RNS Number : 8478M
Smart(J.)&Co(Contractors) PLC
19 November 2024

J. SMART & CO. (CONTRACTORS) PLC ANNOUNCES TODAY, TUESDAY 19 NOVEMBER 2024, ITS FULL YEAR RESULTS FOR THE YEAR TO 31st JULY 2024

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

CHAIRMAN'S REVIEW

ACCOUNTS

Headline Group profit for the year before tax on continuing and discontinued operations, including an unrealised surplus in revalued property and a surplus in revalued financial assets was £2,365,000 compared with £105,000 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 £1,248,000, compared with last year's figure of £2,288,000, 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, the same as the previous year. The Final Dividend will cost the company no more than £890,000.

TRADING ACTIVITIES

Group construction activities, including residential sales, increased by 141%. Headline Group profit on continuing operations increased this financial year, due to the rise in the value of the commercial property portfolio, the profit from the investment sale in a joint venture company and an improved financial performance from some of our subsidiary companies. Underlying profit before tax decreased substantially this year, mainly due to increased loss provisions in our private housing developments, which are detailed below.

Our construction sites continue to suffer from longer than anticipated programmes due to delays in statutory approvals and infrastructure/utility approvals.

Trading margins have been negatively affected by these delays and also by the continuing rise in the price of construction materials.

The lack of contract work in the housing association sector continues due to these factors, but also by a reluctance by central government to increase funding from their current unviable levels.

The residential development at Clovenstone Gardens has been badly affected by the above issues, with first completions now not being until March/April 2025. Marketing has just commenced on the private housing and interest is not promising. At present it is unlikely that the rise in construction costs will be counter-balanced by positive house sales.

The sales at our private housing development at Winchburgh, Canal Quarter, continue to suffer due to the lack of interest from home buyers. Whilst there was a spate of reservations at the beginning of 2024, these have become sporadic. Half of the properties remain to be sold, which is more than anticipated. There has been a downward pressure on sales prices due to competitors drastically reducing their figures. The prolonged sales period, with associated holding costs and negative pressure on sales prices, has led to a significant deterioration in the profitability of this development.

The construction contract with a manufacturing company for a new office facility and an industrial unit extension just outside Stirling has progressed well and is now complete, albeit after the financial year end. Whilst inexplicable delays in local authority approvals have hampered administrative progress, we do not anticipate any significant profit erosion in this authority approvals have hampered administrative progress, we do not anticipate any significant profit erosion in this contract.

Commercial property values have recovered, albeit mainly due to rental growth rather than any significant improvement in investment yields. Lettings of both our industrial stock and office stock continue to progress well. Rental levels in both sectors have held with rental growth still being experienced.

As previously reported, the three let units at Gartcosh Industrial Park, developed through our joint venture company, Gartcosh Estates LLP, were sold as an investment property disposal, with an acceptable profit achieved.

As mentioned in the interim report, the second phase at Belgrave Point, Bellshill, a large single user industrial unit, was finished in March 2024 and let to an occupier on completion. Both phases of this development, now being let, were marketed as an investment sale and sold after the financial year end. As predicted, profit margins on the second phase were impacted negatively due to a longer than anticipated programme caused by delays in utility infrastructure and increased construction costs.

As predicted in the interim report, the slow nature of the pre-contract process has delayed the start of private housing and commercial property developments, with none being commenced prior to the end of the reporting year.

Contract work continues to be scarce, mainly due to the financial viability issues noted above.

FUTURE PROSPECTS

We have less work in hand in our own private housing than we did last year.

There are no real prospects of further contract work at present. We continue to explore other avenues to obtain contract work, but many of these sectors have major obstacles. For example, investment in the new build private rented sector has stalled due to the Scottish Government's rent control legislation. The Housing (Scotland) Bill will hopefully reverse this lack of investment and kick start this sector, but when remains to be seen.

The new Government in Westminster has adopted a pessimistic approach to business in their start in power, but they have relaxed matters in the planning system. Unfortunately, this does not apply in Scotland, and we continue to suffer from a lack of urgency in local authorities in processing statutory approvals.

A start at Inchmuir Park, Bathgate, a speculative industrial development, will be made in the near future. This development should have commenced well before the financial year end, but delays in statutory approvals and utility approvals prevented this.

