants 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 where our tenants are now coming back to work in the offices we continue to ensure in the common areas relevant coronavirus protocols for safety are still 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 3 formal board meetings all of which were attended by all the Directors.

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

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

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

The Statement of Directors' Responsibilities is set out on pages 35 and 36.

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. Although the Group does not have a specific policy on diversity, due regard is taken of the benefits of all types of diversity onto the Board when nominations are proposed and also takes into account the skills, experience and professional background of nominees.

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, offer themselves annually for re-election.

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

AUDIT, RISK AND INTERNAL CONTROL

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Board, in accordance with the Code, has reviewed the effectiveness of the internal controls from the commencement of the accounting period to the date of approval of the Annual Report and Statement of Accounts. No significant failings or weaknesses have been identified in that period. There has also been a continual process of identification by the Directors of key areas of 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 the 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 the interest in its Joint Venture company is 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 consider 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 Statement of Financial Position 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 2022 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 31.

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 2021 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

17th November 2022

ANNUAL STATEMENT

On behalf of the Board of Directors, I present the Directors' Remuneration Report for the year ended 31st July 2022.

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 2021 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 2022 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
17th November 2022 *Chairman*

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 2021 Directors' Remuneration Report at the 2021 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 2022.

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 2022 and the prior year:

	Salary £000	Taxable Benefits[1] £000	Pension £000	Total £000
David W Smart				
2022	**119**	**10**	**(29)**[2]	**100**
2021	116	10	18[2]	144
John R Smart				
2022	**119**	**10**	**15**	**144**
2021	116	10	14	140
Alasdair H Ross				
2022	**119**	**10**	**(7)**[2]	**122**
2021	116	10	12[2]	138
Patricia Sweeney				
2022	**119**	**10**	**15**	**144**
2021	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 2022 £000	Accrued pension as at 31 July 2021 £000
David W Smart	47	44
Alasdair H Ross	59	54

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 2022	31July 2021
David W Smart	12,782,750	12,782,750
John R Smart	12,782,750	12,782,750
Alasdair H Ross	150,000	150,000
Patricia Sweeney	150,000	150,000

There have been no changes in any Directors' beneficial holdings between 31st July 2022 and 17th November 2022.

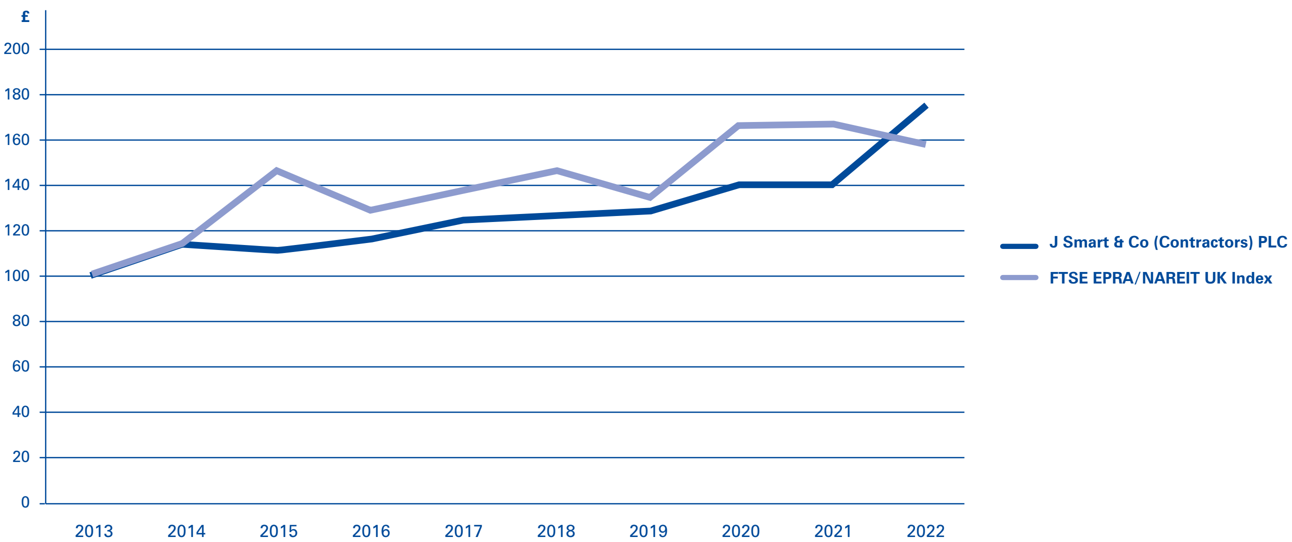
ANNUAL REPORT ON REMUNERATION (continued)

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:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
David W Smart	100	144	179	177	154	148	166	165	207	184
John R Smart	144	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 2021-2022	Other employees % change 2021-2022
Base salary	3.09 %	10.35 %
Taxable benefits	2 %	3 %

ANNUAL REPORT ON REMUNERATION (continued)

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 2022 and 31st July 2021:

	2022 £000	2021 £000	Difference in spend £000	Difference as a percentage %
Remuneration of employees	8,154	8,137	17	0.2
Total distributions paid (being dividends and share buy backs)	3,097	2,143	954	44.5

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2023

After taking into consideration Group employees' salary increases for the year to 31st July 2023, an increase of 4% of base salary was awarded to all Directors.

	Base salary from 1st July 2022 £	Base salary from 1st July 2021 £
David W Smart	123,800	119,100
John R Smart	123,800	119,100
Alasdair H Ross	123,800	119,100
Patricia Sweeney	123,800	119,100

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 2021 ANNUAL GENERAL MEETING

The 2021 Directors' Remuneration Report was put to the shareholders for their approval at the 2021 Annual General Meeting. The resolution was passed on a show of hands.

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

	Total number of votes	% of votes cast
For	27,495,130	100
Against	454	–
Total votes cast (excluding votes withheld)	27,495,584	100
Votes withheld	–	
Total votes cast (including votes withheld)	27,495,584	

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

17th November 2022

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

The Directors are responsible for preparing the Annual Report and Statement of Accounts 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 UK adopted international accounting standards.

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 UK adopted international accounting standards, 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.

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 UK adopted international accounting standards 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

17th November 2022 *Company Secretary*

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

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 2022 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 Statement of Cash Flows 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 UK adopted international accounting standards 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 two years covering the years ending 31st July 2021 and 31st July 2022. 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, cash flow projections 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 assumptions and judgements relative to the equivalent metrics actually achieved in the recent history of the Group's performance. We challenged these 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. We evaluated the Directors' sensitivity analysis for appropriateness and performed our own sensitivity analysis based on our own assumptions and judgements comparing results to the Directors' outcomes;
- We performed stress tests in order to identify key areas that would cause the Group to fail and assessed the likelihood of these. We performed these sensitivities by identifying what key indicators such as revenue, cash 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;
- We performed ratio analysis to identify key risk areas in relation to going concern;
- We performed 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 of which we were not aware, 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 by comparing previous forecasts to actual outturns and current year forecasts to post year end positions achieved and corroborating evidence such as quoted costs, 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]	*100% (2021: 99%) of Group profit before tax* *100% (2021: 100%) of Group revenue* *94% (2021: 94%) of Group total assets*		
Key audit matters		2022	2021
	Revenue recognition	✓	✓
	Valuation of defined pension benefit scheme	✓	✓
	Valuation of investment properties	✓	✓
Materiality	*Group financial statements as a whole* £1,200,000 (2021: £1,000,000) based on 0.82% 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.

