J. SMART & CO. (CONTRACTORS) PLC

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2023

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 *18th January 2024* at 12 noon, for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st July 2023 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 2023 as set out on pages 42 to 47 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 in accordance with sections 366 and 367 of Companies Act 2006, the Company and any company which is or becomes its subsidiary at any time during the period for which this Resolution has effect to:
   (a) make political donations to political parties, other political organisations and/or independent election candidates; and
   (b) incur other political expenditure
   providing such expenditure does not exceed £5,000 in aggregate for paragraphs (a) and (b) above.
10. To authorise the Company, via a special resolution, for the purposes of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 2p each (ordinary shares) provided that:
    (a) the Company does not purchase under this authority more than 10% of the nominal value of the Company's issued share capital at the date of this notice;
    (b) the minimum price which the Company may pay for each ordinary share is 2p (exclusive of expenses); and
    (c) the maximum price which the Company may pay for each ordinary share is the higher of:
        (i) 105% (exclusive of expenses) of the average market value of the Company's equity shares for the five business days prior to the day the purchase is made according to the Daily Official List of the London Stock Exchange; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

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

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

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS
PATRICIA SWEENEY
Company Secretary

28 Cramond Road South,
Edinburgh
EH4 6AB

16th November 2023

ACCOUNTS

Headline Group profit for the year before tax, including an unrealised deficit in revalued property and a deficit in revalued financial assets was £105,000 compared with £8,192,000 last year.

As in previous years, our view is that disregarding the movement in the revaluation of the commercial property provides a truer reflection of the Group's performance, which we refer to as underlying profit. The underlying profit before tax for the year was £2,288,000, compared with last year's figure of £7,840,000, as detailed in note 10 of the financial statements.

The Board is recommending a Final Dividend of 2.27p, making a total of 3.23p, which compares with 3.23p for the previous year. The Final Dividend will cost the company no more than £904,000.

TRADING ACTIVITIES

Group construction activities, including private residential sales, decreased by 20%. Headline Group profit on continuing operations decreased substantially this financial year, which was mainly due to the decrease in the value of the commercial property portfolio and the absence of profit from investment sales of commercial property, as was the case in the previous year. Underlying profit before tax on continuing operations decreased substantially this year, the previous year having benefitted from an exceptional profit on the investment sale of commercial property.

Trading margins continued to be affected by the rise in the price of construction materials and the prolonged process in obtaining not only statutory approvals, but also simple approvals for utilities and associated infrastructure. This has resulted in all our construction sites experiencing delays and thereby longer programmes.

All of the above has caused an increase in aborted site acquisitions and a lack of contract work being acquired in the Housing Association sector. Overall costs have therefore out-stripped original budgets, which has led to an erosion of profits of recently completed and soon to be completed projects.

The private housing development at Winchburgh, Canal Quarter, is mainly complete. Reservations were encouraging until the end of 2022, but have significantly reduced in 2023. As previously reported, the current economic issues of high interest rates and inflation and the cost of living crisis continues to have an impact on consumer confidence in the private housing sector. The majority of reservations at Winchburgh have converted into sales, but sales have been substantially less than expected. The resultant prolonged sales period and accompanying holding costs, coupled with higher construction costs, partly due to a longer than expected build period, has and will continue to lead to a deterioration in the profitability of this development.

The residential development at Clovenstone Gardens has commenced and construction is progressing well. As previously reported, the first completions are not due until late 2024, so no marketing has yet taken place. As with the development at Winchburgh, the rise in construction costs and the longer than expected programme may result in a decrease in profit levels. It remains to be seen if this will be counter-balanced by positive house sales.

As predicted, commercial property values have fallen due to the decrease in investment yields. However, lettings of both our industrial stock and office stock remain robust. Rental levels in both sectors have not fallen yet and we are still seeing rental growth, but more so in the industrial sector than the office sector.

The second phase of Gartcosh Industrial Park, developed through the joint venture company, Gartcosh Estates LLP, comprising two medium sized industrial units, is now fully let.

The second phase at Belgrave Point, Bellshill, a large speculative single user industrial unit, is nearly complete and interest is promising. The increased programme, due to delays in utility infrastructure, and increased construction costs, will again impact on profit margins

As reported in the interim statement, we have not secured any new external contracts with housing associations. A contract has been agreed with a manufacturing company for a new office facility and an industrial unit extension. This contract, just outside Stirling, did commence just prior to the end of the financial year, and is progressing well.

FUTURE PROSPECTS

We have less work in hand in our own private housing at this time than we did last year. We do not have any real prospects of further contract work at present.

We have finally made progress with several planning applications previously stuck in the Scottish planning system, albeit it has taken longer than is necessary. Planning consent was obtained for an industrial development in Bathgate. We have just received approval for a residential development in Fife. We anticipate planning permission being granted for a substantial flatted development in Edinburgh this financial year.

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 due to simple viability issues. The lack of urgency in local authorities in processing statutory approvals will undoubtedly delay commencement on site, should we choose to progress these developments. As mentioned above, there will be private housing sales this year, but substantially less than anticipated.

We expect to maintain letting levels in our commercial property portfolio. It is already evident that investment yields have decreased, but rental levels have held steady. Therefore, it remains to be seen whether commercial property values will fall this current financial year.

At this stage it is difficult to assess what the headline profit will be for the year to 31st July 2024. If commercial property values fall further, 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, the increase in material costs and prolonged programmes due to statutory approval delays.

Mr Roy Anderson, Managing Director of our subsidiary Thomas Menzies (Builders) Limited, retires at the end of 2023. He served your company diligently for 34 years and I wish him a long and happy retirement.

This is the first full reporting year for the new Task Force Climate-Related Financial Disclosures (TCFD) standards. It has taken a significant amount of time, effort and work with our consultant, Beyond Green, to develop an updated Sustainability Policy incorporating the required TCFD Reporting. I would like to thank all our employees involved in the process. Special mention must be made of the efforts of Head of HR, Lynsey Mackenzie, Head of Commercial Development, Jane Oliver and our Chief Buyer, John Sharp in this regard.

David W Smart
Chairman

16th November 2023

The Directors present their Annual Report and Statement of Accounts of the Group for the year ended 31st July 2023.

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 2023 amounted to £200,000 (2022, £6,621,000).

During the year the Company paid on 30th January 2023 a final dividend for the year to 31st July 2022 of 2.27p per share (2022, 2.27p) and paid on 5th June 2023 an interim dividend for the year to 31st July 2023 of 0.96p per share (2022, 0.96p).

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 2024 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 22nd December 2023. Dividend warrants will be posted on 26th January 2024.

DIRECTORS

The following were Directors of the Company during the financial year ended 31st July 2023:

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

Details of the Directors are given on page 34 of the financial statements.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company's Articles of Association (the Company's Articles) give the Directors the power to appoint or remove any Director. Initial appointments must be approved by the Board of Directors but anyone so appointed must be re-elected by ordinary resolution at the next Annual General Meeting of the Company. In accordance with the Company's Articles, all Directors, but excluding the Chairman, must retire annually and offer themselves for re-election at the Annual General Meeting. Annual retirement of the Directors is also in accordance with provision 18 of the UK Corporate Governance Code which is followed for all the Company's Directors except for the Chairman..

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 2023 and 16th November 2023 are given on page 45 of the financial statements.

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 2022 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 2023 comprises a single class of ordinary share of 2p each. Details of the issued share capital are shown in note 26 to the financial statements.

At the 2022 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. This authority will expire at the earlier of 15 months from the date of passing of the resolution granting the authority and the conclusion of the next Annual General Meeting. 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 2023 Annual General Meeting.

During the year the Company made market purchases of 803,213 ordinary shares of 2p under the existing authority, for a total consideration of £1,345,000. The shares purchased were subsequently cancelled, and represented less than 1.97% of the Company's issued share capital at the start of the financial year. There were no purchases of shares in the year made otherwise than through market purchases.

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

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

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

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 property investment.

Given the nature of the Group's financial instruments the main risk associated with these is credit risk, it is not exposed to liquidity or interest rate risk as it does not have any net debt but it does suffer from low 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.

Regarding trade and other receivables, these amounts are accounted for at cost less a loss allowance for expected credit losses which are assessed based on past default experience and debtors' current financial position, as detailed in note 20 of the financial statements.

Liquidity risk

As the Group finances its operations through equity and reinvested profits and does not have any bank borrowings it has no exposure to liquidity risk.

Interest rate risk

As the Group has no debt it has no exposure to interest rate risk other than in relation to interest earned on short term deposits of surplus funds when interest rates remain low..

ARTICLES OF ASSOCIATION

The Company's Articles can only be amended by a special resolution at a General Meeting. The Company's Articles can only be amended by a special resolution at a General Meeting. No amendments are proposed to be made to the existing Company Articles at the 2023 Annual General Meeting.

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.

A Shareholder Relationship Agreement as required by LR6.5.4R between the Company and the controlling shareholders, David W Smart and John R Smart has been 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

This Energy and Carbon Report, prepared in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, is commonly known as Streamlining Energy and Carbon Reporting (SECR); it provides one lens to help us understand our carbon impacts and guide our actions to reduce our emissions.

This report outlines our scope under SECR, the total energy used, and associated carbon emissions for the year ending 31st July 2023, a summary of actions taken in the year to reduce our emissions and further detail on the methodology used to comply with SECR. We do not have responsibility for any emission sources that are not related to activities included in our Annual Report and Statement of Accounts.

Our Scope for SECR

The SECR sets out the UK's new mandatory reporting requirements for energy and carbon impacts of large UK organisations, as defined by the Companies Act 2006. The Group is classed as large under the regulations.

SECR requires us to report the total annual energy consumption, and associated carbon emissions for our financial year end. Energy relates to all energy of any fuel type where we have direct or indirect control, known as Scope 1 and 2 emissions under Greenhouse Gas Protocol (see methodology for further details). For the Group, energy in scope is electricity and gas consumption to run our head office in Edinburgh and our office in Kirkcaldy, diesel and petrol used in the delivery of our construction projects and property services and any business travel by personal car starting or ending in the UK. All energy and emissions relate to our activities within the UK.

Our Impacts and Intensity Ratios

Based on the scope outlined above, our energy and carbon impacts for the current and prior years are summarised below. These impacts show us our environmental performance and can form a baseline for us to compare ourselves to in the future.:

	Consumption (MWh)		Greenhouse Gas Emissions (tCO_2e)	
Energy Source	**2023**	2022	**2023**	2022
Natural Gas	**1,642**	2,414	**300**	434
Petrol	**28**	27	**6**	6
Diesel	**2,703**	2,225	**652**	538
Gas Oil	**-**	796	**-**	204
Total Scope 1	**4,373**	5,462	**958**	1,182
Grid Electricity	**530**	509	**103**	98
Total Scope 2	**530**	509	**103**	98
Business Travel	**46**	-	**13**	-
Total	**4,949**	5,971	**1,074**	1,280

Intensity ratios

To understand our progress in improving our environmental performance, and to meet SECR requirements, we have identified intensity ratios that help put our energy consumption and emissions into the context of our business. We have chosen to use revenue and headcount - full time equivalent (FTE) employee numbers. Therefore, our intensity ratios for energy are kWh/£m and kWh/FTE and emissions tCO_2e/£m and tCO_2e/FTE. This allows us to compare our impact with that of similar organisations in size and/or activities. For future years, we are currently streamlining data management to enable us to report intensity ratios for each segment of our business.

	Revenue £m	MWh/£m	tCO_2e/£m	FTE	MWH/FTE	tCO_2e/FTE
2023	**13.0**	**460**	**98.8**	**152**	**39.3**	**8.4**
2022	14.4	414	88.9	147	40.6	8.7

GREENHOUSE GAS EMISSIONS (continued)

Intensity ratios (continued)

It is also important to note that the prior year's results reflect the underlying impacts of the pandemic on energy use and carbon emissions. In 2022, the reporting year covered six months of normal operation and six months of lockdown restrictions, whereas in 2023 the whole 12-month reporting period reflected more pre-pandemic working patterns. Reflecting the operational changes between the reporting periods, total energy fell by 5.7% and carbon emissions fell by 7%. The increase in intensity ratio for both energy and emissions in relation to revenue is primarily driven by the £5,728,000 of activity in the reporting period relating to own work capitalised. Although own work capitalised is excluded from reported revenue, the underlying activities will consume energy and generate emissions which are included in this Energy and Carbon Report.

Our Energy Efficiency Actions

Throughout the year we have taken action to reduce energy consumption and improve energy efficiency across our construction activities, investment properties and office operations. A summary of energy saving actions and programmes are detailed below:

- Refurbishment of our head office commenced in the year, and the plans include improvements to the thermal properties of the building fabric, the installation of a 14kWp solar PV array, upgrading all lighting to LED and the use of motion sensors, the installation of two EV charging points, and upgrading our heating system to an efficient gas fired system.
- For our Property investment at Bellshill, we included a 27kWp solar PV array, three electric vehicle charging points, and the installation of Air Source Heat Pumps for the office space. Across our leased properties we are conducting a rolling programme to replace all lighting with LEDs with motion sensors, when leases expire.
- For our construction sites, we made significant strides in the last year to invest in highly insulated site offices and welfare units (Energy Rated - B), hired efficient generators with integrated battery storage to provide hybrid power to the site, reducing generator run by 75% compared to a standard generator. In addition, we have appointed power champions at each site and monitor power consumption on a monthly basis to identify unnecessary energy demand.