Planning consent has been granted at our site at Inglis Green Road, Edinburgh, for a substantial flatted housing development.

Interest rates have recently decreased but consumer confidence in private housing remains low. Whilst there will be some private housing sales this year, it is probable these will be less than originally anticipated.

Letting and rental levels in our commercial property portfolio will be maintained. We do not anticipate that yields will drastically change, and therefore, expect property values to remain steady in this current financial year.

At this stage it is difficult to assess what the headline profit will be for the year to 31st July 2025. Profits will be eroded by the factors already reported.

DAVID W SMART

19th November 2024 *Chairman*

PERFORMANCE REVIEW

Construction activities

	2024	2023

	£000	£000
Revenue	**14,350**	5,961
Operating loss	**(3,968)**	(2,720)

Construction revenue in the year has significantly increased over all activities due to the progress of contracts in the year.

Work has continued on the social housing contract at our Clovenstone development, being the 24 flats for Prospect Community Housing. The work on the private housing at this development has also progressed throughout the year, however sales from these are not expected until the year to 31st July 2026. Post year end we have established our sales office at this site and the showhouse will follow in due course. For both the social housing and private housing elements at this site the Directors considered the carrying value of the contract asset and inventory balances in the financial statements and made required provisions against both amounts.

The work for a third party for a commercial and industrial property have progressed well in the year. Both of these properties have been completed and handed over to the customer post year end.

Sales continue to be made at our private housing development at Canal View, Winchburgh but not at the levels we had anticipated this being due to continuing uncertainties in the housing market. In the year to 31st July 2024 we sold 16 properties, giving a total sold of 25 as at 31st July 2024 out of a total of 64 dwellings in the development. Due to the levels of sales at this development, reduced sales prices and other incentives were introduced to simulate sales. Post year end we have sold a further 2 dwellings with a further 5 reserved. Due to the reduced sales prices and incentives introduced and the duration of time since the completion of the housing development, the Directors considered the carrying value of the inventory balance at the year end and made a required provision against the balance.

Our civil engineering subsidiary, Thomas Menzies (Builders) Limited, has seen an increase in revenue of £1,423,000 being an increase of 44% this is year to the nature and timing of contracts undertaken in the year.

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

Construction material costs continue to remain high for various reasons, being 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 and reviewing the impact on future costs to complete contracts. 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 in nature over time, however they have increased in monetary terms due to inflationary increases. The Directors do continue to monitor these with a view to achieving any savings on costs where possible. With our revenue levels the recoverability of overhead is difficult.

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

Investment activities

	2024	2023
	£000	£000
Revenue from investment properties	**7,670**	7,011
Net surplus/(deficit) on valuation of investment properties	**994**	(2,164)
Operating profit from investment properties	**4,634**	2,063
Income from financial assets	**49**	58
Loss on sale of financial assets	**(123)**	(15)
Net surplus/(deficit) on valuation of financial assets	**123**	(19)
Share of profit/(loss) in Joint Ventures	**320**	(36)

Overall revenue for investment properties has increased in the year by 9%. There has been a small increase overall in the rental income and a significant increase of 58% in the amount of service charges and insurance premiums we have recovered from tenants. Throughout the year, as expected there have been movements of tenants in and out of properties but, overall, both occupancy levels and rental growth have remained fairly static. Recoverability of revenue for investment properties continues to remain high and the Group has suffered little in the way of defaulting tenants.

We completed work on phase 2 at our industrial site at Bellshill for the construction of one 53,735 square foot unit and the fit out of an office within the unit. A tenant moved into the unit in the year. This unit and the existing unit at the estate were sold post year end. Refer to notes 18 and 35 of the financial statements for further details on this sale.

There were no disposals of properties in the year but, as stated above, the Group sold the estate at Bellshill and also the one at Cardonald, post year end.

This year the Group has earned a surplus on the revaluation of investment property portfolio of £994,000, due mainly to improving yields and increased rental.

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 of financial assets along with a number of disposals on which the Group suffered a loss of £123,000. Improvements in the world financial markets resulted in a surplus of £123,000 on the fair value of our financial assets being recorded this year.

The share of the results in our Joint Ventures is a profit of £320,000 this is due to the accounting for the sale of the investment properties held by Gartcosh Estates LLP in the year and the resulting profit earned on the sale.