The Group audit team 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.

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

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, including 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.

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
REVENUE RECOGNITION (Note 1 and 3)	The Group's revenue is generated from construction activities. These construction activities result in revenue that 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 (disaggregated into Social Housing, Civil Engineering, Industrial and General Construction in note 3) 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. As part of this process, we 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 and billing by matching the year end balance to post year end receipts, where material to test. 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. We reviewed legal correspondence relating to significant claims and variations in order to identify evidence contrary to our understanding and management's judgements. 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.

KEY AUDIT MATTERS (continued)

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
REVENUE RECOGNITION (continued)		We agreed the calculations underlying the estimate of costs to complete in relation to ongoing contracts to supporting agreements and documentation. For a sample of projects, we carried out 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 considering the positions adopted in previous years compared to actual outturn. Revenue recognised in respect to private housing sales has been subjected to detailed testing. 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 (Note 1 and 31)	The Group has a defined benefit pension scheme. The pension valuation is dependent on market conditions and key assumptions made by management, relating to investment markets, discount rate, inflation expectations and life expectancy assumptions. The Group has recognised the full scheme surplus when historically they have restricted the asset to what they believe can be recovered through future reduced contributions. This has resulted in a prior period adjustment and represents another area of significant judgement. 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 31.	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 to gain assurance that the Group has an unconditional right to recover the asset. We have seen legal confirmation that the Group has unconditional right to the scheme surplus and challenged this by reference to the Trust Deed, concluding that this is appropriate. We checked the Group's restatement of comparatives in light of International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors, checking that the disclosure was accurate complete and that the numbers agreed back to the prior year actuarial report. We confirmed the competence, independence and ability to perform the work of the third party actuaries used by management by obtaining independence confirmations as well as checking that they are qualified actuaries. 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)

KEY AUDIT MATTER		*How the scope of our audit addressed the key audit matter*
VALUATION OF INVESTMENT PROPERTIES (Note 1 and 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.	All 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 a sample of 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, to check that the valuations 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 by obtaining independence confirmations as well as checking that they are qualified valuers. Assumptions made by management in their valuation, such as rental amounts and yields, were challenged by agreeing a sample of these assumptions to corroborating evidence in the form of rental contracts and engagement of our own experts to review these, to consider whether they are appropriate. The completeness and accuracy of disclosure in the financial statements were checked with reference to our knowledge obtained during the audit and the requirements of the relevant accounting standards. *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 a tolerable range. Based on our procedures we found management's valuation in respect of investment properties to be appropriate.

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	**Group financial statements**	**Parent company financial statements**	**Parent company financial statements**
	2022 £	2021 £	2022 £	2021 £
Materiality	£1,200,000	£1,000,000	£200,000	£120,000
Basis for determining materiality	0.82% of total assets at the year end	0.73% of total assets at the year end	0.54% of total assets at the year end.	0.54% 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 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.	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	£840,000	£650,000	£140,000	£78,000
Basis for determining performance materiality	70% of the above materiality thresholds to 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 now our second year of engagement, we considered it appropriate to increase this threshold.	65% of the above materiality thresholds to 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.	70% of the above materiality thresholds to 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 now our second year of engagement, we considered it appropriate to increase this threshold.	65% of the above materiality thresholds to 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.

OUR APPLICATION OF MATERIALITY (continued)

Component materiality

We set materiality for each component of the Group based on a percentage of between 7.5% 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 £90,000 to £1,000,000. In the audit of each component, we further applied performance materiality levels of 70% 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 £36,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 26; 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 26.
OTHER CODE PROVISIONS	• Directors' statement on fair, balanced and understandable set out on page 26; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 26 and 27; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 26 and 27; and • The section describing the work of the Board set out on page 25.

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 REPORT OF THE DIRECTORS	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Report of the Directors 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 Report of the Directors.
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 sought 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 any large or unusual items which could be indicative of potentially fraudulent payment.
- 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 individuals with certain system access levels 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 in order to identify any evidence of contradictory information;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Testing of payroll calculations and payments in order to identify potential fraud by ensuring that processors of payroll only received what is contractually due to them with reference to their employment contracts.

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
17th November 2022

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

J. Smart & Co. (Contractors) PLC

CONSOLIDATED INCOME STATEMENT
for the year ended 31st July 2022

	Notes	2022 £000	*2021* *£000*
CONTINUING OPERATIONS			
Group construction activities	2	9,597	*12,308*
Less: Own construction work capitalised		(2,167)	*(1,901)*
REVENUE	3	7,430	*10,407*
Cost of sales		(5,853)	*(8,977)*
GROSS PROFIT		1,577	*1,430*
Other operating income	4	7,012	*7,446*
Net operating expenses		(7,295)	*(6,745)*
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET SURPLUS ON VALUATION OF INVESTMENT PROPERTIES		1,294	*2,131*
Profit on sale of investment properties		6,055	*37*
Net surplus on valuation of investment properties	15	473	*12,105*
OPERATING PROFIT	6	7,822	*14,273*
Share of profits in Joint Ventures	16	254	*264*
Income from financial assets	7	63	*36*
Profit on sale of financial assets		17	*1*
Net (deficit)/surplus on valuation of financial assets		(121)	*312*
Finance income	8	141	*4*
Finance costs	8	(12)	*(25)*
Gain on remeasurement of subsidiary company		28	*–*
PROFIT BEFORE TAX		8,192	*14,865*
Taxation	9	(1,571)	*(3,802)*
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		6,621	*11,063*
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	10	–	*(93)*
PROFIT FOR YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	11	6,621	*10,970*
EARNINGS/(LOSS) PER SHARE			
From continuing operations – basic and diluted	13	15.90p	*26.16p*
From discontinued operations – basic and diluted	13	–	*(0.22)p*
From continuing and discontinued operations – basic and diluted	13	15.90p	*25.94p*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st July 2022

	Notes	2022	*2021 Restated Note 35*
		£000	*£000*
PROFIT FOR THE YEAR		6,621	*10,970*
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to Income Statement:			
Remeasurement gains on defined benefit pension scheme	31	7,219	*9,126*
Deferred taxation on remeasurement gains on defined benefit pension scheme	25	(1,804)	*(1,476)*
TOTAL ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		5,415	*7,650*
TOTAL OTHER COMPREHENSIVE INCOME		5,415	*7,650*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		12,036	*18,620*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		12,036	*18,620*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31st July 2022

	Share Capital	Capital Redemption Reserve	Retained Earnings *Restated Note 35*	Total *Restated Note 35*
	£000	£000	£000	£000
At 1st August 2020	853	155	98,252	99,260
Profit for the year	–	–	10,970	10,970
Other comprehensive gain	–	–	7,650	7,650
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	18,620	18,620
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 - Restated	840	168	114,729	115,737
Profit for the year	–	–	6,621	6,621
Other comprehensive gain	–	–	5,415	5,415
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	12,036	12,036
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(22)	–	(1,727)	(1,749)
Transfer to Capital Redemption Reserve	–	22	(22)	–
Dividends	–	–	(1,348)	(1,348)
TOTAL TRANSACTIONS WITH OWNERS	(22)	22	(3,097)	(3,097)
At 31st July 2022	818	190	123,668	124,676