The Group has conducted a comprehensive calculation of its carbon impact under the Task Force on Climate-related Financial Disclosures (TCFD) requirements and will develop its future net zero strategy and carbon reduction roadmap in the coming year. Refer to our TCFD report on pages 20 to 31 of the financial statements.

Methodology

Overall, our methodology for preparing the energy and carbon report follows the principles set out in Environmental Reporting Guidelines[1], namely, relevance, completeness, consistency, and transparency. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to data gathered to fulfil our requirement under these regulations and emission factors from the UK Government GHG Conversion Factors for Company Reporting 2022, and using location based methodology. In the reporting year, we did not have any certified renewable energy purchase contracts in place, and thus market based methodology has not been applied.

Our energy and carbon emissions are based on our UK operations for the year to 31st July 2023. Electricity and mains gas data is taken from invoices and relates to our offices (individually metered) and vacant investment properties (based on annual apportionment). Where gas consumption is recorded from volumetric meter readings the consumption has been converted into kWh using an assumed average gross calorific value, and the standard volume correction factor of 1.0224. Fuels for construction plant and company vehicles are based on supplier invoices and converted into kWh based on fuel conversion factors published within UK Government Conversion Factors for Company Reporting 2022.

For business travel, the Group's financial records were reviewed for any expenses related to car hire, personal car mileage claims and any other fuel consumption which we have direct or indirect control. The related kWh for mileage has been calculated using the conversion factors provided in the GHG Conversion Factors for Company Reporting 2022 for the average vehicle and unknown fuel type.

Limitations

None have been noted.

1. Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019, published by HM Government

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 13 to 33.

The Directors having assessed the business risks of the Company and Group as detailed in the Strategic Report on pages 17 to 19 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.

There continues to be issues around the 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 and the impact of global conflicts. Also, the prolonged process in obtaining not only statutory approvals, but approvals for utilities and infrastructure have resulted in construction sites experiencing delays and thereby longer build programmes and increased costs. Although these issues have an impact on the finances of the Company and Group the Directors consider that as they can determine the work programmes to be undertaken and they are well placed to manage the financial risks the 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 has remained consistent with no significant loss of income due to reduced occupancy or default in tenants paying rents and the Directors do not believe that this situation will significantly change due to the types of investment properties held.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company and its Subsidiaries, as described in the Strategic Report, will substantially change in the foreseeable 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 13 to 33 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

16th November 2023

The Directors present their Strategic Report of the Group for the year ended 31st July 2023.

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 construction and investment activities are 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 769,000 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. Northrigg Limited is a property holding company.

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

	2023	2022
	£000	£000
Revenue	**5,961**	7,430
Operating loss	**(2,720)**	(2,487)

Construction revenue in the year has significantly decreased again this year due mainly to fallen turnover in the areas of civil engineering undertaken by Subsidiary Company, Thomas Menzies (Builders) Limited and in work on construction of industrial units. As noted in the previous year we completed the work for our Joint Venture, Gartcosh Estates LLP at phase 2 of their development consisting of 2 industrial units and undertook no new construction work of industrial units for third parties in the year.

During the year there were sales of private houses at our development at Canal View, Winchburgh a development of 64 dwellings consisting of flats and terrace houses. In total 9 properties were sold in the year. Revenue from private house sales due to these sales increased from that of the previous year.

We commenced construction at our site in Clovenstone, Wester Hailes, Edinburgh. This site is a development of 45 flats. Private house sales at this development are not expected until the year to 31st July 2025. There is also an element of social housing at this site being 24 flats for Prospect Community Housing. During the year there was a small amount of revenue earned against this contract.

During the year we also commenced construction of commercial property for a third party and again a small amount of revenue was earned against this contract.

Full details of construction revenue is given in note 3 of the financial statements.

Construction material costs continue to remain high due to the continuing impact of Brexit, global unrest, inflation rate increases and the overall demand for goods and services causing increases in material and labour costs. The Group continues to monitor costs on construction contracts, with the finance and surveyor teams liaising to ensure accurate recording of cost to contracts and monitoring of actual costs against anticipated costs and anticipated revenue to ensure projects remain on course. The Directors continue to fully appraise contracts, at various stages, prior to acceptance to ascertain the likely outcome of the contract. These appraisals are conducted prior to land bank acquisitions, commencement of construction and then during the lifetime of the contract to its completion.

Overheads continue to remain relatively constant over time, the Directors do continue to monitor these with a view to achieving any savings on costs were possible. However, with reduced revenue levels the recoverability of overhead is difficult.

The increased material construction costs together with increased labour costs has resulted in margins being reduced which impacts on the recoverability of overheads incurred by the Group and has resulted in the increased operating loss incurred in the year.

PERFORMANCE REVIEW (continued)

Investment activities	**2023**	2022
	£000	£000
Revenue from investment properties	**7,011**	6,983
Profit on sale of investment properties	**–**	6,055
Net (deficit)/surplus on valuation of investment properties	**(2,164)**	473
Operating profit from investment properties	**2,063**	10,309
Income from financial assets	**58**	63
(Loss)/profit on sale of financial assets	**(15)**	17
Net deficit on valuation of financial assets	**(19)**	(121)
Share of (losses)/profits in Joint Ventures	**(36)**	254

Revenue from investment properties marginally increased in the year (2022, decreased by 6%). There have been movements by tenants in and out of properties in the year but overall both occupancy levels and rental growth have remained fairly static. Recoverability of revenue from investment properties continues to remain high and the Group has suffered little in the way of defaulting tenants.

The office and retail development at Winchburgh was completed and handed over to our investment property company at the start of the financial year. On completion of the build a tenant for the office was in place but we have still to lease any of the industrial units, although a tenant is lined up to take up occupancy of one of the units in the near future. Work continues on phase 2 at our industrial site at Bellshill for the construction of one 53,735 square foot unit and the work now includes an office fit out within the unit which has resulted in an extension to the duration of the build.

Service charges and insurance receivable revenue have remained unchanged from the previous year due to the limited movements in occupancy in the year (2022, increased by 4%). Service charges remain dependent on costs incurred in the year that can be recovered and varies from year to year.

There were no disposals of properties in the year, compared to the previous year when the Group sold three of its industrial estates for £24,032,000 which generated a profit on sale of £6,055,000.

This year the Group has suffered a deficit on the revaluation of investment property portfolio of £2,164,000, due mainly to decreasing yields.

Income from our financial assets has decreased from that of the previous year. There were a number of acquisitions in the year to our portfolio and disposals on which the Group suffered a loss of £15,000. The impact of world and domestic events on the financial markets resulted in a deficit of £19,000 on the fair value of our financial assets being recorded this year.

The share of the results in our Joint Ventures is a loss of £36,000 which is due to the effect of accounting for a revaluation deficit on the industrial development owned by Gartcosh Estates LLP.

PERFORMANCE REVIEW (continued)

Group results and financial position

Continuing and discontinued activities

	2023	2022
	£000	£000
Profit before tax	**105**	8,192
Net bank position	**8,214**	20,795
Net assets	**125,467**	124,676

Overall the Group has earned a profit before tax in the year but it is significantly reduced from the profit earned in the previous year due to the operating loss on the construction activities of the Group and the accounting for the deficit on the revaluation of investment properties. The significant movement in the profit for this year and the profit in the previous year is also due to the profit earned on sale of the investment properties in the previous year and the accounting for the impact of the revaluation movement on investment properties in each year. If these are excluded then in the current year the Group generated a profit of £2,269,000 compared to £1,664,000 in the previous year. The movement of £605,000 arises mainly from the increased operating profit earned on the Group's investment activities less the increased loss on the construction activities and the increase in finance income on short-term deposits with banks, interest on loans to Joint Ventures and interest earned on the Group's Retirement Benefit asset.

Our net bank position, which comprises monies held on deposit, cash and cash equivalents and the netting of our bank overdraft has decreased in the year. This is due to the cash outflows on our current private housing and own industrial developments currently in progress. Overall, the Group continues to be net debt-free.

The Group's net assets have increased by £791,000, the main impact being the movement in the Group's pension scheme surplus of £4,902,000 and the increase in our inventories of private housing for sale net of the decrease in cash and cash equivalents. The profit generated 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 (2022, 3.23p), which is the same as the dividend rate for 2022.

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 2023 are set out in the Report of the Directors on pages 9 and 10.

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, 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.
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. • Continue to invest in property sectors which are robust. • 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. Including Local Government processes slowing down our ability to commence new building projects.	• 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. • Monitor Government guidelines and new legislations announcements to ensure the Group remains up to date with legislation. • Continue to pursue contacts at Local Government to obtain necessary consents and planning approval.
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.
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. • Establishment of Sustainability Committee to develop the Group's sustainability strategy with the commitment to reduce the Group's carbon emissions in line with science-based carbon reduction targets. • Employ the services of external specialists and consultants for their expertise.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of principal risk or uncertainty and impact	Mitigating actions and controls
Unforeseen national and global events including world conflicts and natural disasters.	• Establish strong relationships with suppliers and subcontractors to ascertain impact on their potential supply chains. • Build up financial resources to ensure the Group has sufficient funds for future working capital requirements. • Establish continuity plans for all areas of operations.
Impact of cost of living crisis, increased inflation and bank interest rates.	• Retain strong control over costs on construction contracts. • Remunerate onsite and office based employees with competitive rates of pay and benefits.

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 2026, 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.

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 2026

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As a Group, J. Smart & Co. (Contractors) PLC already follow prudent principles in relation to our business activities. We will re-focus our objectives to ensure compliance with the Task Force Climate-related Financial Disclosures (TCFD) requirements and embed TCFD into our governance, strategy and risk mitigation going forward. We support the essence of TCFD, and recognise the importance and impact of climate change, which is reflected within our Sustainability Strategy.

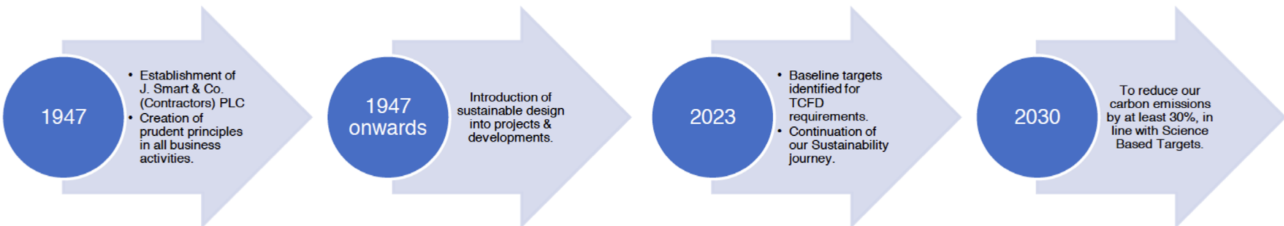
As this is our first fully comprehensive review of the disclosure under the TCFD requirements, there are certain areas where we have limited climate-related disclosures due to data limitations these include specific areas within the following TCFD themes: Strategy (b & c) and Risk (b). In the coming year we will consider in further detail these requirements and identify key areas we can improve the depth of our disclosures where required information is available.

The Board confirms that it has complied, were applicable, with the Listing Rule requirements as per LR 9.8.6(R)(8) for the disclosures for TCFD. However, the Board recognises that some TCFD recommended disclosures require further development and continual improvement, and these have been identified in the relevant pillar as an area to focus during 2023/24.

Our Sustainability History & Roadmap

The Group has a long history of sustainable practices. We aim to refurbish where possible (e.g. Head Office, Links Place and Bridgeside House), reuse materials, utilise local suppliers and redevelop brownfield sites for both residential and commercial projects recent examples being our developments at West Bowling Green Street, Edinburgh and Belgrave Street, Bellshill.

Looking forward, Climate Action will be a key strategic priority for the Group, embedding processes and practices into our business operations and providing key education and training to our employees to support our goals.