Group results and financial position

	2024	2023

	2024	2023
	£000	£000
Profit before tax	**2,365**	105
Net bank position	**7,552**	8,214
Total assets	**146,498**	147,925
Net assets	**126,313**	125,467

Overall the Group has earned a profit before tax in the year which has significantly increased due to the impact of the surplus on revaluation of the investment properties earned this year as opposed to the deficit suffered in the previous year. Construction activities continue to suffer operating losses but these are covered by the operating profit earned on investment activities. If the movements in investment properties fair value and the movement in fair value of financial assets are excluded then in the current year the Group generated a profit of £1,248,000 compared to £2,288,000 in the previous year, as detailed in note 10 of the financial statements. The decrease in profits of £1,040,000 is mainly from the increased operating loss suffered on the Group's construction activities plus the loss suffered on the sale of financial assets less the profit earned from Joint Ventures and overall increase earned in finance income.

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 undertaken in the year. In the year, however, the Group received significant amounts from the Joint Venture, Gartosh Estates LLP following the sale of its investment properties. These sums were for the repayment of the loan provided by J. Smart & Co (Contractors) PLC plus interest earned thereon, the repayment of the capital contribution initially paid to the Joint Venture and a dividend payment from profits previously earned and earned in the financial year following the sale for the investment properties. Overall, the Group continues to be net debt-free.

The Group's net assets have increased by £846,000, the main impact being the profits earned in the year, the movement in the Group's pension scheme surplus of £3,042,000 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.

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 makes 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 acquisition and pre-construction.
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	• The Directors regularly review the property market to ascertain if changes

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.	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.
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.

CONSOLIDATED INCOME STATEMENT
for the year ended 31st July 2024

	Notes	2024 £000	*2023* *£000*
REVENUE	3	22,020	*12,972*
Cost of sales		(17,993)	*(6,922)*
GROSS PROFIT		4,027	*6,050*
Other operating income	4	163	*74*
Administrative expenses		(4,518)	*(4,617)*
OPERATING (LOSS)/PROFIT BEFORE NET SURPLUS/(DEFICIT) ON VALUATION OF INVESTMENT PROPERTIES		(328)	*1,507*
Net surplus/(deficit) on valuation of investment properties	9	994	*(2,164)*
OPERATING PROFIT/(LOSS)		666	*(657)*
Share of profit/(loss) in Joint Ventures		320	*(36)*
Income from financial assets		49	*58*
Loss on sale of financial assets		(123)	*(15)*
Net surplus/(deficit) on valuation of financial assets		123	*(19)*
Finance income		1,346	*786*
Finance costs		(16)	*(12)*
PROFIT BEFORE TAX	6	2,365	*105*

PROFIT BEFORE TAX	6	2,365	*105*
Taxation	5	(692)	*95*
PROFIT FOR YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		1,673	*200*
EARNINGS PER SHARE			
Basic and diluted	8	4.22p	*0.49p*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st July 2024

	2024 £000	*2023 £000*
PROFIT FOR YEAR	1,673	*200*
OTHER COMPREHENSIVE INCOME		
Items that will not be subsequently reclassified to Income Statement:		
Remeasurement gains on defined benefit pension scheme	1,802	*4,330*
Deferred taxation on remeasurement gains on defined benefit pension scheme	(450)	*(1,083)*
TOTAL ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIED TO INCOME STATEMENT	1,352	*3,247*
TOTAL OTHER COMPREHENSIVE INCOME	1,352	*3,247*
TOTAL COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	3,025	*3,447*
ATTRIBUTABLE TO EQUITY SHAREHOLDERS	3,025	*3,447*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31st July 2024

	Share Capital £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
As at 1st August 2022	818	190	123,668	124,676
Profit for year	-	-	200	200
Other comprehensive income	-	-	3,247	3,247
TOTAL COMPREHENSIVE INCOME FOR 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)
As at 31st July 2023	802	206	124,459	125,467
Profit for year	-	-	1,673	1,673
Other comprehensive income	-	-	1,352	1,352
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	3,025	3,025
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY				
Shares purchased and cancelled	(13)	-	(889)	(902)
Transfer to Capital Redemption Reserve	-	13	(13)	-
Dividends	-	-	(1,277)	(1,277)
TOTAL TRANSACTIONS WITH OWNERS	(13)	13	(2,179)	(2,179)
As at 31st July 2024	789	219	125,305	126,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31st July 2024