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31st July 2022

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings *Restated Note 35* £000	Total *Restated Note 35* £000
At 1st August 2020	853	155	2,349	3,357
Loss for the year	–	–	(482)	(482)
Other comprehensive gain	–	–	7,650	7,650
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	7,168	7,168
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 - Restated	840	168	7,374	8,382
Profit for the year	–	–	10,244	10,244
Other comprehensive gain	–	–	5,415	5,415
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	15,659	15,659
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(22)	–	(1,727)	(1,749)
Transfer to Capital Redemption Reserve	–	22	(22)	–
Dividends	–	–	(1,348)	(1,348)
TOTAL TRANSACTIONS WITH OWNERS	(22)	22	(3,097)	(3,097)
At 31st July 2022	818	190	19,936	20,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st July 2022

	Notes	2022	*2021 Restated Note 35*
		£000	*£000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,207	*1,245*
Investment properties	15	77,777	*93,060*
Investments in Joint Ventures	16	1,532	*1,267*
Financial assets	18	1,069	*1,184*
Trade and other receivables	21	3,010	*1,570*
Retirement benefit surplus	31	15,096	*7,863*
Deferred tax assets	25	13	*179*
		99,704	*106,368*
CURRENT ASSETS			
Inventories	19	12,454	*7,531*
Contract assets	20	16	*246*
Corporation tax asset	9	–	*35*
Trade and other receivables	21	2,442	*2,945*
Monies held on deposit	22	48	*48*
Cash and cash equivalents	22	31,796	*19,355*
		46,756	*30,160*
TOTAL ASSETS		146,460	*136,528*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	8,172	*5,956*
Lease liabilities	26	212	*213*
		8,384	*6,169*
CURRENT LIABILITIES			
Trade and other payables	23	2,306	*3,050*
Lease liabilities	26	1	*–*
Corporation tax liability	9	44	*–*
Bank overdraft	22	11,049	*11,572*
		13,400	*14,622*
TOTAL LIABILITIES		21,784	*20,791*
NET ASSETS		124,676	*115,737*
EQUITY			
Called up share capital	27	818	*840*
Capital redemption reserve	27	190	*168*
Retained earnings	27	123,668	*114,729*
TOTAL EQUITY		124,676	*115,737*

The financial statements on pages 49 to 96 were approved by the Board of Directors and authorised for issue on 17th November 2022 and were signed on its behalf by:

David W Smart
Director

John R Smart
Director

Company Number SC025130

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31st July 2022

	Notes	2022	*2021 Restated Note 35*
		£000	*£000*
NON-CURRENT ASSETS			
Property, plant and equipment	14	670	*683*
Investments in Subsidiaries and Joint Ventures	16	1,748	*1,698*
Trade and other receivables	21	3,374	*1,570*
Retirement benefit surplus	31	15,096	*7,863*
Deferred tax asset	25	–	–
		20,888	*11,814*
CURRENT ASSETS			
Inventories	19	12,067	*7,477*
Contract assets	20	16	*246*
Trade and other receivables	21	2,448	*1,924*
Corporation tax asset		1,421	*962*
Cash and cash equivalents	22	–	–
		15,952	*10,609*
TOTAL ASSETS		36,840	*22,423*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	3,856	*2,047*
CURRENT LIABILITIES			
Trade and other payables	23	1,997	*2,229*
Bank overdraft	22	10,043	*9,765*
		12,040	*11,994*
TOTAL LIABILITIES		15,896	*14,041*
NET ASSETS		20,944	*8,382*
EQUITY			
Called up share capital	27	818	*840*
Capital redemption reserve	27	190	*168*
Retained earnings	27	19,936	*7,374*
TOTAL EQUITY		20,944	*8,382*

A separate Statement of Comprehensive Income for the Company has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the Company is £10,244,000 (2021, loss £482,000).

The financial statements on pages 49 to 96 were approved by the Board of Directors and authorised for issue on 17th November 2022 and were signed on its behalf by:

David W Smart
Director

John R Smart
Director

Company Number SC025130

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st July 2022

	Notes	2022 £000	*2021* *£000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax – continuing and discontinued operations		6,621	*10,970*
Tax charge for year		1,571	*3,814*
Profit before tax – continuing and discontinued operations		8,192	*14,784*
Adjustments for:			
Share of profits from Joint Ventures		(254)	*(264)*
Depreciation		399	*349*
Unrealised surplus on valuation of investment properties		(473)	*(12,105)*
Unrealised deficit/(surplus) on valuation of financial assets		121	*(312)*
Profit on sale of property, plant and equipment		(29)	*(35)*
Profit on sale of investment property		(6,055)	*(37)*
Profit on sale of financial assets		(17)	*(1)*
Gain on remeasurement of subsidiary company		(28)	*–*
Change in retirement benefits		(14)	*187*
Interest received		(20)	*(4)*
Interest paid		12	*12*
Change in inventories		(4,584)	*(1,350)*
Change in contract assets		230	*177*
Change in receivables		503	*(122)*
Change in payables		(1,113)	*(22)*
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(3,130)	*1,257*
Tax paid		(914)	*(361)*
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(4,044)	*896*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(380)	*(336)*
Additions to investment properties		(54)	*(439)*
Expenditure on own work capitalised - investment properties		(2,167)	*(1,901)*
Proceeds of sale of property, plant and equipment		48	*45*
Proceeds of sale of investment property		24,032	*62*
Purchase of financial assets		(47)	*–*
Proceeds of sale of financial assets		58	*15*
Acquisition of investment in Subsidiary – net cash acquired		97	*–*
Interest received		20	*4*
Loan to Joint Ventures		(1,440)	*(1,320)*
Investment in Joint Ventures		(50)	*(133)*
Dividend received from Joint Ventures		–	*31*
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		20,117	*(3,972)*

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31st July 2022

	Notes	2022 £000	*2021 £000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest costs on leases		(12)	*(12)*
Purchase of own shares		(1,749)	*(782)*
Dividends paid		(1,348)	*(1,361)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(3,109)	*(2,155)*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,964	*(5,231)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28 (a)	7,783	*13,014*
CASH AND CASH EQUIVALENTS AT END OF YEAR	28 (a)	20,747	*7,783*

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31st July 2022

	Notes	2022 £000	*2021 £000*
CASH OUTFLOW FROM OPERATING ACTIVITIES			
Profit/(loss) after tax		10,244	*(482)*
Tax charge		(466)	*274*
Profit/(loss) before tax		9,778	*(208)*
Adjustments for:			
Depreciation		211	*166*
Profit on sale of property, plant and equipment		(3)	*(2)*
Dividend received from Subsidiaries and Joint Ventures		(12,360)	*(2,531)*
Change in retirement benefits		(14)	*187*
Interest received		(2)	*-*
Change in inventories		(4,590)	*(1,387)*
Change in contract assets		230	*31*
Change in receivables – non-current		(364)	*-*
Change in receivables - current		(524)	*2,251*
Change in payables		(232)	*79*
CASH OUTFLOW FROM OPERATING ACTIVITIES		(7,870)	*(1,414)*
Tax received		12	*382*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(7,858)	*(1,032)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(204)	*(326)*
Proceeds of sale of property, plant and equipment		9	*8*
Interest received		2	*–*
Loan to Joint Ventures		(1,440)	*(1,320)*
Investment in Joint Ventures		(50)	*(133)*
Dividend received from subsidiaries and Joint Ventures		12,360	*2,531*
NET CASH INFLOW FROM INVESTING ACTIVITIES		10,677	*760*
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(1,749)	*(782)*
Dividends paid		(1,348)	*(1,361)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(3,097)	*(2,143)*
DECREASE IN CASH AND CASH EQUIVALENTS		(278)	*(2,415)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29 (a)	(9,765)	*(7,350)*
CASH AND CASH EQUIVALENTS AT END OF YEAR	29 (a)	(10,043)	*(9,765)*

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 UK adopted international accounting standards.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31st JULY 2022

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 2022:

- IFRS1 (amended): Financial Instruments: Disclosures.
- IFRS 9 (amended): Financial Instruments.
- IFRS 16 (amended): Leases.
- IAS 39 (amended): Financial Instruments: Recognition and Measurements.