Governance

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Governance (continued)

Recommendation	Recommended Disclosures
Disclosure: Disclose the organisation's governance around climate related risks and opportunities.	**2022/23 Progress: Approved targets and objectives and set up of Sustainability Team.**
(a) Describe the Board's oversight of climate-related risks and opportunities. (b) Describe the management's role in assessing and managing climate- related risks and opportunities.	The Group understands that climate change can present risks and opportunities to our business activities, our employees and our other stakeholders. The Board oversees the Sustainability Strategy, which details risks, opportunities, and identified objectives. The Strategy also addresses the carbon impact of our waste, assets, operations and investments. It provides details of our objectives going forward, including our efforts to reduce our carbon impact and operate more sustainably in all aspects of our business. The Board met 6 times throughout the year, and climate-related risks and opportunities are placed on the agenda. The design, implementation, and execution of the organisation's response is discussed. The Board Director responsible for climate-related issues is our Chairman and Joint Managing Director, David W Smart, and the Senior Manager who leads the delivery of the Sustainability Strategy is Jane Oliver. Our Chairman oversees the internal management of the Group's climate-related risks, opportunities and strategy-setting process, and receives updates on climate-related activities and developments throughout the business. These updates are reported by the Sustainability Committee. The Sustainability Committee is formed of representatives from across the Group including the Joint Managing Directors, members of the Real Estate, Construction, HR and Design Teams. Meeting monthly, the Committee collaborates to identify, assess, and manage our response to climate-related risks and opportunities. The Committee works closely with employees throughout our Group to implement and enhance programmes and policies addressing climate-related risks and opportunities for the Group. The Committee reports to the Board bi-annually with its recommendations. Our Board, oversees the integration of climate-related opportunities and risks, including environmental and climate-related impacts, into corporate risk assessment activities and audit functions. **2023/24 Focus: Set up of Climate Disclosures Working Group, to identify further climate-related risks and opportunities.**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Strategy

Recommendation	Recommended Disclosures
Disclosure: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	**2022/23 Progress: Climate Risk Analysis for the Group's Business activities.**
(a) Describe the climate-related risks & opportunities the organisation has identified over the short, medium, and long term. (b) Describe the impact of climate-related risks & opportunities on the organisation's businesses, strategy, & financial planning. (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have identified climate-related risks, opportunities and objectives through our business activities and processes, namely: Stakeholders, Supply Chain, Materials, Assets groups, unconsolidated Equity Investments and GHG emissions. We have also identified risks and opportunities in terms of low, medium and high impact, though this requires further exploration. Our main risks, related to climate change are changes in regulation, technology, stakeholder expectations and physical risks, including heat and unpredictable weather. Our opportunities are focused on the products we can offer to adapt to the effects of climate change, including the use of green steel, low-carbon materials, low-carbon fuels for construction activities and generating income from solar PV from our property portfolio. Although we have assessed the impact on our business and strategy, we intend to analyse our processes and impacts further in order to better quantify the impact on financial planning. Further financial quantification of risks and opportunities will become more of a focus in future years, as data and technologies permit. Our identified targets and objectives support the overall direction of travel to reduce our emissions, and where possible, are shaped by scenario analysis. Currently, our scenario analysis is based on high-level and intuitive assessment of the impacts for two scenarios: <2°C and > 2°C upon the current business activities and processes outlined in disclosures (a) above. **2023/24 Focus: Re-evaluation of our carbon reduction targets to align to Science Based targets initiative and reassess our objectives based on more detailed scenario analysis in order to further develop our financial planning.**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Strategic Objectives

Strategic Objective	Physical/ Transition Risk*	Managing the risk or opportunity	Risk/ Opportunity	Scenario Analysis < 2c	Scenario Analysis > 2c	Target
1. Reduce the carbon intensity of raw materials	Transition	Focus on steel and investigate low carbon concrete.	●	◐	●	10% of total steel purchase is green by 2025.
2. Monitor exposure to flood risk for vacant land sites	Physical	We have reviewed all our property holdings, including our vacant land throughout the Group. As part of this exercise, we have identified 3 sites which may "by the 2080s, each year this area may have a 0.5% chance of flooding." According to SEPA latest flood maps. As the likelihood of flooding is so low, we do not believe this has a significant impact on our portfolio.	○	○	◐	Area of vacant land holding exposed to flood risk is 1% or below.
3. Decarbonise investment portfolio	Transition	Focus on divesting high carbon investments, when stock market conditions, financial yield and portfolio balance permit.	●	●	●	10% reduction by 2025.
4. Explore renewable energy strategy to property portfolio	Physical & Transition	To investigate opportunities to install PV throughout the Investment Property portfolio. Would allow potential revenue stream and potential reduction in the use of fossil fuels.	●	●	●	Increase the renewable energy generation capabilities across the Investment Property portfolio.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Strategic Objectives (continued)

Strategic Objective	Physical/ Transition Risk*	Managing the risk or opportunity	Risk/ Opportunity	Scenario Analysis < 2c	Scenario Analysis > 2c	Target
5. Transition to low carbon alternatives for plant and machinery	Physical & Transition	To look at the short, medium and long-term opportunities to upgrade plant to more green alternatives.				Increase the use of HVO and battery storage for plant and welfare facilities.
6. Digital Transformation: to build upon & improve data management, data analysis, digital working practices and procure the relevant skill sets required to implement	Transition	To investigate available options to improve our data collection and IT systems to collect quality data, to provide more detailed and robust information.				Implement digital IT systems and provide training to our employees by 2025.
7. Continually strive towards Zero Waste to landfill	Transition	To look at alternatives to waste management, and look at opportunities to reduce waste and reuse where possible.				Increase diversion from landfill to 95% by 2025.

* Physical Risk: Heat, Flood, Unpredictable weather.

Transition Risk: Policy, Economic, Technology, Regulation, Stakeholders.

KEY:

Risk/Opportunity

Low Risk		Medium Risk		High Risk	
Low Opportunity		Medium Opportunity		High Opportunity	

Scenario Analysis

No Change		Minor Change		Major Change	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Relevance to UN Sustainable Development Goals

Our 2023 Sustainability Strategy aims to support the Sustainable Development Goals (SDGs) which the Sustainability Committee considered relevant to the Group's activities and important to our future success. The three priority goals of Good Health and Wellbeing, Decent Work and Economic Growth and Responsible Consumption and Production are supported by five other goals. In addition, three future goals for 2030 including a focus on Climate Action and Affordable and Clean Energy. We consider the strategic objectives, as outlined above, not only support our priority goals, but are also coherent with our goals for 2030.

Risk Management & Corporate Risk

Recommendation	Recommended Disclosures
Disclosure: Disclose how the organisation identifies, assess, and manages climate-related risks.	**2022/23 Progress: Publication of Sustainability Strategy detailing key risks and opportunities.**
(a) Describe the organisation's processes for identifying and assessing climate-related risks. (b) Describe the organisation's processes for managing climate-related risks. (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change is a principal risk. We have formal ongoing processes to identify, assess and analyse risks and these form part of our Group Risk Register. These risks are fully explained in our Principal Risks and Uncertainties section of the Strategic Report on pages 17 to 19 of the financial statements. We have investigated and evaluated our key climate risks (as detailed in the Strategy section above) and opportunities, through specific work packages with a focus on: Key Stakeholders (tenants, housing associations and employees), Supply Chain, Construction Materials, Key Asset Groups (plant & machinery, motor vehicles, investment properties and unconsolidated equity investments). The assessment work has been led by members of Sustainability Committee and with input from specialists and team members from across the organisation. Our holistic approach ensures that the assessment has captured expertise and knowledge in both depth and breadth. The outcomes the work packages have enabled a more systematic evaluation of risks and opportunities which the Board have reviewed as part of their decision-making process in risk mitigation and setting strategic objectives. These risks and opportunities are detailed in our Strategic Objective table on pages 23 and 24 of the financial statements. Whilst we have identified physical and transition risks, for our base year. We recognise that climate change related risks, which could affect our business, will require further financial quantification, impacts on financial planning and resilience testing. This will be further investigated by the Sustainability team in 2023/24. **2023/24 Focus: Continuing to develop our processes for assessing and managing climate-related risk, in particular the impacts on financial planning.**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Metrics & Targets

Recommendation	Recommended Disclosures
Disclosure: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	**2022/23 Progress: Carried out extensive works and set baseline targets.**
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. (b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have detailed our climate-related risks and opportunities according to TCFD guidelines in our Sustainability Strategy. Our overarching target is to reduce our carbon emissions by at least 30% by 2030, in line with Science Based Targets initiative (SBTi) for 1.5°C limit to global warming by 2100. With the development of our Net Zero Roadmap during the next financial year, this target will become more defined, along with improvements in our business processes, practices and actions. The key metrics and targets we have set relate to reductions in our carbon emissions for the most significant areas of our GHG emissions, as set out on page 27 of the financial statements and to a focus on our investment property portfolio and unconsolidated equity investments. Our key metrics are detailed below under Metrics & Targets. For the year ending 31st July 2023, our baseline year, the GHG emissions can be found under the Greenhouse Emissions Statement on pages 27 to 31 of the financial statements, which details Scope 1, 2 and 3 emissions, in addition to the SECR report provided on pages 9 and 10 of the financial statements. We plan to achieve these targets through key areas: • Reduce negative impact by reducing emissions. • Move towards a balanced portfolio of our equity investments. • Remuneration - We will consider linking climate-related targets, as per our Sustainability Strategy, into the Company remuneration process. • Internal carbon pricing has not been considered as a method to support our carbon reduction targets though this could be considered in the future. **2023/24 Focus: Monitor our key metrics and targets and improve data gathering to achieve this.**

Our metrics and targets have been established in line with mandatory requirements. We have approved targets for Scope 1 and 2. For Scope 3, our baseline year is 2023.

Metric Title	Units	Baseline year 2023
Fixed Asset Investments (Carbon Intensity)	tCO_2e/\$m invested	56
Vacant Land	% acres exposed to flooding risk	0.16415%
Waste Management	% diversion from landfill	94%
Energy (Property)	$kgCO_2e$/sqft	1.79
Materials (Construction)	tCO_2e/£m	624.9
Plant (Fuel Carbon Intensity)	tCO_2e/£m of Construction Work	23.0

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Greenhouse Gas Emissions Statement

The 2023 Annual Report and Statement of Accounts includes our inaugural comprehensive Greenhouse Gas Emissions Statement for the year ending 31st July 2023. The statement includes the emission categories[1] which the Board considers to be relevant to climate-related risks, importance to stakeholders and material to the Group's activities during the year and where reliable data is available to calculate emissions. Where relevant, Scope 3 emissions also include Well to Tank (WTT) emissions, such as business travel.

This statement outlines the carbon emission for the three business segments: Company, Construction and Property Investment, along with an appropriate carbon intensity metric for each segment. This segmentation and analysis will enable the Board to compare performance year on year, assess the effectiveness of carbon reduction actions taken, and revise the Net Zero Roadmap.

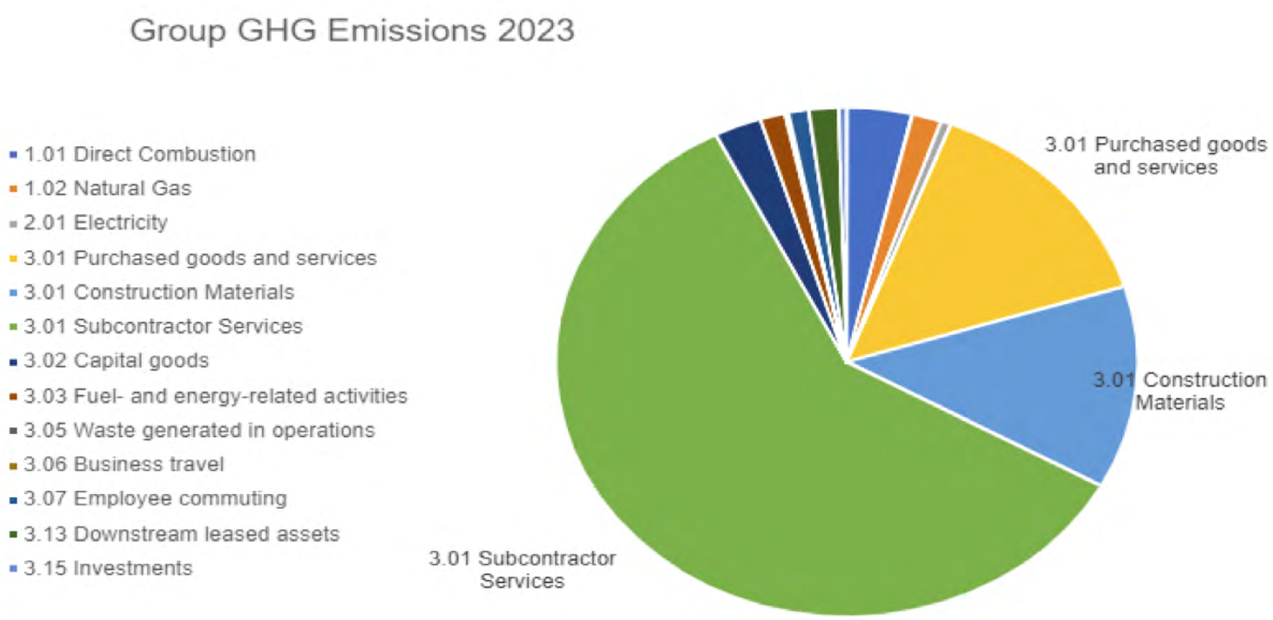
Common with most carbon accounting and reporting the methodologies and the accuracy of reported emissions will mature overtime, and the Board will ensure key reporting principles of transparency, comparability, comprehensiveness, and materiality are adhered to.

The emissions included in this statement represent the Group's base year and will form the baseline for the Group to develop its Net Zero Roadmap towards an interim carbon reduction target of 30% by 2030; to be in line with Science Based Targets initiative (SBTi).

The statement includes a summarised methodology, supplementary notes on each emissions category and any limitations in the methodology.

Emissions Impact 2023

The chart below shows the profile of our total emissions for the 11 emissions categories[2] within our defined operational boundary, covering Scopes 1, 2 and 3 and notably the three largest categories. The total emissions for the reporting period are 18,174 tCO_2e (tonnes of carbon dioxide equivalent).



1. As defined by the GHG Protocol: A Corporate Accounting and Reporting Standard (revised edition) for Scope 1, 2 and 3 emissions.
2. The category for purchase goods and services has been subdivided into central overheads, construction materials and subcontractors, which all fall within the formal emissions category of Purchased goods and services.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Segmental Analysis of the Group's Greenhouse Gas Emissions

The table below outlines the emissions for each emission category included in the operational boundary for each business segment and the total for the Group.