	Notes	2024	*2023*

	Note	£000	£000
NON-CURRENT ASSETS			
Property, plant and equipment		2,743	*1,670*
Investment properties	9	70,038	*81,389*
Investments in Joint Ventures		65	*1,496*
Financial assets		1,032	*1,225*
Trade and other receivables		-	*3,010*
Retirement benefit surplus		23,040	*19,998*
Deferred tax assets		54	*13*
		96,972	*108,801*
CURRENT ASSETS			
Assets held for sale		14,199	-
Inventories		18,710	*17,760*
Contract assets		944	*33*
Corporation tax asset		255	*274*
Trade and other receivables		2,435	*2,352*
Monies held on deposit		51	*49*
Cash and cash equivalents		12,932	*18,656*
		49,526	*39,124*
TOTAL ASSETS		146,498	*147,925*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,828	*8,842*
Lease liabilities		212	*212*
		10,040	*9,054*
CURRENT LIABILITIES			
Trade and other payables		4,713	*2,912*
Lease liabilities		1	*1*
Bank overdraft		5,431	*10,491*
		10,145	*13,404*
TOTAL LIABILITIES		20,185	*22,458*
NET ASSETS		126,313	*125,467*
EQUITY			
Called up share capital		789	*802*
Capital redemption reserve		219	*206*
Retained earnings		125,305	*124,459*
TOTAL EQUITY		126,313	*125,467*

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st July 2024

	2024 £000	*2023* *£000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax	1,673	*200*
Tax charge/(credit) for year	692	*(95)*
Profit before tax	2,365	*105*
Adjustments for:		
Share of (profits)/losses from Joint Ventures	(320)	*36*
Depreciation	455	*445*
Unrealised (surplus)/deficit on valuation of investment properties	(994)	*2,164*
Unrealised (surplus)/deficit on valuation of financial assets	(123)	*19*
Profit on sale of property, plant and equipment	(114)	*(74)*
Loss on derecognition of asset	-	*42*
Loss on sale of financial assets	123	*15*
Change in retirement benefits	(154)	*(41)*
Interest received	(1,346)	*(786)*
Interest paid	16	*12*
Change in inventories	(950)	*(5,306)*
Change in contract assets	(911)	*(17)*
Change in receivables	(180)	*187*
Change in payables	1,801	*606*
CASH OUTFLOW FROM OPERATING ACTIVITIES	(332)	*(2,593)*
Tax paid	(178)	*(636)*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(510)	*(3,229)*
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,554)	*(978)*
Additions to investment properties	(81)	*(48)*

Expenditure on own work capitalised - investment properties	(1,765)	*(5,728)*
Proceeds of sale of property, plant and equipment	132	*102*
Purchase of financial assets	(51)	*(368)*
Proceeds of sale of financial assets	244	*178*
Monies held on deposit	(2)	*(1)*
Interest received	357	*158*
Interest paid	(4)	-
Loan to Joint Ventures repaid	3,010	-
Return of capital contribution to Joint Ventures	1,040	-
Dividend received from Joint Venture	711	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	2,037	*(6,685)*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest costs on leases	(12)	*(12)*
Purchase of own shares	(902)	*(1,345)*
Dividends paid	(1,277)	*(1,311)*
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(2,191)	*(2,668)*
DECREASE IN CASH AND CASH EQUIVALENTS	(664)	*(12,582)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,165	*20,747*
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,501	*8,165*

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.

BASIS OF PREPARATION

The financial information in this announcement has been extracted from the Group's Annual Report and Statement of Accounts for the year to 31st July 2024 and is prepared 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. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS and the financial information set out does not constitute the Company or Groups statutory accounts for the years to 31st July 2024 or 31st July 2023.