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:

- IFRS 16 (amended): Leases (effective in the year ending 31st July 2025).
- IAS 12 (amended): Income Taxes (effective in the year ending 31st July 2024).

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

BASIS OF PREPARATION

The 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

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 £124,676,000 at 31st July 2022 and the Group's net current assets amount to £33,356,000. 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.

REVENUE RECOGNITION

Revenue recognition on construction contracts requires judgement on the stage of completion of the contract at the Statement of Financial Position date to calculate the revenue to be recognised.

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 31 to the financial statements.

The Group has concluded that the trust deed relating to the defined benefit 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.

Advice on the Group's right to a surplus arising on the pension scheme was sought in the year from a firm of lawyers who specialise in this area. Their advice was that the Group had an unconditional right to the surplus based on the original Trust Deed and Deed of Variation and therefore the full surplus arising on the calculation thereof under IAS 19 (amended): Employee Benefits should be accounted for in the financial statements. This revised advice impacted on the accounts for the year to 31st July 2021 and resulted in that year's accounts having to be revised. Full details of this prior year adjustment can be found in note 35 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 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 16 to 18 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 Statement of Financial Position 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 Statement of Financial Position 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	-	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 into cash generating units 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position 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 has concluded that the trust deed relating to the defined benefit 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 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.

Revenue from long term construction contracts is based on the stage of completion of the contract at the Statement of Financial Position 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.

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 raised in advance 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 was recognised for directly to the Income Statement on a received basis. The amount received has been disclosed within payroll costs as set out in note 5 to the financial statements.

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 in the Statement of Cash Flows.

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 disclosed under Operating Activities in the Statement of Cash Flows.

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 18 – Financial Assets;
- Note 24 – Financial Instruments;
- Note 31 – 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) 2022	*2021*
	£000	£000	£000	£000	£000	*£000*
2022						
Construction - continuing operations	7,430	2,167	9,597	7	(2,487)	–
Investment property - continuing operations	–	–	–	6,976	10,309	–
	7,430	2,167	9,597	6,983	7,822	–
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*

	2022	2021
OPERATING PROFIT (2021: continuing and discontinued activities)	7,822	*14,192*
Share of results of Joint Ventures	254	*264*
Finance and investment income	221	*353*
Finance and investment costs	(133)	*(25)*
Gain on remeasurement of subsidiary company	28	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX (2021: continuing and discontinued activities)	8,192	*14,784*

Internal revenue relates to own work capitalised, and inter group transactions are eliminated on consolidation. The Group had sales from construction activities from two customers amounting to £2,051,000 and £1,387,000 respectively (2021, sales from construction activities from two customers amounting to £1,335,000 and £1,638,000 respectively).

2. SEGMENTAL INFORMATION (continued)

OTHER SEGMENTAL INFORMATION

	Non-Current Assets Additions £000	Depreciation £000	Segment Assets £000	Segment Liabilities £000
2022				
Construction activities	380	351	36,679	16,744
Investment activities	2,221	48	109,748	6,539
Joint Ventures	–	–	1,532	–
			147,959	23,283
Allocation of corporation tax creditor			(1,499)	(1,499)
			146,460	21,784
2021 - Restated				
Construction activities - continuing operations	336	293	23,228	14,301
Construction activities - discontinued operations	–	7	21	529
Investment activities	2,348	49	113,012	6,961
Joint Ventures	–	–	1,267	–
			137,528	21,791
Allocation of corporation tax creditor			(1,000)	(1,000)
			136,528	20,791

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. 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

	2022 £000	*2021 £000*
Continuing operations:		
Social housing	9	*1,514*
Civil engineering	4,330	*4,521*
Industrial	1,387	*1,638*
General construction	42	*421*
Private house sales	1,662	*2,313*
	7,430	*10,407*

The transaction price allocated to unsatisfied performance obligations in respect of construction activities at 31st July 2022 are as set out below.

	2022	*2021*
Social housing	–	*–*
Civil engineering	422	*801*
Industrial	–	*1,264*

The Directors expect that 100% (2021, 100%) of the transaction price allocated to the unsatisfied contracts as at 31st July 2022 will be recognised as revenue in the year to 31st July 2023.

4. OTHER OPERATING INCOME

	2022 £000	*2021 £000*
Rental income	6,158	*6,619*
Service charges and insurance receivable	824	*792*
Sundry income	1	*–*
	6,983	*7,411*
Direct property costs	(2,997)	*(2,800)*
Net rental income	3,986	*4,611*

Direct property costs included £904,000 (2021, £1,011,000) in respect of investment properties that did not generate rental income in the year.

Profit on disposal of property, plant and equipment	29	*35*
Total other operating income	7,012	*7,446*

5. STAFF COSTS AND DIRECTORS' REMUNERATION

	Group		*Company*	
	2022 £000	*2021 £000*	2022 £000	*2021 £000*
Staff costs during the year amounted to:				
Wages, salaries and short term benefits	6,392	*6,374*	4,744	*4,613*
Government assistance – HMRC Job Retention Scheme	–	*(519)*	–	*(413)*
Social security costs	732	*694*	554	*515*
Post-employment benefits	1,030	*1,069*	840	*889*
	8,154	*7,618*	6,138	*5,604*

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

	No.	*No.*	No.	*No.*
Construction and related services	123	*143*	81	*96*
Office and management	24	*22*	18	*17*
	147	*165*	99	*113*

	Group and Company	
	2022 £000	*2021 £000*
Directors' remuneration:		
Salaries and short term benefits	516	*504*
Social security costs	68	*64*
Post-employment benefits	114	*111*
	698	*679*

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 29 to 34.

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

	2022 £000	*2021 £000*
This is stated after charging:		
Cost of inventories recognised as an expense	2,125	*1,906*
Staff costs (note 5)	8,154	*7,618*
Hire of plant and machinery	572	*390*
Ground rents	78	*175*
Depreciation of owned assets	399	*342*
Auditor's remuneration		
Audit of these financial statements	51	*46*
Amounts receivable by the auditor in respect of:		
Audit of these financial statements of subsidiaries pursant to legislation	81	*68*
Audit of the financial statements of Joint Venture companies	5	*10*

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

	2022 £000	*2021 £000*
Dividend income from financial assets	63	*36*

8. FINANCE INCOME AND COSTS

		2022 £000	*2021 £000*
Income:	Interest on short term deposits	17	*4*
	Other interest received	3	*–*
	Net interest income on retirement benefit asset	121	*–*
		141	*4*
Costs:	Interest on leases	12	*12*
	Net interest expense on retirement benefit obligations	–	*13*
		12	*25*

9. TAXATION

	2022 £000	*2021 £000*
UK Corporation Tax		
Current tax on income for the year	997	*450*
Corporation tax (over)/under provided in previous years	(4)	*3*
	993	*453*
Deferred taxation (note 25)	578	*3,349*
	1,571	*3,802*
Current Tax Reconciliation		
Profit on ordinary activities before tax	8,192	*14,865*
Share of profits of Joint Ventures	(254)	*(264)*
Gain on remeasurement of subsidiary company	(28)	*–*
	7,910	*14,601*
Current tax at 19.00% (2021, 19.00%)	1,503	*2,774*
Effects of:		
Expenses not deductible for tax purposes	124	*45*
Ineligible depreciation	(1,189)	*–*
Non taxable income including revaluation surplus	(103)	*(1,223)*
Chargeable gains	752	*–*
Effect of change in tax rate	547	*1,320*
Adjustments to corporation tax charge in respect of prior years	(4)	*3*
Adjustments to deferred tax charge in respect of prior years	(30)	*466*
Deferred tax not recognised	(29)	*417*
	1,571	*3,802*

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% (2021, 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 £1,804,000 (2021 restated, charge, £1,476,000) relating to actuarial gains on the defined benefit pension scheme has been recognised directly to Equity.