Emissions Category	Notes	Company tCO_2 e	Construction tCO_2 e	Investment Property tCO_2 e	Group Total tCO_2 e
1.01 Direct combustion	1	389	269	-	658
1.02 Natural gas	2	28	8	264	300
2.01 Electricity	3	38	7	57	102
3.01 Purchased goods and services	4	1,392	381	838	2,611
3.01 Construction materials	5	-	2,343	-	2,343
3.01 Subcontractor services	6	-	10,812	-	10,812
3.02 Capital goods	7	273	203	-	476
3.03 Fuel- and energy-related activities	8	117	72	65	254
3.05 Waste generated in operations	9	-	20	-	20
3.06 Business travel	10	13	-	-	13
3.07 Employee commuting	11	205	-	-	205
3.13 Downstream leased assets	12	-	-	300	300
3.15 Investments	13	80	-	-	80
Total Emissions		**2,535**	**14,115**	**1,524**	**18,174**
Breakdown by Scope (in tCO_2 e)					
Scope 1		417	277	264	958
Scope 2		38	7	57	102
Scope 3		2,080	13,831	1,203	17,114
Total Emissions		**2,535**	**14,115**	**1,524**	**18,174**

Relevant and Excluded Emission Categories

The Greenhouse Gas Emissions statement excludes relevant and potentially material emissions categories where data availability and reliability were not adequate to include. The exclusions are primarily relating to the logistics from Tier 1 suppliers to our sites or central depot (upstream transportation and distribution), and the treatment of waste from the future demolition of properties (end of life treatment of sold products).

Upstream Emissions Distribution and Transportation

For upstream logistics, the limitation is due to availability of reliable data from suppliers and practical data collection methods that are not unnecessarily time consuming.

Downstream Emissions for Sold Properties

For end-of-life treatment of properties the calculation of emissions arising from the future demolition of property sales in the year is problematic because the properties have a useful life of around 50 years, most materials would be recycled, and there is a specific uncertainty around the final release of atmospheric emissions for recycled timber. In accordance with Corporate Accounting and Reporting Standard (revised edition), sub-sets of downstream emissions relating to sold products (categories: 9,10,11 and 12) should not be selectively excluded/included (section 6.4). Although categories 9 and 10 are not relevant to the Group's activities, end of life emissions are and therefore, the estimated the lifetime energy-related emissions from the sale of residential properties in the year has been excluded from the emissions statement.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Carbon Intensity Metrics

The statement includes four intensity metrics, one for each segment and an overall Group metric. The Group metric is based on total Revenue in £million, and for each business segment they are based on the underlying activity that influences emissions for a given segment, as follows:

- Company is based on the number of full-time equivalent employees (FTE).
- Construction is based on the £millions of work carried out, including the capitalisation of own work. The capitalisation of our own work is included as this fairly captures the underlying activities which influence carbon emissions.
- Investment property is the current floor area (square feet) under lease, excluding common areas.

The Board considers these metrics to be appropriate and comparable for the sectors in which the Group operates. The carbon intensity metrics are provided in the table below.

Carbon Intensity		**Company**	**Construction**	**Investment Property**	**Group Total**
Metric	UoM	FTE	£m	sqft	£m
YEAR 2023		152	11.7	851,159	6.0
Carbon Intensity	tCO_2e/UoM	17	1,207	0.0018	3,049

Climate-Related Risks

From our strategic analysis and risk assessment as outlined on pages 22 to 24 of the financial statements, the most significant emissions categories (% of total emissions) with associated climate-related risks are summarised as follows:

- Construction Activities - in relation to materials and subcontractors (72.4%)
  Risks are primarily associated with transition risks relating to regulatory risks in the Scottish building sector, the adoption of new technologies, such as green steel and low carbon alternatives for concrete, insulation, and stakeholder expectations for low carbon buildings. Physical risk is more long-term, with regards to supply of timber. Consequently, mitigating these risks require us to work closely with the supply chain and the develop skills to work with new materials and methods.
- General purchases of Goods and Services (12.9%)
  At present, the transition risks are not considered to be significantly different to the general economy's progress towards a net zero future.
- Energy - in relation to fossil fuels for heating, power and transport across the company (7.4%)
  Risks are primarily associated with transition risks relating to movement away from fossil fuels including the adoption of electric vehicles, the forthcoming low emission zone in Edinburgh and expectations from clients for energy efficient buildings with renewable energy options for the common areas we control. Physical risks in the medium-term relate the increase in air temperatures during summer periods which may lead to an increase in energy demand for air conditioning for offices and site activities, operating plant and welfare units.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Methodology

The overall methodology for preparing this Greenhouse Gas Emissions statement follows the requirements outlined in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) with supplementary guidance provided by Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The Group's boundary is based on the equity method of consolidation.

The emissions factors used are generally based on the UK Governments published: UK Government GHG Conversion Factors for Company Reporting for 2022, and emissions factors used for spend based calculations are sourced from other reliable sources, such as Ecometrica Emission Factors. The 2022 factors are used as the emissions are prepared throughout the reporting year and ahead of the publication of the 2023 factors.

Data sources are predominantly from the Group's accounting records, supplier and contractor records, and other Group information as required. Specific assumptions and methods for each emissions category are outlined in the supporting notes below.

Limitations

Notable limitations with the methodology and emissions data are as follows:

- Emissions factors for spend are based on emissions such as purchases have been sourced from Ecometrica. The original reference data is DEFRA from 2012 onwards, and therefore does not reflect or adjust for any inflationary impacts in recent years. Spend based emission factors are generic and do not represent the actual emissions of the Group's supply chain and are based on sector averages and may have a +/- 60% uncertainty.
- The statement has been prepared on information and data available during the year, and its accuracy is dependent on the underlying systems and process for record keeping and data management.

With the continual improvement in carbon accounting methodologies and availability of more specific data and recent carbon factors the impact of these limitations will diminish over time. We are unable to practically estimate the material impact of these limitations.

The notes below outline more specific areas of uncertainty for each emission category in the segmental analysis table above.

1. Represents the consumption of liquid fuels predominately by construction plant and company vehicles based on supplier invoices.

2. The consumption of mains supplied natural gas for Group offices and heating for common areas of Investment Properties where the Group has direct control over its use are based on supplier invoices.

3. Represents the consumption of grid electricity for Group offices and for common areas of Investment Properties where the Group has direct control over its use are based on supplier invoices.

4. The category for purchased goods and services represents general overheads for the running of the Company and its Subsidiaries is based on the financial data used to prepare the financial statements. Emissions relating to the purchases of direct materials and subcontractor services in relation to the Group's construction activities are calculated and disclosed separately (see notes 5 and 6 below).

5. Emissions for direct materials used in construction activities are calculated based on hybrid method of quantity of raw material.

6. Emissions for direct materials used in construction activities are calculated based on hybrid method of quantity of raw material (i.e. tonnage of concrete, m3 of timber), and spend £. For the quantify method applies the appropriate emissions factor the for the material $kgCO_2e$ per unit of material and for the spend method applies the overall construction factor ($0.494kgCO_2e/£$). For steel related products the emissions factors are sourced from University of Bath ICE v3.0 August 2019. For the current reporting year, 20% of material spend is based on quantity method, and the remainder based on spend.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)

Limitations (continued)

7. Emissions relate to capitalised spend on IT equipment, motor vehicles, plant & equipment, and the refurbishment of the head office (94.6TCO_2e). Capital goods exclude any capitalisation of own work relating to Investment Properties, though the carbon impact is included within other Scope 3 categories, namely purchased goods and services, and subcontractor related emissions. For Property Investments, capital goods currently exclude £5,728,000 related to own work capitalised as it was not practical for this first emissions statement to disaggregate between materials, subcontractors, purchases and own labour to reliably estimate the emissions associated with these additions to the Investment Property portfolio.

8. This category is based on the consumption of grid electricity (kWh) for transmission losses and distribution and related WTT emissions for both natural gas and grid electricity consumption (kWh) as obtained for Scope 1 and 2 emissions respectively.

9. Emissions relate to the waste management of construction waste and waste from arising from the head office. All waste from Investment Properties is excluded as this is generated and managed by the leasee. Emission factors for each waste stream are applied to the tonnage collected by authorised waste carriers. For the reporting year, 94.1% of waste generation was diverted from landfill.

10. For business travel, emissions are calculated from staff monthly mileage claims and the appropriate emissions factor for the type of vehicle and fuel, along with their associated WTT emissions.

11. In June 2023, the Group conducted a survey of all employees to ascertain the commuting travel patterns by mode (car, bus, train, cycle and walk). The survey results were extrapolated to estimate the emissions for the FTE employees who commute using their own vehicles; an effective response rate is estimated at 94%. To calculate car emissions the factor for average car with unknown fuel was used. Employee commuting excludes homeworking as the reported FTE are predominantly office based.

12. Corporate Value Chain (Scope 3) Accounting and Reporting Standard (p124), states that ‘proper categorisation of emissions from leased assets by lessors and lessees ensures that emissions in scopes 1 and 2 are not double counted. For example, if a lessee categories emissions from the use of purchased electricity as scope 2, the lessor categories the same emissions as scope 3, and vice versa.’ In this regard, we reasonably expect that some leasees could consider their direct energy consumption as their Scope 1 and 2 emissions based on their operational use. In addition, to ascertain the appropriate classification of emissions related to Investment Properties between Scopes 1, 2 and 3 requires a more thorough examination of the ownership and operational control of underlying assets and activities which generate emissions. For example, a leasee may own a heating system installed at an industrial unit and thus could be treated as Scope 3, or in another scenario the leasee controls the purchases of certified renewable electricity. For this reporting period, the emissions related to electricity and gas have been included in Scope 3 emissions. The emissions are based on the floor area (square feet) for each leased property in the year multiplied by an appropriate energy benchmark for different types of building and heating as deduced from: UK Gov (BEIS) Non-Domestic National Energy Efficiency Data-Framework (ND-NEED) 30 June 2022, and other appropriate sources. From an estimated energy use for electricity and gas, the emissions factors, as noted in the methodology are applied to result in estimated emissions of 136tCO_2e and 64tCO_2e respectively. We recognise there are limitations, unquantifiable, in the benchmark methodology, and will look to improve this with more specific benchmarks in future years. The emissions exclude life cycle emissions associated with the construction of the leased asset, any maintenance and repairs are included within other Scope 3 emission categories.

13. Investments reflects Scope 1 and 2 emissions for equities investments managed by third-party fund managers, and not recorded the Group’s Scope 1 and 2 emissions. The emissions are allocated based on the investee emission ratio of tCO_2e/£million invested as of 31st July 2023 to the Group equity holding (£millions) in the investee. Carbon data provided by fund managers is of 31st December 2021. The reported emissions for investments exclude any emissions related to collective investments and debt investments where currently emission data is not available from fund managers. Therefore, the reported emissions represent 24% of the total monetary value of all unconsolidated investments held as of 31st July 2023.

EMPLOYEES

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

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

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

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

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

	Male	Female
Directors	3	1
Senior Managers	1	1
Total Employees	135	17

EMPLOYEES (continued)

Numerical Diversity Data of Board of Directors at 31st July 2023

In accordance with Listing Rule 9.8.6R(10) our gender identity and ethnicity data as per the format set out in LR 9 Annex 2.1 is detailed below. At the year end, the Board of Directors were asked to complete of diversity disclosure questionnaire to confirm which categories in the tables below they identify with.

Gender Identity	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	3	75%	2	3	75%
Women	1	25%	1	1	25%
Not specified/ prefer not to say	-	-	-	-	-

Ethnic background	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority - white groups)	4	100%	3	4	100%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	-	-	-	-	-
Black/African/ Caribbean/ Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/ prefer not to say	-	-	-	-	-

As at 31st July 2023, our chosen reference date under Listing Rule 9.8.6R(9), the Company states it has not met the target on Board diversity relating to 40% of the individuals on the Board being women and also in relation to at least one individual on the Board being from a minority ethnic background. The Company has met the target relating to at least one women on the Board holding a senior position on the Board. The Board of the Company comprises a relatively small number of individuals and therefore it is difficult for the Company to comply with the requirements of the Listing Rules in relation to board diversity.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICIA SWEENEY
Company Secretary

16th November 2023

DIRECTORS

David W Smart, Chairman and Joint Managing Director Aged 50
Joined the Company in 1998
Appointed Director in 2010
Appointed Chairman and Joint Managing Director in 2017

John R Smart, Joint Managing Director Aged 53
Joined the Company in 2002
Appointed Director in 2013
Appointed Joint Managing Director in 2017

Alasdair H Ross Aged 61
Joined the Company in 1989
Appointed Director in 2012

Patricia Sweeney Aged 54
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)

The Directors are aware of their responsibilities and duties under S172 Companies Act 2006 to promote the long-term success of the Company for the benefit of its members whilst having regard to the matters as set out in section 172 (1) (a)-(f) of the Companies Act 2006. The Directors consider the other stakeholders which are impacted by their decisions are employees, suppliers, customers, tenants and local communities in which we operate. Whenever decisions are being made by the Board they take into account the implications these will have on all of these stakeholders.

EMPLOYEES

As stated in the Strategic Report the employees of the Company are an important part of the success of the Company and the Group overall. 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.

Health checks for all employees wishing to utilise the service continued in the year and through our private medical insurance a Health & Wellbeing app is available to employees and regular updates are issued to all employees on Wellbeing topics.

Employees are sent on relevant training courses to ensure their skills knowledge and training is up to date and particularly on the sites that all health and safety issues remain a main focus.

We are committed to employing apprentices in the construction trades and currently we have 4 apprentices.

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.

We report our performance to the shareholders via our interim 6 monthly accounts, our preliminary announcement of the year end results and the provision of the statutory financial statements.

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

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 2023 and 16th November 2023, 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 2023	Number	%
Octet Investments Limited	1,872,400	4.68
Estate of A J Whitehead	2,311,495	5.77
As at 16th November 2023		
Octet Investments Limited	1,872,400	4.71
Estate of A J Whitehead	2,311,495	5.81

BOARD LEADERSHIP AND COMPANY PURPOSE (continued)

SUPPLIERS AND SUBCONTRACTORS

The Company and 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. We are committed to ensuring that all suppliers and subcontractors are paid within the terms of their 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 continue to increase, however, were possible we have continued to place orders with the suppliers we would normally use and aim to use local suppliers and subcontractors as much as possible.

