COMPANY REGISTRATION NUMBER SC028860

McGOWAN AND COMPANY (CONTRACTORS) LIMITED

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

TO

31st JULY 2023

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS
JOHN R SMART
DAVID W SMART

COMPANY SECRETARY
PATRICIA SWEENEY

REGISTERED OFFICE
28 CRAMOND ROAD SOUTH
EDINBURGH
EH4 6AB

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
58 MORRISON STREET
EDINBURGH
EH3 8BP

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

RESULTS AND DIVIDENDS

The loss of the Company for the year after tax amounted to £177,420 (2022, £219,171).

The Directors paid no dividends in the year and are not proposing a final dividend.

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year were as follows:

John R Smart
David W Smart

The Company is a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC and the interest of the Directors in the shares of the Parent Company is disclosed in the financial statements of the Parent Company.

GOING CONCERN

The Company's business activities, performance and principal risks and uncertainties are set out in the Strategic Report on pages 4 to 6.

The Directors, having assessed the business risks of the Company as detailed in the Strategic Report on pages 5 and 6, confirm that they have a reasonable expectation that the Company has adequate financial resources without reliance on external funding to allow the Company 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 Company and the Group as a whole 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 as a whole 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.

The Company is reliant on its Parent Company for work and funding from the Group as a whole and a signed letter of financial support has been provided by J. Smart & Co. (Contractors) PLC covering a period of at least twelve months from the date of approval of these financial statements.

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 built programmes and increased costs.

The Company, with the continuing support of its Parent Company, continues to meet its obligations as they fall due and therefore the going concern basis remains appropriate.

FUTURE DEVELOPMENTS

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

EVENTS AFTER THE REPORTING PERIOD

There have been no events occurring after the Statement of Financial Position date that the Directors consider should be brought to the attention of the shareholder.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

It is the policy of the Company not to make donations for political purposes to UK or EU Political Parties or incur UK or EU Political Expenditure and accordingly the Company made no donations or incurred no such expenditure in the year.

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.

STATEMENT OF DISCLOSURE TO AUDITOR

In the case of the Directors who were Directors at the date this Report was approved:

- so far as the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

29th January 2024

PATRICIA SWEENEY
Company Secretary

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

The purpose of the Strategic Report is to provide the member of the Company with information to allow the assessment of how the Directors have performed their duty to promote the success of the Company.

OUR BUSINESS MODEL, STRATEGY AND OBJECTIVES

The Company was incorporated in 1952.

The Company's principal activity is to provide plumbing services to its Parent Company, J Smart & Co (Contractors) PLC.

The Company is a wholly owned subsidiary of J. Smart & Co. (Contractors) PLC, a construction company based in Edinburgh.

Our objectives are to provide the best plumbing support to J Smart & Co (Contractors) PLC to assist that Company in exploiting promising business opportunities as they arise to the benefit of both Companies, their shareholders and employees without over extending Company and Group resources. While endeavouring to do this we do not set ourselves general performance yardsticks or volumetric targets.

We maintain a core employee base which is beneficial to the growth and success of the Company due to the fact that they have the expertise to ensure work is efficiently run, achieve high level of work quality and retain control over operations.

To achieve these objectives our strategy is to continue to retain our core workforce to ensure work quality. We will build up our resources to ensure the Company has sufficient current working capital facilities and financing for future activities.

In achieving our objectives we aim to generate value by creating long-term and sustainable returns for our shareholder by growing our income, returning the Company to profitability and thereby increasing the net assets of the Company.

PERFORMANCE REVIEW

	2023	*2022*
	£	*£*
Revenue	**567,173**	*326,096*
Loss before tax	**(224,612)**	*(269,782)*
Net bank position	**(590,213)**	*(452,314)*
Net liabilities	**(466,818)**	*(289,398)*

The Company's revenue is dependent entirely on work obtained from its Parent Company. Given the level of construction activity of J. Smart & Co. (Contractors) PLC and the nature of the work being undertaken by the Parent Company, revenue increased in the year.

Costs continue to rise but with the increased revenue earned in the year the loss suffered by the Company in the year has decreased from that of the previous year.

The loss suffered by the Company, has been reflected in the decrease in the bank position and also reflected in the decrease in the net assets of the Company. The Company is now in a net liability position and is reliant on its Parent Company for financial support.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of bank balances and cash, trade receivables and trade payables. The main purpose of the financial instruments are to provide working capital for the Company's continuing activities and provide funding for future activities. Given the nature of the Company's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is spread over a number of counterparties and customers. The Company is not exposed to liquidity or interest rate risk as it does not have any debt.

Credit risk
The Company's credit risk is mainly mitigated due to the fact the majority of the Company's revenue relates to intra group sales.

Liquidity and Interest rate risk
The Company finances its operation through equity, it has no bank borrowings and therefore has no exposure to liquidity or interest rate risk.