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:

	2022 £000	*2021 £000*
Revenue	–	*–*
Cost of sales	–	*–*
Gross Loss	–	*–*
Other operating income	–	*7*
Net operating expenses	–	*(88)*
Loss Before Tax	–	*(81)*
Taxation		
Corporation tax	–	*(12)*
Net loss attributable to discontinued operations		
(attributable to owners of the Company)	–	*(93)*
The operating loss is stated after charging/(crediting):		
Cost of inventories recognised as an expense	–	*–*
Staff costs (note 5)	–	*–*
Hire of plant and machinery	–	*–*
Depreciation of owned assets	–	*7*
Profit on disposal of property, plant and equipment	–	*–*
Auditor's remuneration – audit of these financial statements	–	*4*

During the year, Concrete Products (Kirkcaldy) Limited had cash outflows of £nil (2021, inflow £64,000) in relation to Operating activities and contributed £nil (2021, £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 the Directors consider that a truer reflection of actual Group performance is obtained. Analysis of this alternative performance measure is as follows:

	2022 £000	*2021* *£000*
Profit before tax – continuing and discontinued operations	8,192	*14,784*
Surplus on valuation of investment properties	(473)	*(12,105)*
Deficit/(Surplus)on valuation of financial assets	121	*(312)*
	7,840	*2,367*

12. DIVIDENDS

2020 Final Dividend of 2.27p per share,	–	*961*
2021 Interim Dividend of 0.95p per share	–	*400*
2021 Final Dividend of 2.27p per share	948	*–*
2022 Interim Dividend of 0.96p per share	400	*–*
	1,348	*1,361*

The Board is proposing a Final Dividend of 2.27p per share (2021, 2.27p) which will cost the Company no more than £926,000.

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

		2022	*2021*
CONTINUING OPERATIONS			
Profit attributable to Equity shareholders	£000	6,621	*11,063*
Basic Earnings per share		15.90p	*26.16p*
DISCONTINUED OPERATIONS			
Loss attributable to Equity shareholders	£000	–	*(93)*
Basic Loss per share		–	*(0.22)p*
CONTINUING AND DISCONTINUED OPERATIONS			
Profit attributable to Equity shareholders	£000	6,621	*10,970*
Basic Earnings per share		15.90p	*25.94p*

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 2022 amounted to 41,638,000 (2021, 42,284,000).

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 2021	896	4,848	5,744
Additions	–	380	380
Disposals	–	(215)	(215)
At 31st July 2022	896	5,013	5,909
Depreciation:			
At 1st August 2021	666	3,833	4,499
Provided during year	8	391	399
Disposals	–	(196)	(196)
At 31st July 2022	674	4,028	4,702
Net book value:			
At 31st July 2022	222	985	1,207
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

Included within Freehold Land and Buildings is land costing £13,000 (2021, £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 2021	361	2,747	3,108
Additions	–	204	204
Disposals	–	(66)	(66)
At 31st July 2022	361	2,885	3,246
Depreciation:			
At 1st August 2021	140	2,285	2,425
Provided during year	5	206	211
Disposals	–	(60)	(60)
At 31st July 2022	145	2,431	2,576
Net book value:			
At 31st July 2022	216	454	670
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

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 2021	75,744	17,103	213	93,060
Additions	2,218	3	–	2,221
Disposals	(9,303)	(8,674)	–	(17,977)
(Deficit)/surplus on valuation	(752)	1,225	–	473
At 31st July 2022	67,907	9,657	213	77,777
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/(deficit) on valuation	8,659	3,446	–	12,105
At 31st July 2021	75,744	17,103	213	93,060

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 2022							
Investment							
Commercial	22,113	11.00	15.25	19.50	6.78	8.60	10.57
Industrial	55,451	4.75	7.75	10.75	6.00	7.19	9.06
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

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	
	£000	Increase £000	Decrease £000	Decrease £000	Increase £000
Fair Value at 31st July 2022					
Investment					
Commercial	22,113	1,183	(1,183)	696	(658)
Industrial	55,451	2,511	(2,511)	1,785	(1,667)
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)

The Group had obligations of £6,133,000 (2021, £1,442,000) in respect of future developments and repair costs of investment properties at the Statement of Financial Position date.

16. INVESTMENTS

	Group		*Company*	
	2022 £000	*2021 £000*	2022 £000	*2021 £000*
Shares in Subsidiaries at Cost	–	*–*	708	*708*
Joint Ventures	1,532	*1,267*	1,040	*990*
	1,532	*1,267*	1,748	*1,698*

16. INVESTMENTS (continued)

	Group 2022 £000	*2021 £000*
As at 1st August 2021	1,267	*901*
Less: Net assets of joint venture now a subsidiary company	(39)	*–*
	1,228	*901*
Investment in Joint Venture in year	50	133
Group's share of profit and total comprehensive income	254	264
Dividends received	–	*(31)*
As at 31st July 2022	1,532	*1,267*

(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.

	2022 £000	2021 £000
Non-Current assets	5,866	3,846
Current assets	235	370
Of which are cash and cash equivalents	*115*	*51*
Non-Current liabilities	(3,010)	(1,570)
Of which are financial liabilities excluding trade and other payables and provisions	*(3,010)*	*(1,570)*
Current liabilities	(1,011)	(666)
Of which are financial liabilities excluding trade and other payables and provisions	*–*	*–*
Net assets	2,080	1,980
Group's interest in net assets	1,532	1,227
Revenue	–	–
Other Operating Income	123	111
Profit and total comprehensive income	511	534
Group's share of profit and total comprehensive income	256	267

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 at 31st July 2022 are not considered to be material and the aggregate financial information for these associated companies is as follows:

	2022	*2021*
	£000	*£000*
Aggregate carrying amount of individually immaterial joint ventures	–	*40*
Aggregate carrying amount of the Group's share of:		
Loss after tax and total comprehensive loss	(2)	*(3)*
Dividend received	–	*(31)*
Total comprehensive loss	(2)	*(34)*

Name of Joint Venture	*Registered in and Principal Country of Operation*	*J. Smart & Co. (Contractors) PLC Interest in Joint Venture*
Gartcosh Estates LLP	Scotland	50%

Name of Joint Venture	*Jointly managed with*	*Issued Share capital*
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.

On 21st February 2022 the joint venture company Northrigg Limited, bought back the share owned by William Sanderson, the other party to the joint venture and at which point Northrigg Limited became a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC.

(b) SUBSIDIARIES

	2022	*2021*
	£000	*£000*
At 1st August 2021 and 31st July 2022	708	*708*

At 31st July 2022 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
Northrigg Limited	Investment property company

17. BUSINESS COMBINATIONS

On 21st February 2022 the Joint Venture company, Northrigg Limited bought back the share held by the joint venture partner, William Sanderson. Therefore, from this date Northrigg Limited became a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC, which now has full control over Northrigg Limited.