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.

For our private housing customers we have a dedicated sales team based at the development sites who assist the customers from their initial viewing of properties through to the handing over of the keys to their new home.

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 and now the cost of living crisis 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.

COMMUNITIES AND THE ENVIRONMENT

The Group supports the local community by financially supporting local and national charities and providing financial support to local communities for gala days held for the benefit of the people living in the local area.

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.

As a private house builder we are committed to fulfilling our requirements to provide social housing and financially contribute to local authorities under Section 75 Agreements for amenities and facilities required to support new housing developments.

A Sustainability Committee has been established comprising of some executive Board members and senior members of staff from various departments within the Group with the aim 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 impact of our activities on Greenhouse Gas Emissions is disclosed in the Report of the Directors on pages 9 and 10 and our Report on Task Force on Climate-Related Financial Disclosures is contained in the Strategic Report on pages 20 to 31.

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 6 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 48 and 49.

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

GOING CONCERN AND VIABILITY

In order to ensure the Company and Group have adequate resources to ensure the continuing operations of the Company and Group for the foreseeable future the Directors consider current and future trading including 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 2023 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, which would have a direct impact on overall performance of these contracts.
- Retirement Benefit Surplus – the valuation of the retirement benefit obligation is dependent upon a series of assumptions which are determined after the Directors take expert advice from the Group's Actuary. Changes in these assumptions could have a material affect on the surplus disclosed in the financial statements, details of the impact of changes in these assumptions are given in note 30.

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

RELATIONSHIP WITH EXTERNAL AUDITOR

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

REMUNERATION

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

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

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

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

REMUNERATION (continued)

The remuneration policy, as approved by the shareholders at the 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

16th November 2023

ANNUAL STATEMENT

On behalf of the Board of Directors, I present the Directors' Remuneration Report for the year ended 31st July 2023.

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 2023 Annual General Meeting. Our Auditor is required to report to the shareholders on certain information contained in the Annual Report on Remuneration and that it has been prepared in accordance with the Act and the Regulations. The information to be audited is appropriately marked.

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

DAVID W SMART
Chairman

16th November 2023

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. As a result of there being no service contracts no report under Listing Rules LR9.8.8R is required.

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 2022 Directors' Remuneration Report at the 2022 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 2023.

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 2023 and the prior year:

	Salary £000	Taxable Benefits[1] £000	Pension £000	Total £000
David W Smart				
2023	**124**	**10**	**(13)**[2]	**121**
2022	119	10	(29)[2]	100
John R Smart				
2023	**124**	**10**	**16**	**150**
2022	119	10	15	144
Alasdair H Ross				
2023	**124**	**10**	**(24)**[2]	**110**
2022	119	10	(7)[2]	122
Patricia Sweeney				
2023	**124**	**10**	**16**	**150**
2022	119	10	15	144

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 2023 £000	Accrued pension as at 31 July 2022 £000
David W Smart	50	47
Alasdair H Ross	62	59

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 2023	31July 2022
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 2023 and 16th November 2023.

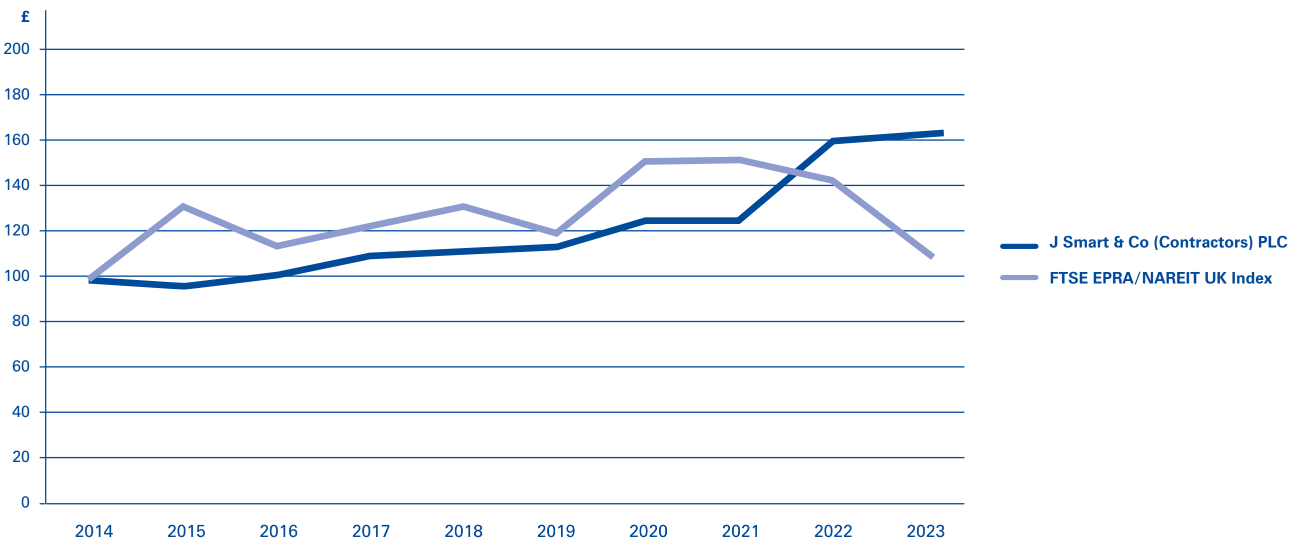
ANNUAL REPORT ON REMUNERATION (continued)

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:

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
David W Smart	121	100	144	179	177	154	148	166	165	207
John R Smart	150	144	140	140	136	133	130	126	122	115

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 2022-2023	Other employees % change 2022-2023
Base salary	7.34 %	16.94 %
Taxable benefits	4 %	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 2023 and 31st July 2022:

	2023 £000	2022 £000	Difference in spend £000	Difference as a percentage %
Remuneration of employees . . .	8,085	8,154	(69)	0.9
Total distributions paid . . . (being dividends and share buy backs)	2,656	3,097	(441)	14.2

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2024

After taking into consideration Group employees' salary increases for the year to 31st July 2024, an increase of 6% of base salary was awarded to all Directors.

	Base salary from 1st July 2023 £	Base salary from 1st July 2022 £
David W Smart	131,250	123,800
John R Smart	131,250	123,800
Alasdair H Ross	131,250	123,800
Patricia Sweeney	131,250	123,800

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 2022 ANNUAL GENERAL MEETING

The 2022 Directors' Remuneration Report was put to the shareholders for their approval at the 2022 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	26,743,595	100
Against	2,954	–
Total votes cast (excluding votes withheld)	26,746,549	100
Votes withheld	8,124	
Total votes cast (including votes withheld)	26,754,673	

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

16th November 2023

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 Report of the Directors, 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
Company Secretary

16th November 2023

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 2023 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 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, 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 three years covering the years ending 31st July 2021, 31st July 2022 and 31st July 2023. 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 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 it's 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 to determine whether 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 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 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	*100% (2022: 100%) of Group profit before tax* *100% (2022: 100%) of Group revenue* *94% (2022: 94%) of Group total assets*		
Key audit matters		2023	2022
	Revenue recognition	✓	✓
	Valuation and recoverability of defined pension benefit scheme	✓	✓
	Valuation of investment properties	✓	✓
Materiality	*Group financial statements as a whole* £1,300,000 (2022: £1,200,000) based on 0.88% (2022:0.82%) 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 and Statement of Accounts, 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 performed specific procedures on the investment property balance and revenue of C. & W. Assets Limited. 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 financial information of the non-significant components and obtained further reasoning for movements exceeding a pre-determined threshold. In addition, we performed specific procedures over risk areas such as revenue, journals and construction costs in respect to these insignificant components by testing a statistical sample of these balances to corroborating evidence, focussing on the cut-off of transactions and manual journals.

CLIMATE CHANGE

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as 'Statutory Other Information' in the Strategic Report with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

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 and investment property activities. These activities result in revenue that is derived from construction contracts, the sale of private housing and investment property rental revenue. 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 construction revenue and its importance to the activities of the business, we considered there to be a significant risk of material misstatement arising in respect of the completeness, accuracy, cut-off and existence of incomplete construction revenue contracts. As a result, we considered the revenue recognition from incomplete construction revenue contracts 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 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. *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 30)	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 which represents another area of significant judgement. The defined benefit pension scheme obligation represented a key audit matter given that the setting of the assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. The related sensitivities of any changes in assumptions are disclosed in note 30.	In testing the pension valuation, we utilised pension actuarial experts to review the key actuarial assumptions used, both financial and demographic, and in conjunction with our experts considered the appropriateness of the methodology utilised to derive these assumptions. We benchmarked the scheme assumptions against publicly available published data. Specifically, we challenged the discount rate, inflation and mortality assumptions applied in the calculation with the assistance of our pension experts in benchmarking the assumptions applied against comparable third party data and assessing 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, to determine whether this is appropriate. 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)

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

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

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

This area represented a key audit matter given that the setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party valuation experts.</td><td>We audited the investment property portfolio, with the assistance of our experts, who are independent 3rd party RICS valuers. Our independent experts reviewed a sample of the investment property portfolio valuations in order to assess the key assumptions used, considered the methodology utilised to derive these assumptions and the appropriateness of the valuation technique used.

We performed detailed testing on a sample of properties, agreeing the key aspects 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 all 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 assist in reviewing 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 properties valuation are not within a tolerable range. Based on our procedures we found management's valuation in respect of investment properties to be appropriate.</td></tr>
</table>

OUR APPLICATION OF MATERIALITY

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

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

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

	Group financial statements	**Group financial statements**	**Parent company financial statements**	**Parent company financial statements**
	2023 £	2022 £	2023 £	2022 £
Materiality	£1,300,000	£1,200,000	£173,000	£200,000
Basis for determining materiality	0.88% of total assets at the year end	0.82% of total assets at the year end	0.33% 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 its 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 its 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 Parent Company as the Parent Company considers total assets to be its 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 Parent Company as the Parent Company considers total assets to be its key performance indicator, which demonstrates less volatility than other performance measures.
Performance materiality	£910,000	£840,000	£121,000	£140,000
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.	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.	70% of the above materiality thresholds to address the expected total value of known and likely misstatements, our knowledge of the Parent Company's internal controls and management's attitude towards proposed adjustments.	70% of the above materiality thresholds to address the expected total value of known and likely misstatements, our knowledge of the Parent Company's internal controls and management's attitude towards proposed adjustments.

OUR APPLICATION OF MATERIALITY (continued)

Component materiality

We set materiality for the remaining significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of 4.62% (2022: 7.5%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of this component. Component materiality for this component was £60,000 (2022: £90,000). In the audit of this component, we further applied performance materiality levels of 70% (2022:70%) 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 £39,000, (2022: £36,000). 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 39; and • The Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 39.
OTHER CODE PROVISIONS	• Directors' statement on fair, balanced and understandable set out on page 39; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 39 and 40; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 39 and 40; and • The section describing the work of the Audit Committee set out on page 38. As set out on page 38 to 40 the Directors consider it impracticable to have an Audit Committee for the Group.

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.
CORPORATE GOVERNANCE STATEMENT	In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.
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' Responsibilities, 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.

Non-compliance with laws and regulations

Based on:

- Our understanding and accumulated knowledge of the Group and its subsidiaries and the sector in which it operates;
- Discussion with management and those charged with governance as well as the Board; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations, we considered the significant laws and regulations to be the applicable accounting framework, UK corporate tax, VAT and employment tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Health and Safety legislation, UK Companies Act 2006, industry related such as regulations impacting the construction industry, and the Listing Rules.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - o Detecting and responding to the risks of fraud; and
    - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Involvement of our forensics specialists in identifying key risk areas susceptible to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition (cut-off) relating to construction contract revenue and construction related activities such as supplier changes, petty cash misappropriation, manipulation of expense accounts and related collusion.