The statutory consolidated accounts for the year to 31st July 2024 have been reported on by the Independent Auditor, their report was unqualified and did not draw attention to any matters by way of emphasis and it does not contain a statement under S498 (2) or S498 (3) of the Companies Act 2006. The statutory consolidated accounts for the year to 31st July 2024 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial information for the year to 31st July 2023 is derived from the statutory accounts for that year which were submitted to the Registrar of Companies and upon which the Company's auditor provided an unqualified audit report. The audit report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under S498 (2) or S498 (3) of the Companies Act 2006.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information (effective in the year ending 31st July 2025).
- IFRS S2: Climate-related Disclosures (effective in the year ending 31st July 2025).
- IFRS 18: Presentation and Disclosures in Financial Statements (effective in the year ending 31st July 2028).
- IFRS 19: Subsidiaries without Public Accountability (effective in the year ending 31st July 2028).
- IAS 1 (amended): Presentation of Financial Statements (effective in the year ending 31st July 2025).

The Directors do not consider that the application of these amendments to standards will have a material impact on the financial statements other than regarding disclosures to be made in the financial statements.

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- IFRS 18: Presentation and Disclosures in Financial Statements (effective in the year ending 31st July 2028).
- IFRS 19: Subsidiaries without Public Accountability (effective in the year ending 31st July 2028).
- IAS 1 (amended): Presentation of Financial Statements (effective in the year ending 31st July 2025).

The Directors do not consider that the application of these amendments to standards will have a material impact on the financial statements other than regarding disclosures to be made in the financial statements.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as noted below for investment properties, financial assets and assets held by the defined benefit pension scheme.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Management believes that the estimates and assumptions used in the preparation of these financial statements are reasonable. However, actual outcomes may differ from those anticipated.

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 future 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 £126,313,000 at 31st July 2024 and the Group's net current assets amount to £39,381,000. The Directors have also taken account of the impact of climate changes on the activities of the Group. Taking all of the information the Directors currently have they are of the opinion that the Company and Group are well placed to manage their 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

ACCOUNTING ESTIMATES

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 Director 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.

ACCOUNTING JUDGEMENTS

CASH AND CASH EQUIVALENTS

As the Group has a pooling arrangement with its bankers and the bank has been granted guarantees and letters of offset by certain members of the Group in favour of the bank on account of all these members as continuing security for all monies, obligations and liabilities owing or incurred to the bank, then for the purposes of the Statement of Cash Flows and the calculation of cash and cash equivalents the bank overdraft is netted against positive bank balances. The Directors consider the bank balances whether positive or negative to be part of the Group's ordinary working capital cycle. In accordance with IAS 7: Statement of Cash Flows, the Directors deem the bank overdraft to be cash and cash equivalents and not borrowings as this balance is being used for working capital and other trading activities. Overall the Group is not allowed to be in an overdrawn bank position in the pooling arrangement, however individual companies within the arrangement may have an overdrawn bank balance. The Group and Company present positive and negative bank balances separately on the face of the Statement of Financial Position and do not offset these balances for presentation purposes. Companies not in the pooling arrangement do not have an overdraft facility and therefore their bank balances cannot be overdrawn.

RECOVERABILITY OF WORK IN PROGRESS

The Group takes account of all anticipated losses on work in progress contacts at the year end and therefore considers that the value of work in progress included in the financial statements is recoverable.

DEFINED BENEFIT RETIREMENT PENSION SCHEME SURPLUS

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

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 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		Operating Profit/(Loss)	
	2024	2023	2024	2023
	£000	£000	£000	£000
Construction activities	14,350	5,961	(3,968)	(2,720)
Investment property activities	7,670	7,011	4,634	2,063
	22,020	12,972	666	(657)
Share of results in Joint Ventures			320	(36)
Finance and investment income			1,518	844
Finance and investment costs			(139)	(46)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			2,365	105

The Group had sales from construction activities from two customers amounting to £4,269,000 and £1,671,000 respectively (2023, sales from construction activities from two customers amounting to £1,281,000 and £753,000 respectively).

OTHER SEGMENTAL INFORMATION

	Non-Current Asset Additions	Depreciation	Segment Assets	Segment Liabilities
	£000	£000	£000	£000
2024				
Construction activities	1,554	409	49,959	14,898
Investment property activities	1,854	46	97,562	6,375
Joint Ventures	-	-	65	-
			147,586	21,273
Allocation of corporation tax creditor			(1,088)	(1,088)
			146,498	20,185
2023				
Construction activities	978	398	47,195	17,964
Investment property 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

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

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.