	£000
Fair value of assets acquired:	
Inventories	339
Other receivables	–
Cash and cash equivalents	97
Creditors acquired	(364)
Fair value of net assets acquired	72
Fair value of previously held interest	36
	36
Consideration	–
Gain on bargain purchase	(36)

The gain on the bargain purchase of Northrigg Limited was accounted for in the company financial statements of J. Smart & Co. (Contractors) PLC within Net Operating Expenses and was eliminated on consolidation and arose due to the fact J. Smart & Co. (Contractors) PLC paid no consideration to obtain full control of Northrigg Limited. Northrigg Limited contributed £nil to the Group's revenue and decreased the Group's profit by £3,000 from the date J. Smart & Co. (Contractors) PLC obtained full control of Northrigg Limited. Had the date of obtaining full control of Northrigg Limited happened on 1st August 2021, the impact on the Group's revenue for the year to 31st July 2022 would have been £nil and the profit for the year would have decreased by £6,000.

18. FINANCIAL ASSETS

	Group	
	2022	*2021*
	£000	*£000*
Listed investments	1,069	*1,184*

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 2022 before tax was a deficit of £121,000 (2021, surplus of £312,000) 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 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.

19. INVENTORIES

	Group		*Company*	
	2022	*2021*	2022	*2021*
	£000	*£000*	£000	*£000*
Work in progress	8,264	*4,118*	8,264	*4,118*
Land held for development	4,107	*3,329*	3,768	*3,329*
Raw materials and consumables . . .	83	*84*	35	*30*
	12,454	*7,531*	12,067	*7,477*

19. INVENTORIES (continued)

	Group 2022 £000	Group *2021* *£000*	Company 2022 £000	Company *2021* *£000*
CONTRACTS IN PROGRESS AT THE STATEMENT OF FINANCIAL POSITION DATE:				
Aggregate amount of costs incurred and recognised profits less recognised losses to date	4,959	*2,271*	3,183	*1,763*
Retentions outstanding	46	*44*	23	*25*
Advances received	(5,028)	*(2,140)*	(3,190)	*(1,542)*
Net value of contracts in progress	(23)	*175*	16	*246*

20. 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 21). 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 2022 £000	Group *2021* *£000*	Company 2022 £000	Company *2021* *£000*
Contract Assets	16	*246*	16	*246*
As at 1st August 2021	246	*423*	246	*277*
Transfers from contract assets recognised at the beginning of the year to trade receivables	(246)	*(423)*	(246)	*(277)*
Increase related to services provided in the year	16	*246*	16	*246*
As at 31st July 2022	16	*246*	16	*246*

21. TRADE AND OTHER RECEIVABLES

	Group 2022 £000	Group *2021* *£000*	Company 2022 £000	Company *2021* *£000*
NON-CURRENT ASSETS:				
Loan to Joint Venture companies	3,010	*1,570*	3,010	*1,570*
Loans to Subsidiary Companies	–	*–*	364	*–*
	3,010	*1,570*	3,374	*1,570*
CURRENT ASSETS:				
Trade receivables	1,242	*1,431*	179	*246*
Amounts owed by Subsidiaries	–	*–*	2,116	*1,374*
Other receivables	974	*1,137*	34	*–*
Prepayments and accrued income	226	*201*	119	*128*
Loans to Joint Venture companies	–	*176*	–	*176*
	2,442	*2,945*	2,448	*1,924*

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

	Group 2022 £000	Group *2021* *£000*	Company 2022 £000	Company *2021* *£000*
Less than 30 days	826	*1,207*	134	*227*
30 to 60 days	203	*130*	43	*19*
Greater than 60 days	213	*94*	2	*–*
	1,242	*1,431*	179	*246*

21. TRADE AND OTHER RECEIVABLES (continued)

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 non existent. In the years to 31st July 2022 and 31st July 2021 the Group had no specific bad debt write offs. Therefore, based in this past experience the Group has no expected credit loss for construction activities requiring to be incorporated.

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 0.34% (2021, 0.14%).

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 2022 the Group made a provision for lifetime expected credit losses of £72,000 (2021, £23,000).

Trade receivables and amounts recoverable on contracts includes £167,000 (2021, £262,000) 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 loans to subsidiary companies 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.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:	*Group*		*Company*	
	2022	*2021*	2022	*2021*
	£000	*£000*	£000	*£000*
Cash at bank and on hand	11,071	*11,531*	–	–
Short term available deposits	20,725	*7,824*	–	–
	31,796	*19,355*	–	–
Bank overdrafts	(11,049)	*(11,572)*	(10,043)	*(9,765)*
	20,747	*7,783*	(10,043)	*(9,765)*

Monies held on deposit of £48,000 (2021, £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. Overall the Group does not have an overdraft facility, however individual companies within the Group may have an overdrawn bank balance.

23. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES:

	Group		Company	
	2022	*2021*	2022	*2021*
Trade payables	759	*858*	500	*641*
Amounts owed to Subsidiaries	–	–	105	*50*
Other taxes and social security costs	250	*633*	139	*410*
Other creditors and accruals	1,087	*1,094*	1,253	*1,128*
Deferred income	210	*465*	–	–
	2,306	*3,050*	1,997	*2,229*

Included in Other creditors and accruals are contract loss provisions.

24. 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 pounds 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 2022 for the Group 33.5% being £416,000 (2021, 15.7%, £224,000) of the trade receivables are past due but not impaired and for the Company 24.9% being £44,000 (2021, 7.7%, £19,000).

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.

Subsidiaries - With regards to loans to subsidiary companies the Company has assessed that where a subsidiary has insufficient assets to repay the loans then there is a risk the loan may not be repaid and so has provided in full for these loans.

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.

24. FINANCIAL INSTRUMENTS (continued)

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 £211,000 and £17,000 respectively (2021, £78,000 and £4,000 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.

25. DEFERRED TAXATION

DEFERRED TAX ASSETS

	Group			Company
	Retirement Benefit Obligations £000	Other £000	Total £000	Retirement Benefit Obligations £000
At 1st August 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	–
Charged to Income Statement – continuing operations	–	(166)	(166)	–
At 31st July 2022	–	13	13	–

DEFERRED TAX LIABILITIES
GROUP

	Accelerated Capital Allowances £000	Retirement Benefit Obligations Restated Note 35 £000	Valuation Surplus on Investment Properties £000	Fair Value £000	Other Timing Differences £000	Total Restated Note 35 £000
At 1st August 2020	1,244	–	–	–	21	1,265
Charged to Income Statement – continuing operations	509	3,041	2,209	6	1	5,766
Credited to Equity	–	(1,075)	–	–	–	(1,075)
At 31st July 2021 - Restated	1,753	1,966	2,209	6	22	5,956
(Credited)/charged to Income Statement – continuing operation	(13)	4	429	(6)	(2)	412
Charged to Equity	–	1,804	–	–	–	1,804
At 31st July 2022	1,740	3,774	2,638	–	20	8,172

25. DEFERRED TAXATION (continued)

DEFERRED TAX LIABILITIES (continued)

COMPANY

	Accelerated Capital Allowances	Retirement Benefit Obligations Restated Note 35	Other Timing Differences	Total Restated Note 35
	£000	£000	£000	£000
At 1st August 2020	10	–	16	26
Charged/(credited) to Income Statement	56	3,041	(1)	3,096
Credited to Equity	–	(1,075)	–	(1,075)
At 31st July 2021 - Restated	66	1,966	15	2,047
Charged/(credited) to Income Statement	5	4	(4)	5
Charged to Equity	–	1,804	–	1,804
At 31st July 2022	71	3,774	11	3,856