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

Our procedures in respect of the above included:

- 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;
- Designed targeted audit tests to address the areas identified at the planning stage with our forensic specialists which included:
  - testing a sample of capitalised assets in order to identify those that should not have been capitalised based on recognition criteria of the applicable accounting standards;
  - maintaining awareness of the possibility of money laundering in construction contracts;
  - testing of unusual cash payments identified through use of our data analytics software to corroborating evidence;
  - comparison of bank accounts between suppliers and payroll in order to identify any duplicates;
  - reviewing supplier transactions to identify unusual items and testing those items that meet a pre-determined threshold to corroborating evidence;
  - testing supplier changes to corroborating evidence to identify unauthorised or potentially fraudulent changes;
  - reviewing petty cash movements in order to identify any large or unusual items which could be indicative of potentially fraudulent payments and testing these to corroborating evidence where identified.
- In response to the risk of fraud in revenue recognition relation to cut-off, we performed the procedures set out in the key audit matters section of the report;
- Identifying and testing journal entries to corroborating evidence, in particular 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; and
- Testing of payroll calculations and payments to identify potential fraud and in order to incorporate unpredictability into our testing by checking those processors of payroll only received what is contractually due to them with reference to their employment contracts.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
16th November 2023

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

CONSOLIDATED INCOME STATEMENT
for the year ended 31st July 2023

	Notes	2023 £000	2022 £000 Restated Note 1
REVENUE	3	12,972	*14,413*
Cost of sales		(6,922)	*(8,850)*
GROSS PROFIT		6,050	*5,563*
Other operating income	4	74	*29*
Administrative expenses		(4,617)	*(4,298)*
OPERATING PROFIT BEFORE PROFIT ON SALE AND NET (DEFICIT)/SURPLUS ON VALUATION OF INVESTMENT PROPERTIES		1,507	*1,294*
Profit on sale of investment properties		–	*6,055*
Net (deficit)/surplus on valuation of investment properties	15	(2,164)	*473*
OPERATING (LOSS)/PROFIT	6	(657)	*7,822*
Share of (loss)/profits in Joint Ventures	16	(36)	*254*
Income from financial assets	7	58	*63*
(Loss)/profit on sale of financial assets		(15)	*17*
Net deficit on valuation of financial assets		(19)	*(121)*
Finance income	8	786	*141*
Finance costs	8	(12)	*(12)*
Gain on remeasurement of subsidiary company		–	*28*
PROFIT BEFORE TAX	10	105	*8,192*
Taxation	9	95	*(1,571)*
PROFIT FOR YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		200	*6,621*
EARNINGS PER SHARE			
Basic and diluted	12	0.49p	*15.90p*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st July 2023

	Notes	2023 £000	*2022 £000*
PROFIT FOR THE YEAR		200	*6,621*
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to Income Statement:			
Remeasurement gains on defined benefit pension scheme	30	4,330	*7,219*
Deferred taxation on remeasurement gains on defined benefit pension scheme	24	(1,083)	*(1,804)*
TOTAL ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO INCOME STATEMENT		3,247	*5,415*
TOTAL OTHER COMPREHENSIVE INCOME		3,247	*5,415*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		3,447	*12,036*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		3,447	*12,036*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31st July 2023

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 2021	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
Profit for the year	–	–	200	200
Other comprehensive gain	–	–	3,247	3,247
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	3,447	3,447
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(16)	–	(1,329)	(1,345)
Transfer to Capital Redemption Reserve	–	16	(16)	–
Dividends	–	–	(1,311)	(1,311)
TOTAL TRANSACTIONS WITH OWNERS	(16)	16	(2,656)	(2,656)
At 31st July 2023	802	206	124,459	125,467

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31st July 2023

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1st August 2021	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
Profit for the year	–	–	12,709	12,709
Other comprehensive gain	–	–	3,247	3,247
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	15,956	15,956
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(16)	–	(1,329)	(1,345)
Transfer to Capital Redemption Reserve	–	16	(16)	–
Dividends	–	–	(1,311)	(1,311)
TOTAL TRANSACTIONS WITH OWNERS	(16)	16	(2,656)	(2,656)
At 31st July 2023	802	206	33,236	34,244

J. Smart & Co. (Contractors) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st July 2023

	Notes	2023 £000	*2022 £000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,670	*1,207*
Investment properties	15	81,389	*77,777*
Investments in Joint Ventures	16	1,496	*1,532*
Financial assets	17	1,225	*1,069*
Trade and other receivables	20	3,010	*3,010*
Retirement benefit surplus	30	19,998	*15,096*
Deferred tax assets	24	13	*13*
		108,801	*99,704*
CURRENT ASSETS			
Inventories	18	17,760	*12,454*
Contract assets	19	33	*16*
Corporation tax asset		274	*–*
Trade and other receivables	20	2,352	*2,442*
Monies held on deposit	21	49	*48*
Cash and cash equivalents	21	18,656	*31,796*
		39,124	*46,756*
TOTAL ASSETS		147,925	*146,460*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	8,842	*8,172*
Lease liabilities	25	212	*212*
		9,054	*8,384*
CURRENT LIABILITIES			
Trade and other payables	22	2,912	*2,306*
Lease liabilities	25	1	*1*
Corporation tax liability		–	*44*
Bank overdraft	21	10,491	*11,049*
		13,404	*13,400*
TOTAL LIABILITIES		22,458	*21,784*
NET ASSETS		125,467	*124,676*
EQUITY			
Called up share capital	26	802	*818*
Capital redemption reserve	26	206	*190*
Retained earnings	26	124,459	*123,668*
TOTAL EQUITY		125,467	*124,676*

The financial statements on pages 63 to 107 were approved by the Board of Directors and authorised for issue on 16th November 2023 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 2023

	Notes	2023 £000	2022 £000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,088	*670*
Investments in Subsidiaries and Joint Ventures	16	1,748	*1,748*
Trade and other receivables	20	3,374	*3,374*
Retirement benefit surplus	30	19,998	*15,096*
		26,208	*20,888*
CURRENT ASSETS			
Inventories	18	17,380	*12,067*
Contract assets	19	–	*16*
Trade and other receivables	20	6,585	*2,448*
Corporation tax asset		1,053	*1,421*
Cash and cash equivalents	21	1	*–*
		25,019	*15,952*
TOTAL ASSETS		51,227	*36,840*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	5,067	*3,856*
CURRENT LIABILITIES			
Trade and other payables	22	2,593	*1,997*
Bank overdraft	21	9,323	*10,043*
		11,916	*12,040*
TOTAL LIABILITIES		16,983	*15,896*
NET ASSETS		34,244	*20,944*
EQUITY			
Called up share capital	26	802	*818*
Capital redemption reserve	26	206	*190*
Retained earnings	26	33,236	*19,936*
TOTAL EQUITY		34,244	*20,944*

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 £12,709,000 (2022, profit £10,244,000).

The financial statements on pages 63 to 107 were approved by the Board of Directors and authorised for issue on 16th November 2023 and were signed on its behalf by:

DAVID W SMART
Director

JOHN R SMART
Director

Company Number SC025130

J. Smart & Co. (Contractors) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st July 2023

	Notes	2023 £000	*2022 £000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		200	*6,621*
Tax (credit)/charge for year		(95)	*1,571*
Profit before tax		105	*8,192*
Adjustments for:			
Share of losses/(profits) from Joint Ventures		36	*(254)*
Depreciation		445	*399*
Unrealised deficit/(surplus) on valuation of investment properties		2,164	*(473)*
Unrealised deficit on valuation of financial assets		19	*121*
Profit on sale of property, plant and equipment		(74)	*(29)*
Profit on sale of investment property		–	*(6,055)*
Loss on derecognition of asset		42	*–*
Loss/(profit) on sale of financial assets		15	*(17)*
Gain on remeasurement of subsidiary company		–	*(28)*
Change in retirement benefits		(41)	*(14)*
Interest received		(786)	*(20)*
Interest paid		12	*12*
Change in inventories		(5,306)	*(4,584)*
Change in contract assets		(17)	*230*
Change in receivables		187	*503*
Change in payables		606	*(1,113)*
CASH OUTFLOW FROM OPERATING ACTIVITIES		(2,593)	*(3,130)*
Tax paid		(636)	*(914)*
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(3,229)	*(4,044)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(978)	*(380)*
Additions to investment properties		(48)	*(54)*
Expenditure on own work capitalised - investment properties		(5,728)	*(2,167)*
Proceeds of sale of property, plant and equipment		102	*48*
Proceeds of sale of investment property		–	*24,032*
Purchase of financial assets		(368)	*(47)*
Proceeds of sale of financial assets		178	*58*
Monies held on deposit		(1)	*–*
Acquisition of investment in Subsidiary – net cash acquired		–	*97*
Interest received		158	*20*
Loan to Joint Ventures		–	*(1,440)*
Investment in Joint Ventures		–	*(50)*
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(6,685)	*20,117*

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31st July 2023

	Notes	2023 £000	*2022 £000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest costs on leases		(12)	*(12)*
Purchase of own shares		(1,345)	*(1,749)*
Dividends paid		(1,311)	*(1,348)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(2,668)	*(3,109)*
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,582)	*12,964*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27 (a)	20,747	*7,783*
CASH AND CASH EQUIVALENTS AT END OF YEAR	27 (a)	8,165	*20,747*

J. Smart & Co. (Contractors) PLC

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31st July 2023

	Notes	2023 £000	2022 £000
CASH OUTFLOW FROM OPERATING ACTIVITIES			
Profit after tax		12,709	*10,244*
Tax credit		(295)	*(466)*
Profit/(loss) before tax		12,414	*9,778*
Adjustments for:			
Depreciation		217	*211*
Profit on sale of property, plant and equipment		(38)	*(3)*
Loss on derecognition of asset		42	*–*
Dividend received from Subsidiaries and Joint Ventures		(14,100)	*(12,360)*
Change in retirement benefits		(41)	*(14)*
Interest received		(628)	*(2)*
Change in inventories		(5,313)	*(4,590)*
Change in contract assets		16	*230*
Change in receivables – non-current		–	*(364)*
Change in receivables - current		(4,040)	*(524)*
Change in payables		596	*(232)*
CASH OUTFLOW FROM OPERATING ACTIVITIES		(10,875)	*(7,870)*
Tax received		791	*12*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(10,084)	*(7,858)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(690)	*(204)*
Proceeds of sale of property, plant and equipment		51	*9*
Interest received		–	*2*
Loan to Joint Ventures		–	*(1,440)*
Investment in Joint Ventures		–	*(50)*
Dividend received from subsidiaries and Joint Ventures		14,100	*12,360*
NET CASH INFLOW FROM INVESTING ACTIVITIES		13,461	*10,677*
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(1,345)	*(1,749)*
Dividends paid		(1,311)	*(1,348)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(2,656)	*(3,097)*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		721	*(278)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28 (a)	(10,043)	*(9,765)*
CASH AND CASH EQUIVALENTS AT END OF YEAR	28 (a)	(9,322)	*(10,043)*

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 2023

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 2023:

- IFRS3 (amended): Business Combinations
- IAS 37 (amended): Provisions, Contingent Liabilities and Contingent Assets.

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

There have been no new standards, amendments to standards and interpretations relevant to the Group which have been issued by the International Accounting Standards Board, but are not yet effective for the Group at the date of these 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. 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 £125,467,000 at 31st July 2023 and the Group's net current assets amount to £25,720,000. 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 Directors have requested a third party external valuer to value the Group's investment property portfolio. The valuations prepared by the Directors and the external valuers are compared to ensure that there are no material variations between the valuations.

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.

RETIREMENT BENEFIT OBLIGATION

The valuation of the retirement benefit obligation is dependent upon a series of assumptions, mainly discount rates, mortality rates, investment returns, salary inflation and the rate of pension increases, which are determined after taking expert advice from the Group's Actuary. If different assumptions were used then this could materially affect the results disclosed in the financial statements. These are set out in note 30 to the financial statements.

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 to 31st July 2022 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.

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 17 to 19 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 variations outside of acceptable valuation differences. 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 of 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

CONSTRUCTION ACTIVITIES

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 and 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. 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.

INVESTMENT PROPERTY ACTIVITIES

Rental revenue 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. Rental revenue 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.

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 is recognised directly in the Income Statement on a received basis.

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 17 – Financial Assets;
- Note 23 – Financial Instruments;
- Note 30 – Retirement Benefit Obligations.

DIVIDENDS

Final Dividends are recognised as a liability in the year in which they are approved by the Company's shareholders. Interim Dividends are recognised when they are paid. Dividends paid in the year are included in the Statement of Cash Flows under Financing Activities.

PRIOR PERIOD RESTATEMENT

When the Group was first established, it was for the purposes of construction of homes in both the private and social housing sectors. In 1977, the Group acquired the Investment Property subsidiary, C. & W. Assets Limited and overtime this subsidiary has continually grown, both with regards to annual income generated and the value of assets held by the Group. Historically, the Group considered the investment property activities to be a non-core activity of the Group and so the Group presented investment property activity income as Other Operating Income in the Consolidated Income Statement with associated costs within Administration expenses. Given the continual growth in investment property activities, the Directors have revisited this judgement and after having considered the investment property activities, capital employed and business prospects, have concluded that investment property activities are a core part of the Group. This change in judgement lead to rental income from investment property for the year to 31st July 2022 in the Consolidated Income Statement and related notes to the financial statements re-presented as Revenue, with the associated direct costs being re-presented as Cost of Sales. Accordingly, notes 2, 3 and 4 have been restated to reflect this change. The change of judgement has no impact on the net profit for the year to 31st July 2022 or the net assets as at 31st July 2022.

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 from construction 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.

	Revenue £000	Operating Profit / (Loss) 2023 £000	Operating Profit / (Loss) *2022 £000*
2023			
Construction activities	5,961	(2,720)	–
Investment property activities	7,011	2,063	–
	12,972	(657)	–
2022			
Construction activities	7,430	–	*(2,487)*
Investment property activities	6,983	–	*10,309*
	14,413	–	*7,822*

	2023	*2022*
OPERATING (LOSS)/PROFIT	(657)	*7,822*
Share of results of Joint Ventures	(36)	*254*
Finance and investment income	844	*221*
Finance and investment costs	(46)	*(133)*
Gain on remeasurement of subsidiary company	–	*28*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	105	*8,192*

The Group had sales from construction activities from two customers amounting to £1,281,000 and £753,000 respectively (2022, sales from construction activities from two customers amounting to £2,051,000 and £1,387,000 respectively).

OTHER SEGMENTAL INFORMATION

	Non-Current Assets Additions £000	Non-Current Assets Depreciation £000	Segment Assets £000	Segment Liabilities £000
2023				
Construction activities	978	398	47,195	17,964
Investment properties activities	5,776	47	100,192	5,452
Joint Ventures	–	–	1,496	–
			148,883	23,416
Allocation of corporation tax creditor			(958)	(958)
			147,925	22,458
2022				
Construction activities	380	351	36,679	16,744
Investment properties 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

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

	2023 £000	*2022 £000 Restated Note 1*
Construction activities		
Social housing	397	*9*
Civil engineering	3,223	*4,330*
Industrial	77	*1,387*
Commercial	97	*–*
General construction	4	*42*
Private house sales	2,163	*1,662*
	5,961	*7,430*
Investment properties activities		
Rental income	6,186	*6,158*
Service charges and insurance receivable	824	*824*
Sundry income	1	*1*
	7,011	*6,983*
Total Revenue	12,972	*14,413*

The transaction price allocated to unsatisfied performance obligations in respect of construction activities at 31st July 2023 are as set out below.