	2024 £000	2023 £000
Disaggregation of Revenue		
Construction activities		
Social housing	1,617	397
Civil engineering	4,646	3,223
Industrial	2,079	77
Commercial	2,232	97
General construction	59	4
Private house sales	3,717	2,163
	14,350	5,961
Investment property activities		
Rental income	6,366	6,186
Service charges and insurance receivable	1,299	824
Sundry income	5	1
	7,670	7,011
Total Revenue	22,020	12,972

The transaction price allocated to unsatisfied performance obligations in respect of construction activities as at 31st July 2024 are as set out below:

Social housing	2,509	3,829
Civil engineering	604	457
Industrial	59	-
Commercial	734	2,965

The Directors expect that 91% (2023, 82%) of the transaction price allocated to the unsatisfied contracts as at 31st July 2024 will be recognised as revenue in the year to 31st July 2025. The Directors expect that the remaining 9% which relates to social housing and commercial property will be recognised as revenue in the year to 31st July 2026.

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 2024 amounting to £1,765,000 (2023, £5,728,000).

4. OTHER OPERATING INCOME

	2024 £000	2023 £000
Profit on disposal of property, plant and equipment	114	74
Other income	49	-
	163	74

5. TAXATION

	2024 £000	2023 £000
UK Corporation Tax		
Current tax on income for the year	225	358
Corporation tax under provided in previous years	(28)	(40)
	197	318
Deferred taxation	495	(413)
	692	(95)

Current Tax Reconciliation		
Profit on ordinary activities before tax	2,365	105
Share of (profits)/losses of Joint Ventures	(320)	36
	2,045	141
Current tax at 25.00% (2023, 21.01%)	511	30
Effects of:		
Expenses not deductible for tax purposes	440	490
Non-taxable income including revaluation surplus	(621)	(567)
Chargeable gains	380	-
Effect of change in tax rate	-	(90)
Adjustment to corporation tax charge in respect of prior years	(28)	(40)
Adjustment to deferred tax charge in respect of prior years	5	80
Deferred tax not recognised	5	2
	692	(95)

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 25.00% (2023, 21.01%) 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 £450,000 (2023, £1,083,000) relating

In addition to amounts charged to the Income Statement, a deferred tax charge of £450,000 (2023, £1,083,000) relating to actuarial gains on the defined benefit pension scheme has been recognised directly in the Consolidated Statement of Comprehensive Income.

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

6. 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:

	2024 £000	*2023* *£000*
Profit before tax	2,365	*105*
(Surplus)/deficit on valuation of investment properties	(994)	*2,164*
(Surplus)/deficit on valuation of financial assets	(123)	*19*
	1,248	*2,288*

7. DIVIDENDS

	2024 £000	*2023* *£000*
2022 Final Dividend of 2.27p per share	-	*923*
2023 Interim Dividend of 0.96p per share	-	*388*
2023 Final Dividend of 2.27p per share	898	-
2024 Interim Dividend of 0.96p per share	379	-
	1,277	*1,311*

The Board is proposing a Final Dividend of 2.27p per share (2023, 2.27p) which will cost the Company no more than £890,000.

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.

8. EARNINGS PER SHARE

		2024	*2023*
Profit attributable to Equity shareholders	£000	1,673	*200*
Basic earnings per share		4.22p	*0.49p*

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 2024 amounted to 39,608,000 (2023, 40,572,000).

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

9. 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 2023	71,991	9,185	213	81,389
Additions	1,846	-	-	1,846
Transfer from Property, Plant and Equipment	8	-	-	8
Transfer to Assets Held for Sale	(14,199)	-	-	(14,199)
Surplus on valuation	780	214	-	994
At 31st July 2024	60,426	9,399	213	70,038

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

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 judgement 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.

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 2024							
Investment							
Commercial	21,136	11.00	16.70	22.40	8.50	10.19	13.39
Industrial	48,689	4.75	7.82	10.89	6.55	9.07	10.97
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

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 2024					
Investment					
Commercial	21,136	1,130	(1,130)	609	(578)
Industrial	48,689	2,516	(2,516)	1,665	(1,619)
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)

The Group had commitments of £nil (2023, £2,623,000) in respect of future developments and repair costs of investment properties at the Statement of Financial Position date.

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