26. LEASE LIABILITIES

	Group 2022	*2021*
Amounts payable under leases:		
Within one year	1	*–*
In two – five years exclusively	1	*–*
After five years	211	*213*
Present value of lease liabilities	213	*213*
Due for settlement within one year (shown in current liabilities)	1	*–*
Due for settlement after one year (shown in non-current liabilities)	212	*213*

27. SHARE CAPITAL

	2022 Number	2022 £000	*2021 Number*	*2021 £000*
Issued and fully paid ordinary shares of 2p each				
At 1st August 2021	41,960,393	840	*42,610,409*	*853*
Purchased and cancelled	(1,113,260)	(22)	*(650,016)*	*(13)*
At 31st July 2022	40,847,133	818	*41,960,393*	*840*

During the year to 31st July 2022 the Company purchased for cancellation 1,113,260 ordinary shares of 2p each with a nominal value of £22,000 for a consideration of £1,749,000.

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.

Retained earnings

Retained earnings represents the accumulated profits or losses, net of distributions made and the accounting for share capital bought back by the Company.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2022 £000	*2021 £000*
Cash and cash equivalents	31,796	*19,355*
Bank overdraft	(11,049)	*(11,572)*
Net position	20,747	*7,783*

(b) ANALYSIS OF NET FUNDS

	At 1st August 2021 £000	Cash Flow £000	At 31st July 2022 £000
Cash and cash equivalents	19,355	12,441	31,796
Bank overdraft	(11,572)	523	(11,049)
Net funds	7,783	12,964	20,747

(c) ANALYSIS OF DEBT

	Lease Liabilities £000
As at 1st August 2021	213
Cash flows	–
As at 31st July 2022	213
As at 1st August 2020	205
Non-cash movement in year	–
Increase in liability in year	7
Cash flows	1
As at 31st July 2021	213

29. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

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

	2022 £000	*2021 £000*
Cash and cash equivalents	–	*–*
Bank overdraft	(10,043)	*(9,765)*
Net position	(10,043)	*(9,765)*

(b) ANALYSIS OF NET FUNDS

	At 1st August 2021 £000	Cash Flow £000	At 31st July 2022 £000
Cash and cash equivalents	–	–	–
Bank overdraft	(9,765)	(278)	(10,043)
Net funds	(9,765)	(278)	(10,043)

30. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2022 or 31st July 2021.

The Group had obligations of £6,133,000 (2021, £1,442,000) 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 2022 amounted to £nil (2021, £nil).

31. 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.

Advice on the Group's right to a surplus arising on the pension scheme was sought in the year from a firm of lawyers who specialise in this area. Their advice was that the Group had an unconditional right to the surplus based on the original Trust Deed and Deed of Variation and therefore the full surplus arising of the calculation thereof under IAS 19 (amended): Employee Benefits should be accounted for in the financial statements. This revised advice impacted on the accounts for the year to 31st July 2021 and resulted in that year's accounts having to be revised. Full details of this prior year adjustment can be found in note 35 to the 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%.

The triennial valuation as at 31st October 2021 is being prepared but as at the date of this Annual Report and Statement of Accounts it has not yet been completed.

There were no outstanding contributions at the year end.

The Group expects to pay a contribution of £501,000 (2021, £559,000) during the financial year to 31st July 2023.

31. RETIREMENT BENEFIT OBLIGATIONS (continued)

ASSUMPTIONS

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

	2022	*2021*
Valuation method	Projected Unit	*Projected Unit*
Discount rate	3.5%	*1.6%*
Inflation rate - Retail price index	3.4%	*3.4%*
Inflation rate - Consumer price index	2.8%	*2.7%*
Salary increases	3.4%	*3.4%*
Pension increases	2.0% – 3.5%	*2.0% – 3.5%*

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

Man currently aged 65	21.4	*21.4*
Woman currently aged 65	23.9	*23.9*
Man currently aged 45	22.6	*22.6*
Woman currently aged 45	25.3	*25.3*

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	
		2022	*2021*
	Change in assumption	£000	*£000*
Discount rate	Decrease of 0.25%	851	*1,349*
Inflation rate	Increase of 0.25%	231	*363*
Mortality rate	Increase in life expectancy of 1 year	1,165	*1,733*

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

31. RETIREMENT BENEFIT OBLIGATIONS (continued)

STATEMENT OF FINANCIAL POSITION DISCLOSURES

The investments held by the scheme and the reconciliation of the scheme assets and liabilities to the Statement of Financial Position were:

	Valuation 2022 £000	*Valuation 2021 Restated Note 35 £000*	*Valuation 2020 £000*
EQUITIES			
UK	12,765	*13,001*	*11,054*
Overseas	19,763	*22,441*	*17,846*
Multi-asset diversified funds	4,292	*3,507*	*3,399*
Absolute return funds	870	*973*	*952*
BONDS			
Government	1,292	*1,158*	*1,302*
Corporate	2,760	*3,632*	*3,824*
OTHER			
Cash	3,692	*2,565*	*1,978*
Fair value of scheme assets	45,434	*47,277*	*40,355*
Present value of scheme liabilities	(30,338)	*(39,414)*	*(41,431)*
Scheme surplus/(deficit)	15,096	*7,863*	*(1,076)*
Deferred taxation	(3,774)	*(1,996)*	*204*
Net pension scheme surplus/(deficit)	11,322	*5,867*	*(872)*

31. 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 2022 is 11 years (2021, 14 years).

The assets of the scheme are invested in funds managed by Standard Life Wealth, in direct investments via Rathbone Investment Management Limited, 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

	2022 £000	*2021 Restated Note 35 £000*
Analysis of amounts charged to operating profit:		
Current service cost	(642)	*(642)*
Past service cost	–	*(85)*
Total service cost	(642)	*(727)*
Analysis of amounts charged to net finance income:		
Interest income	744	*521*
Interest costs	(623)	*(534)*
	121	*(13)*
Movement in present value of defined benefit obligations:		
At 1st August 2021	39,414	*41,431*
Service cost	642	*727*
Interest cost	623	*534*
Charges paid	–	*–*
Employee contributions	32	*36*
Benefit payments	(1,592)	*(1,273)*
Actuarial movements due to scheme experiences	(987)	*(231)*
Actuarial movements due to changes in demographic assumptions	(117)	*(970)*
Actuarial movements due to changes in financial assumptions	(7,677)	*(840)*
At 31st July 2022	30,338	*39,414*

31. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2022	*2021 Restated Note 35*
	£000	*£000*
Movement in fair value of scheme assets:		
At 1st August 2021	47,277	*40,355*
Interest income	744	*521*
Employer contributions	535	*553*
Employee contributions	32	*36*
Benefits paid	(1,592)	*(1,273)*
Charges paid	–	*–*
Return on plan assets excluding amount shown in interest income	(1,562)	*7,085*
At 31st July 2022	45,434	*47,277*
Movement in scheme surplus /(deficit):		
At 1st August 2021	7,863	*(1,076)*
Current service cost	(642)	*(642)*
Past service cost	–	*(85)*
Contributions	535	*553*
Net finance income/(costs) included in finance income/(costs)	121	*(13)*
Actuarial remeasurement of pension scheme liability	7,219	*9,126*
At 31st July 2022	15,096	*7,863*
Analysis of the actuarial gain included in the statement of comprehensive income:		
(Loss)/return on scheme assets excluding amounts shown in interest income	(1,562)	*7,085*
Changes in assumptions underlying present value of scheme liabilities	8,781	*2,041*
At 31st July 2022	7,219	*9,126*
History of experience gains and losses:		
(Loss)/return on scheme assets		
Amount (£000)	(1,562)	*7,085*
Percentage of market value of scheme assets	3.4%	*15.0%*
Changes in assumptions underlying present value of scheme liabilities		
Amount (£000)	8,781	*2,041*
Percentage of market value of scheme liabilities	28.9%	*5.2%*
Total amounts included in Consolidated Statement of Comprehensive Income		
Amount (£000)	7,219	*9,126*
Percentage of market value of scheme liabilities	23.8%	*23.2%*

31. 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 plc. The net contribution to the plan for the year was £307,000 (2021, £253,000) 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 £65,000 (2021, £63,000) 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 £1,000 (2021, £4,000) 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.