Social housing	3,829	*–*
Civil engineering	457	*422*
Industrial	–	*–*
Commercial	2,965	*–*

The Directors expect that 82% (2022, 100%) of the transaction price allocated to the unsatisfied contracts as at 31st July 2023 will be recognised as revenue in the year to 31st July 2024. The Directors expect that the remain 18% which relates to social housing and commercial property will be recognised as revenue in the year to 31st July 2025.

The Group does not include in Revenue the value of work done in the year which relates to own work capitalised on the Group's Investment Properties, in the year to 31st July 2023 this amounted to £5,728,000 (2022, £2,167,000).

4. OTHER OPERATING INCOME

	2023 £000	*2022 £000 Restated Note 1*
Profit on disposal of property, plant and equipment	4	*29*

5. STAFF COSTS AND DIRECTORS' REMUNERATION

	Group		*Company*	
	2023 £000	*2022 £000*	2023 £000	*2022 £000*
Staff costs during the year amounted to:				
Wages, salaries and short term benefits	6,478	*6,392*	4,810	*4,744*
Social security costs	772	*732*	592	*554*
Post-employment benefits	835	*1,030*	641	*840*
	8,085	*8,154*	6,043	*6,138*

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

	No.	*No.*	No.	*No.*
Construction and related services	128	*123*	85	*81*
Office and management	24	*24*	18	*18*
	152	*147*	103	*99*

	Group and Company	
	2023 £000	*2022 £000*
Directors' remuneration:		
Salaries and short term benefits	536	*516*
Social security costs	72	*68*
Post-employment benefits	119	*114*
	727	*698*

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 42 to 47.

6. OPERATING (LOSS)/PROFIT

	2023 £000	*2022 £000*
This is stated after charging:		
Staff costs (note 5)	8,085	*8,154*
Hire of plant and machinery	179	*572*
Ground rents	125	*78*
Depreciation of owned assets	445	*399*
Loss on derecognition of owned assets	42	*–*
Auditor's remuneration		
Audit of these financial statements	65	*51*
Amounts receivable by the auditor in respect of:		
Audit of these financial statements of subsidiaries pursant to legislation	89	*81*
Audit of the financial statements of Joint Venture companies	6	*5*

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 FINANCIAL ASSETS

	2023	*2022*
Dividend income from financial assets	58	*63*

8. FINANCE INCOME AND COSTS

		2023	*2022*
Income:	Interest on short term deposits	152	*17*
	Other interest received	103	*3*
	Net interest income on retirement benefit asset	531	*121*
		786	*141*
Costs:	Interest on leases	12	*12*

9. TAXATION

	2023	*2022*
UK Corporation Tax		
Current tax on income for the year	358	*997*
Corporation tax over provided in previous years	(40)	*(4)*
	318	*993*
Deferred taxation (note 24)	(413)	*578*
	(95)	*1,571*
Current Tax Reconciliation		
Profit on ordinary activities before tax	105	*8,192*
Share of losses/(profits) of Joint Ventures	36	*(254)*
Gain on remeasurement of subsidiary company	–	*(28)*
	141	*7,910*
Current tax at 21.01% (2022, 19.00%)	30	*1,503*
Effects of:		
Expenses not deductible for tax purposes	490	*124*
Ineligible depreciation	–	*(1,189)*
Non taxable income including revaluation surplus	(567)	*(103)*
Chargeable gains	–	*752*
Effect of change in tax rate	(90)	*547*
Adjustments to corporation tax charge in respect of prior years	(40)	*(4)*
Adjustments to deferred tax charge in respect of prior years	80	*(30)*
Deferred tax not recognised	2	*(29)*
	(95)	*1,571*

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 21.01% (2022, 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 £1,083,000 (2022, £1,804,000) 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. PROFIT BEFORE TAX 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:

	2023 £000	*2022* *£000*
Profit before tax	105	*8,192*
Deficit/(surplus) on valuation of investment properties	2,164	*(473)*
Deficit on valuation of financial assets	19	*121*
	2,288	*7,840*

11. DIVIDENDS

	2023	*2022*
2021 Final Dividend of 2.27p per share,	–	*948*
2022 Interim Dividend of 0.96p per share	–	*400*
2022 Final Dividend of 2.27p per share	923	*–*
2023 Interim Dividend of 0.96p per share	388	*–*
	1,311	*1,348*

The Board is proposing a Final Dividend of 2.27p per share (2022, 2.27p) which will cost the Company no more than £904,000.

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.

12. EARNINGS PER SHARE

	2023	*2022*
Profit attributable to Equity shareholders £000	200	*6,621*
Basic Earnings per share	0.49p	*15.90p*

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 2023 amounted to 40,572,000 (2022, 41,638,000).

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

13. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2022	896	5,013	5,909
Additions	434	544	978
Derecognition of asset	(126)	–	(126)
Disposals	–	(371)	(371)
At 31st July 2023	1,204	5,186	6,390
Depreciation:			
At 1st August 2022	674	4,028	4,702
Provided during year	5	440	445
Derecognition of asset	(84)	–	(84)
Disposals	–	(343)	(343)
At 31st July 2023	595	4,125	4,720
Net book value:			
At 31st July 2023	609	1,061	1,670
At 31st July 2022	222	985	1,207

Included within Freehold Land and Buildings is land costing £13,000 (2022, £13,000) which is not depreciated.

14. PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Land and buildings Freehold £000	Plant, equipment and vehicles £000	Total £000
Cost:			
At 1st August 2022	361	2,885	3,246
Additions	434	256	690
Derecognition of asset	(126)	–	(126)
Disposals	–	(218)	(218)
At 31st July 2023	669	2,923	3,592
Depreciation:			
At 1st August 2022	145	2,431	2,576
Provided during year	4	213	217
Derecognition of asset	(84)	–	(84)
Disposals	–	(205)	(205)
At 31st July 2023	65	2,439	2,504
Net book value:			
At 31st July 2023	604	484	1,088
At 31st July 2022	216	454	670

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 2022	67,907	9,657	213	77,777
Additions	5,776	–	–	5,776
Deficit on valuation	(1,692)	(472)	–	(2,164)
At 31st July 2023	71,991	9,185	213	81,389
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

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 variations outside of acceptable valuation differences.

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 2023							
Investment							
Commercial	21,285	11.00	16.00	21.00	8.04	9.40	11.29
Industrial	59,891	4.75	7.82	10.89	7.24	7.98	9.95
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

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

		5% change in estimated rental value		25bps change in equivalent yield	
		Increase	Decrease	Decrease	Increase
	£000	£000	£000	£000	£000
Fair Value at 31st July 2023					
Investment					
Commercial	21,285	1,171	(1,171)	653	(620)
Industrial	59,891	2,713	(2,713)	1,828	(1,713)
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)

The Group had obligations of £2,623,000 (2022, £6,133,000) in respect of future developments and repair costs of investment properties at the Statement of Financial Position date.

16. INVESTMENTS

	Group		*Company*	
	2023	*2022*	2023	*2022*
	£000	*£000*	£000	*£000*
Shares in Subsidiaries at Cost	–	*–*	708	*708*
Joint Ventures	1,496	*1,532*	1,040	*1,040*
	1,496	*1,532*	1,748	*1,748*

16. INVESTMENTS (continued)

	Group 2023 £000	*Group 2022 £000*
As at 1st August 2022	1,532	*1,267*
Less: Net assets of joint venture now a subsidiary company	–	*(39)*
	1,532	*1,228*
Investment in Joint Venture in year	–	50
Group's share of (loss)/profit and total comprehensive (loss)/income	(36)	*254*
As at 31st July 2023	1,496	*1,532*

(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.

	2023 £000	2022 £000
Non-Current assets	5,870	5,866
Current assets	298	235
Of which are cash and cash equivalents	*176*	*115*
Non-Current liabilities	(3,010)	(3,010)
Of which are financial liabilities excluding trade and other payables and provisions	*(3,010)*	*(3,010)*
Current liabilities	(1,078)	(1,011)
Of which are financial liabilities excluding trade and other payables and provisions	*–*	*–*
Net assets	2,080	2,080
Group's interest in net assets	1,496	1,532
Revenue	–	–
Other Operating Income	134	123
(Loss)/profit and total comprehensive (loss)/income	(72)	511
Group's share of (loss)/profit and total comprehensive (loss)/income	(36)	256

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 2023 are not considered to be material and the aggregate financial information for these associated companies is as follows:

	2023 £000	*2022 £000*
Aggregate carrying amount of individually immaterial joint ventures	–	*–*
Aggregate carrying amount of the Group's share of:		
Loss after tax and total comprehensive loss	–	*(2)*

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

The Joint Venture company was established for the purposes of property development and all have accounting years ending on 31st July.

(b) SUBSIDIARIES

	2023 £000	*2022 £000*
At 1st August 2022 and 31st July 2023	708	*708*

At 31st July 2023 the Company held the entire issued share capital of the following companies, all of which are registered in and operate in Scotland:

Company Name	*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. FINANCIAL ASSETS

	Group 2023 £000	*Group 2022 £000*
Listed investments		
At 1st August 2022	1,069	*1,184*
Additions	368	*47*
Disposals	(193)	*(41)*
Change in fair value	(19)	*(121)*
At 31st July 2023	1,225	*1,069*

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 2023 before tax was a deficit of £19,000 (2022, deficit of £121,000) 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.

18. INVENTORIES

	Group 2023 £000	*Group 2022 £000*	Company 2023 £000	*Company 2022 £000*
Work in progress	15,033	*8,264*	15,033	*8,264*
Land held for development	2,658	*4,107*	2,320	*3,768*
Raw materials and consumables	69	*83*	27	*35*
	17,760	*12,454*	17,380	*12,067*

19. CONTRACT BALANCES

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

	Group		*Company*	
	2023 £000	*2022 £000*	2023 £000	*2022 £000*
Contract Assets	33	*16*	–	*16*
As at 1st August 2022	16	*246*	16	*246*
Transfers from contract assets recognised at the beginning of the year to trade receivables	(16)	*(246)*	(16)	*(246)*
Increase related to services provided in the year	33	*16*	–	*16*
As at 31st July 2023	33	*16*	–	*16*

20. TRADE AND OTHER RECEIVABLES

	Group 2023 £000	*Group 2022 £000*	Company 2023 £000	*Company 2022 £000*
NON-CURRENT ASSETS:				
Loan to Joint Venture companies	3,010	*3,010*	3,010	*3,010*
Loans to Subsidiary Companies	–	*–*	364	*364*
	3,010	*3,010*	3,374	*3,374*
CURRENT ASSETS:				
Trade receivables	623	*1,242*	25	*179*
Amounts owed by Subsidiaries	–	*–*	5,741	*2,116*
Other receivables	857	*974*	97	*34*
Prepayments and accrued income	872	*226*	722	*119*
	2,352	*2,442*	6,585	*2,448*

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

	Group 2023 £000	*Group 2022 £000*	Company 2023 £000	*Company 2022 £000*
Less than 30 days	542	*826*	25	*134*
30 to 60 days	71	*203*	–	*43*
Greater than 60 days	10	*213*	–	*2*
	623	*1,242*	25	*179*

20. 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. 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 property 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 negligble. In the years to 31st July 2023 and 31st July 2022 the Group had no construction activity bad debts. Therefore, based on this past experience the Group has no expected credit loss for construction activities requiring to be incorporated.

For investment property 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 0.77% (2022, 0.34%).

The Group is able to review all of this trade receivables in its investment property 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 2023 the Group made a provision for lifetime expected credit losses of £5,000 (2022, £72,000).

Trade receivables and amounts recoverable on contracts includes £42,000 (2022, £167,000) 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.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:	*Group*		*Company*	
	2023	*2022*	2023	*2022*
	£000	*£000*	£000	*£000*
Cash at bank and on hand	10,634	*11,071*	1	–
Short term available deposits	8,022	*20,725*	–	–
Cash and cash equivalents	18,656	*31,796*	1	–
Bank overdrafts	(10,491)	*(11,049)*	(9,323)	*(10,043)*
Net cash balance	8,165	*20,747*	(9,322)	*(10,043)*

Monies held on deposit of £49,000 (2022, £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 is not allowed to be in an overdrawn bank position, however individual companies within the Group may have an overdrawn bank balance.

22. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES:

	Group		*Company*	
	2023	*2022*	2023	*2022*
Trade payables	1,072	*759*	835	*500*
Amounts owed to Subsidiaries	–	–	126	*105*
Other taxes and social security costs	428	*250*	252	*139*
Other creditors and accruals	1,218	*1,087*	1,380	*1,253*
Deferred income	194	*210*	–	–
	2,912	*2,306*	2,593	*1,997*

Included in Other creditors and accruals are contract loss provisions. of £275,000 (2022, £318,000) for the Group and £267,000 (2022,£280,000) for the Company.

23. FINANCIAL INSTRUMENTS

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

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

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

Details of significant accounting policies and methods adopted in relation to recognition and measurement are given in note 1 of 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 2023 for the Group 13.0% being £81,000 (2022, 33.5%, £416,000) of the trade receivables are past due but not impaired and for the Company no trade receivables were past due (2022, 24.9%, £44,000).