32. 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 2022 these amounted to £nil.

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. Overall the Group does not have an overdraft facility, however individual companies within the Group may have an overdrawn bank balance. As at 31st July 2022 the balances in overdraft of subsidiary companies which the Company has given guarantees and letters of offset amounted to £1,006,000.

33. 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:

	2022	*2021*
	£000	*£000*
Within one year	91	*106*
In two – five years exclusively	302	*322*
After five years	203	*244*
	596	*672*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £6,158,000 (2021, £6,626,000). At the Statement of Financial Position date, the Group had contracted with its tenants for the following future minimum lease payments:

Within one year	5,917	*6,642*
Within one and two years	5,099	*5,344*
Within two and three years	4,370	*4,492*
Within three and four years	4,024	*3,935*
Within four and five years	3,193	*3,425*
After five years	9,542	*8,313*
	32,145	*32,151*

34. 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	2022 £000	*2021 £000*	2022 £000	*2021 £000*
	Sale of goods and services to Subsidiaries		Purchase of goods and services from Subsidiaries	
McGowan and Company (Contractors) Limited	131	*126*	246	*298*
Cramond Real Estate Company Limited	–	*–*	–	*–*
Thomas Menzies (Builders) Limited	72	*126*	6	*5*
Concrete Products (Kirkcaldy) Limited	–	*2*	–	*–*
C. & W. Assets Limited	3,287	*3,031*	–	*–*
Smart Serviced Offices Limited	116	*118*	–	*–*
Northrigg Limited	–	*–*	–	*–*

In addition, during the year the Company received a dividend of £12,360,000 from C. & W. Assets Limited (2021, £2,500,000).

SUBSIDIARY	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan and Company (Contractors) Limited	–	*–*	105	*50*
Cramond Real Estate Company Limited	–	*–*	–	*–*
Thomas Menzies (Builders) Limited	1	*4*	–	*–*
Concrete Products (Kirkcaldy) Limited	–	*–*	–	*–*
C. & W. Assets Limited	2,115	*1,370*	–	*–*
Smart Serviced Offices Limited	1,020	*940*	–	*–*
Northrigg Limited	364	*176*	–	*–*

During the year the Company advanced a further £80,000 to its subsidiary Smart Serviced Offices Limited and as at 31st July 2022 the total due from the subsidiary was £1,020,000. As at 31st July 2022 the Company has provided in full against this debt.

As detailed in note 17, Northrigg Limited became a wholly owned Subsidiary of J. Smart & Co. (Contractors) PLC in the year after previously being a Joint Venture of the Company. At 1st August 2021, Northrigg Limited owed the Company £176,000. Prior to becoming a wholly owned Subsidiary, the Company advanced a further £188,000 to Northrigg Limited. As at 31st July 2022 the total due from this Subsidiary was £364,000. No provision for bad or expected credit loss has been made against this loan.

The Company has also incorporated a provision against the net liabilities of Concrete Products (Kirkcaldy) Limited amounting to £571,000 (2021, £529,000) 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.

34. RELATED PARTY TRANSACTIONS (continued)

(b) JOINT VENTURE COMPANIES

Transactions between the Group and its Joint Venture Companies were the sale of materials and services of £1,616,000 (2021, £1,408,000) and receipt of dividends of £nil (2021, £31,000).

During the year the Group was repaid £nil (2021, £nil) of outstanding loans to Joint Venture Companies and advanced £1,440,000 (2021, £1,320,000) to Joint Venture Companies.

As at 31st July 2022 loans outstanding from Joint Venture Companies amounted to £3,010,000 (2021, £1,746,000).

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.

(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 2022 the Group purchased materials amounting to £67,000 (2021, £10,000) from these companies and sold materials and services amounting to £103,000 (2021, £82,000) to these companies.

All transactions were at normal commercial rates.

As at 31st July 2022 the Group owed these companies £nil (2021, £4,000) and was owed £41,000 (2021, £53,000).

(d) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the only key management of the Company, is set out in note 5 to the 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:

	2022 £000	*2021 £000*
David W Smart	413	*412*
John R Smart	413	*412*
Alasdair H Ross	5	*5*
Patricia Sweeney	5	*5*

(f) DIRECTORS' TRANSACTIONS

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

David W Smart	1	*24*
John R Smart	40	*75*
Alasdair H Ross	–	*–*
Patricia Sweeney	–	*–*

(g) PENSION SCHEMES

Disclosures in relation to the pension schemes are included in note 31 to the financial statements.

During the year the Company paid fees and expenses on behalf of the defined benefit pension scheme amounting to £273,000 (2021, £179,000).

35. PRIOR YEAR ADJUSTMENT

During the year the Group sought further advice on the Group's right to a surplus arising on the pension scheme from a firm of lawyers who specialise in this area. Their advice was that the Group had an unconditional right to the surplus based on the original Trust Deed and Deed of Variation and therefore the full surplus arising on the calculation thereof under IAS 19 (amended): Employee Benefits should be accounted for in the financial statements. This revised advice impacted on the accounts for the year to 31st July 2021 and resulted in the accounts for that year being revised.

The impact of this new advice is that it is now clear to the Company that the full surplus arising on the pension scheme should be accounted for and should not have been reduced by the asset ceiling adjustment to reduce the surplus to the present value of economic benefits available in the form of reductions in future contributions to the plan.

There has been no impact on the Consolidated Income Statement as the asset ceiling adjustment was only accounted for in the Consolidated Statement of Comprehensive Income. The pension scheme asset in the Consolidated and Company Statement of Financial Position has increased as has deferred tax liability on the asset.

Details of the impact of the revision on the figures in the financial statements are given below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	£000
Other Comprehensive Income – as previously reported	
Items that will not be subsequently reclassified to Income Statement:	
Remeasurement gains on defined benefit pension scheme	5,988
Other Comprehensive Income – as restated	
Items that will not be subsequently reclassified to Income Statement:	
Remeasurement gains on defined benefit pension scheme	9,126
Impact on Consolidated Statement of Comprehensive Income - increase	3,138
Tax	
Increase in deferred tax adjustment based on above increase	(785)
Net impact on Consolidated Statement of Comprehensive Income	2,353

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

Retirement benefit surplus – as previously stated	4,725
Retirement benefit surplus – as restated	7,863
Increase in asset	3,138
Increase in deferred tax adjustment based on above increase	(785)
Increase in net assets of the Group and Company	2,353
Increase in retained earnings of Group and Company	2,353

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