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.

23. 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 £160,000 and £64,000 respectively (2022, £211,000 and £17,000 respectively).

LIQUIDITY RISK

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

24. DEFERRED TAXATION

DEFERRED TAX ASSETS
GROUP

	Other £000
At 1st August 2021	179
Charged to Income Statement	(166)
At 31st July 2022	13
Charged to Income Statement	–
At 31st July 2023	13

DEFERRED TAX LIABILITIES
GROUP

	Accelerated Capital Allowances £000	Retirement Benefit Obligations £000	Valuation Surplus on Investment Properties £000	Fair Value £000	Other Timing Differences £000	Total £000
At 1st August 2021	1,753	1,966	2,209	6	22	5,956
(Credited)/charged to Income Statement	(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
Charged/(credited) to Income Statement	28	143	(582)	–	(2)	(413)
Charged to Equity	–	1,083	–	–	–	1,083
At 31st July 2023	1,768	5,000	2,056	–	18	8,842

24. DEFERRED TAXATION (continued)

DEFERRED TAX LIABILITIES (continued)

COMPANY

	Accelerated Capital Allowances £000	Retirement Benefit Obligations £000	Other Timing Differences £000	Total £000
At 1st August 2021	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
(Credited)/charged to Income Statement	(13)	143	(2)	128
Charged to Equity	–	1,083	–	1,083
At 31st July 2023	58	5,000	9	5,067

25. LEASE LIABILITIES

	Group 2023	*2022*
Amounts payable under leases:		
Within one year	1	*1*
In two – five years exclusively	1	*1*
After five years	211	*211*
Present value of lease liabilities	213	*213*
Due for settlement within one year (shown in current liabilities)	1	*1*
Due for settlement after one year (shown in non-current liabilities)	212	*212*

26. SHARE CAPITAL

	2023 Number	2023 £000	*2022 Number*	*2022 £000*
Issued and fully paid ordinary shares of 2p each				
At 1st August 2022	40,847,133	818	*41,960,393*	*840*
Purchased and cancelled	(803,213)	(16)	*(1,113,260)*	*(22)*
At 31st July 2023	40,043,920	802	*40,847,133*	*818*

During the year to 31st July 2023 the Company purchased for cancellation 803,213 ordinary shares of 2p each with a nominal value of £16,000 for a consideration of £1,345,000.

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.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2023 £000	*2022 £000*
Cash and cash equivalents	18,656	*31,796*
Bank overdraft	(10,491)	*(11,049)*
Net position	8,165	*20,747*

(b) ANALYSIS OF NET FUNDS

	At 1st August 2022 £000	Cash Flow £000	At 31st July 2023 £000
Cash and cash equivalents	31,796	(13,140)	18,656
Bank overdraft	(11,049)	558	(10,491)
Net funds	20,747	(12,582)	8,165

(c) ANALYSIS OF DEBT

	Lease Liabilities £000
As at 1st August 2022	213
Cash flows	–
As at 31st July 2023	213
As at 1st August 2021	213
Cash flows	–
As at 31st July 2022	213

28. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

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

	2023 £000	*2022 £000*
Cash and cash equivalents	1	*–*
Bank overdraft	(9,323)	*(10,043)*
Net position	(9,322)	*(10,043)*

(b) ANALYSIS OF NET FUNDS

	At 1st August 2022 £000	Cash Flow £000	At 31st July 2023 £000
Cash and cash equivalents	–	1	1
Bank overdraft	(10,043)	720	(9,323)
Net funds	(10,043)	721	(9,322)

29. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2023 or 31st July 2022.

The Group had obligations of £2,623,000 (2022, £6,133,000) in respect of future developments and repair costs of investment properties at the Statement of Financial Position date.

The Group's share of Capital Expenditure contracted for by its Joint Ventures as at 31st July 2023 amounted to £nil (2022, £nil).

30. RETIREMENT BENEFIT OBLIGATIONS

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

The Group has concluded that the trust deed relating to the scheme grants the unconditional right to any surplus of the scheme on the full settlement of the scheme liabilities to the Group and therefore have concluded that any surplus on the scheme can be incorporated into the Group and Company financial statements.

Advice on the Group's right to a surplus arising on the pension scheme was sought in the year to 31st July 2022 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.

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 2021 which revealed a surplus of £9,291,000, representing a funding level of 124%. Following this latest triennial valuation the Group and the scheme Trustees agreed that employer contributions to the scheme would remain at 35.4% and employee contributions are to remain at 3%.

There were no outstanding contributions at the year end.

The Group expects to pay a contribution of £442,000 (2022, £501,000) during the financial year to 31st July 2024.

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

ASSUMPTIONS

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

	2023	*2022*
Valuation method	Projected Unit	*Projected Unit*
Discount rate	5.4%	*3.5%*
Inflation rate - Retail price index	3.2%	*3.4%*
Inflation rate - Consumer price index	2.6%	*2.8%*
Salary increases	3.2%	*3.4%*
Pension increases	2.0% – 3.4%	*2.0% – 3.5%*

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

Man currently aged 65	21.3	*21.4*
Woman currently aged 65	23.7	*23.9*
Man currently aged 45	22.6	*22.6*
Woman currently aged 45	25.1	*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	
		2023	*2022*
	Change in assumption	£000	*£000*
Discount rate	Decrease of 0.25%	633	*851*
Inflation rate	Increase of 0.25%	197	*231*
Mortality rate	Increase in life expectancy of 1 year	823	*1,165*

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

30. 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 2023 £000	*Valuation 2022 £000*	*Valuation 2021 £000*
EQUITIES			
UK	11,377	*12,765*	*13,001*
Overseas	20,253	*19,763*	*22,441*
Multi-asset diversified funds	2,173	*4,292*	*3,507*
Absolute return funds	3,025	*870*	*973*
BONDS			
Government	3,672	*1,292*	*1,158*
Corporate	2,984	*2,760*	*3,632*
OTHER			
Cash	1,068	*3,692*	*2,565*
Fair value of scheme assets	44,552	*45,434*	*47,277*
Present value of scheme liabilities	(24,554)	*(30,338)*	*(39,414)*
Scheme surplus	19,998	*15,096*	*7,863*
Deferred taxation	(5,000)	*(3,774)*	*(1,966)*
Net pension scheme surplus	14,998	*11,322*	*5,897*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

In the most recent triennial valuation dated 31st October 2021, the defined benefit scheme liabilities were split 34% in respect of active scheme members, 5% in respect of deferred scheme members and 61% in respect of retirees.

The duration of the defined benefit scheme liabilities as at 31st July 2023 is 11 years (2022, 11 years).

The assets of the scheme are invested in funds managed by Abrdn Capital Limited, 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

	2023 £000	*2022* *£000*
Analysis of amounts charged to operating (loss)/profit:		
Current service cost	(431)	*(642)*
Past service cost	–	*–*
Total service cost	(431)	*(642)*
Analysis of amounts charged to net finance income:		
Interest income	1,573	*744*
Interest costs	(1,042)	*(623)*
	531	*121*
Movement in present value of defined benefit obligations:		
At 1st August 2022	30,338	*39,414*
Service cost	431	*642*
Interest cost	1,042	*623*
Charges paid	–	*–*
Employee contributions	29	*32*
Benefit payments	(1,455)	*(1,592)*
Actuarial movements due to scheme experiences	189	*(987)*
Actuarial movements due to changes in demographic assumptions	(197)	*(117)*
Actuarial movements due to changes in financial assumptions	(5,823)	*(7,677)*
At 31st July 2023	24,554	*30,338*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2023 £000	*2022 £000*
Movement in fair value of scheme assets:		
At 1st August 2022	45,434	*47,277*
Interest income	1,573	*744*
Employer contributions	472	*535*
Employee contributions	29	*32*
Benefits paid	(1,455)	*(1,592)*
Charges paid	–	*–*
Return on plan assets excluding amount shown in interest income	(1,501)	*(1,562)*
At 31st July 2023	44,552	*45,434*
Movement in scheme surplus:		
At 1st August 2022	15,096	*7,863*
Current service cost	(431)	*(642)*
Past service cost	–	*–*
Contributions	472	*535*
Net finance income included in finance income	531	*121*
Actuarial remeasurement of pension scheme liability	4,330	*7,219*
At 31st July 2023	19,998	*15,096*
Analysis of the actuarial gain included in the statement of comprehensive income:		
Loss on scheme assets excluding amounts shown in interest income	(1,501)	*(1,562)*
Changes in assumptions underlying present value of scheme liabilities	5,831	*8,781*
At 31st July 2023	4,330	*7,219*
History of experience gains and losses:		
Loss on scheme assets		
Amount (£000)	(1,501)	*(1,562)*
Percentage of market value of scheme assets	3.4%	*3.4%*
Changes in assumptions underlying present value of scheme liabilities		
Amount (£000)	5,831	*8,781*
Percentage of market value of scheme liabilities	23.8%	*28.9%*
Total amounts included in Consolidated Statement of Comprehensive Income		
Amount (£000)	4,330	*7,219*
Percentage of market value of scheme liabilities	17.6%	*23.8%*

30. RETIREMENT BENEFIT OBLIGATIONS (continued)

DEFINED CONTRIBUTION SCHEMES

In the year to 31st July 2003 the Group commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK plc. The net contribution to the plan for the year was £315,000 (2022, £307,000) 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 £70,000 (2022, £65,000) 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 £2,000 (2022, £1,000) and are expensed through the Income Statement as incurred.

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

31. CONTINGENT LIABILITIES

The Company and certain of its Subsidiaries have, in the normal course of business, entered into counter-indemnities in respect of performance bonds relating to their contracts. As at 31st July 2023 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 is not allowed to be in an overdrawn bank position, however individual companies within the Group may have an overdrawn bank balance. As at 31st July 2023 the balances in overdraft of subsidiary companies which the Company has given guarantees and letters of offset amounted to £1,168,000.

32. OPERATING LEASE ARRANGEMENTS

GROUP – AS LESSEE

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

	2023 £000	*2022 £000*
Within one year	92	*91*
In two – five years exclusively	275	*302*
After five years	150	*203*
	517	*596*

GROUP – AS LESSOR

Gross property rental income earned in the year amounted to £6,186,000 (2022, £6,158,000). At the Statement of Financial Position date, the Group had contracted with its tenants for the following future minimum lease payments:

Within one year	6,265	*5,917*
Within one and two years	5,350	*5,099*
Within two and three years	4,519	*4,370*
Within three and four years	3,733	*4,024*
Within four and five years	3,012	*3,193*
After five years	7,403	*9,542*
	30,282	*32,145*

33. RELATED PARTY TRANSACTIONS

(a) SUBSIDIARIES

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

SUBSIDIARY	2023 £000	*2022 £000*	2023 £000	*2022 £000*
	Sale of goods and services to Subsidiaries		Purchase of goods and services from Subsidiaries	
McGowan and Company (Contractors) Limited	137	*131*	536	*246*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	67	*72*	47	*6*
Concrete Products (Kirkcaldy) Limited	–	–	–	–
C. & W. Assets Limited	6,659	*3,287*	–	–
Smart Serviced Offices Limited	118	*116*	–	–
Northrigg Limited	–	–	–	–

In addition, during the year the Company received a dividend of £14,100,000 from C. & W. Assets Limited (2022, £12,360,000).

SUBSIDIARY	Amounts owed by Subsidiaries		Amounts owed to Subsidiaries	
McGowan and Company (Contractors) Limited	–	–	90	*105*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	–	*1*	36	–
Concrete Products (Kirkcaldy) Limited	–	–	–	–
C. & W. Assets Limited	5,741	*2,115*	–	–
Smart Serviced Offices Limited	1,140	*1,020*	–	–
Northrigg Limited	364	*364*	–	–

During the year the Company advanced a further £120,000 to its subsidiary Smart Serviced Offices Limited and as at 31st July 2023 the total due from the subsidiary was £1,140,000. As at 31st July 2023 the Company has provided in full against this debt.

As at 31st July 2023 the Company was due £364,000 (2022, £364,000) from its Subsidiary Northrigg Limited.

The Company has also incorporated a provision against the net liabilities of Concrete Products (Kirkcaldy) Limited amounting to £587,000 (2022, £571,000) 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.

33. 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 £82,000 (2022, £1,616,000) and receipt of dividends of £nil (2022, £nil).

As at 31st July 2023 the Group owed these companies £nil (2022, £nil) and was owed £1,000 (2022, £nil).

During the year the Group was repaid £nil (2022, £nil) of outstanding loans to Joint Venture Companies and advanced £nil (2022, £1,440,000) to Joint Venture Companies.

As at 31st July 2023 loans outstanding from Joint Venture Companies amounted to £3,010,000 (2022, £3,010,000).

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 2023 the Group purchased materials amounting to £40,000 (2022, £67,000) from these companies and sold materials and services amounting to £162,000 (2022, £103,000) to these companies.

All transactions were at normal commercial rates.

As at 31st July 2023 the Group owed these companies £nil (2022, £nil) and was owed £8,000 (2022, £41,000).

(d) DIRECTORS' REMUNERATION

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

	2023 £000	*2022* *£000*
David W Smart	413	*413*
John R Smart	413	*413*
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	4	*1*
John R Smart	6	*40*
Alasdair H Ross	–	–
Patricia Sweeney	–	–

(g) PENSION SCHEMES

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

During the year the Company paid fees and expenses on behalf of the defined benefit pension scheme amounting to £305,000 (2022, £273,000).

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