TOTAL DIVIDEND

The Directors paid no dividends in the year and are not proposing a final dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Area of principal risk or uncertainty and impact	Mitigating actions and controls
The sector in which our Parent Company and therefore this Company operates is highly competitive with tight margins.	• Employ our own personnel who are supervised by site agents who are long serving employees of the Company, who have been promoted through their trade, thus ensuring control of labour costs on contracts. • In house technicians and surveyors provide pre-contract design advice to resolve potential technical problems with the build and therefore potential costs.
Political events and policies result in uncertainty until final decisions have been made and the impact of decisions are known. This could result in delays in investment decisions which could impact on our activities.	• Before any decisions are taken by the Directors the level of uncertainty and range of potential outcomes arising from political events and policies are considered.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Area of principal risk or uncertainty and impact	Mitigating actions and controls
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 to ensure we comply with current and emerging requirements. • Procurement of materials from sustainable sources. • Establishment of Sustainability Committee to develop the overall Group's sustainability strategy with the commitment to reduce the Group's carbon emissions in line with science-based carbon reduction targets.

Emerging risk
The Company faces a number of emerging risks particularly around the areas of environmental, ethical and social issues which could have a significant impact on the Company'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 Company.

EMPLOYEES

The Company recognises the contribution of the staff to the success of the Company. The Company operates with a core employee base who in the main have been with the Company for a considerable length of time and have gained a significant knowledge of the sector within which the Company operates. The Company recognises the importance of retaining its core staff to ensure its future success.

The Company 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 Company, if feasible.

It is the Company'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 throughout the Group 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 Company and the needs of the employees.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

29th January 2024

PATRICIA SWEENEY
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with UK adopted international accounting standards.

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 Company and of its profit or loss for that period. The Directors are also required to prepare financial statements in accordance with UK adopted international accounting standards. In preparing those 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 the financial statements 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 and a Strategic 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 which disclose with reasonable accuracy at any time the financial position of the Company and to 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 Company's performance, business model and strategy.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

29th January 2024

PATRICIA SWEENEY
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF McGOWAN AND COMPANY (CONTRACTORS) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st July 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of McGowan and Company (Contractors) Limited ("the Company") for the year ended 31st July 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the 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.

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.

Independence

We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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 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.

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

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.

Other Companies Act 2006 reporting

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 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 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 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 of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK corporation tax, VAT and employment tax legislation.

The Company 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, the UK Companies Act 2006 and legislation relating to the payment of employees.

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 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 Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - 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; and

Auditor's responsibilities for the audit of the financial statements (continued)

Fraud (continued)

- 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.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Challenging assumptions and judgements made by management in their significant accounting estimates. We looked to identify any areas of management bias by corroborating these estimates and judgements and challenging management as to their appropriateness based on third party empirical evidence, recalculating management's estimate, following up on information in relation to estimates to the date of issue as well as in some cases developing our own estimate range and comparing this to management's estimate.

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: https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
AHRae
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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK

31 January 2024

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

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

	Notes	2023 £	2022 £
REVENUE	**2**	**567,173**	*326,096*
Cost of sales		**(540,769)**	*(357,462)*
GROSS PROFIT/(LOSS)		**26,404**	*(31,366)*
Administrative expenses		**(251,016)**	*(238,416)*
LOSS BEFORE TAX	**4**	**(224,612)**	*(269,782)*
Taxation	**5**	**47,192**	*50,611*
LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDER		**(177,420)**	*(219,171)*
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(177,420)**	*(219,171)*

All activities in both the current and previous year relate to continuing operations.

The Company earned no other comprehensive income in the year (2022, £nil).

STATEMENT OF CHANGES IN EQUITY
as at 31st July 2023

	Share Capital £	Retained Earnings/ (Loss) £	Total £
At 1st August 2021	1,000	(71,227)	(70,227)
Loss for year	–	(219,171)	(219,171)
Total comprehensive loss for the year	–	(219,171)	(219,171)
At 31st July 2022	1,000	(290,398)	(289,398)
Loss for year	–	(177,420)	(177,420)
Total comprehensive loss for the year	–	(177,420)	(177,420)
At 31st July 2023	1,000	(467,818)	(466,818)

STATEMENT OF FINANCIAL POSITION
as at 31st July 2023

	Notes	2023 £	2022 £
NON-CURRENT ASSETS			
Property, plant and equipment	6	3,737	5,606
CURRENT ASSETS			
Inventories	7	2,831	11,059
Contract assets	8	89,449	94,989
Trade and other receivables	9	27,851	55,635
Current tax asset		47,000	51,300
Cash and cash equivalents	10	34	34
		167,165	213,017
TOTAL ASSETS		170,902	218,623
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	1,100	1,295
CURRENT LIABILITIES			
Trade and other payables	11	46,373	54,378
Bank overdraft	10	590,247	452,348
		636,620	506,726
TOTAL LIABILITIES		637,720	508,021
NET LIABILITIES		(466,818)	(289,398)
EQUITY			
Called up share capital	14	1,000	1,000
Retained loss	14	(467,818)	(290,398)
TOTAL EQUITY		(466,818)	(289,398)

The financial statements on pages 13 to 30 were approved by the Board of Directors and authorised for issue on 29th January 2024 and were signed on its behalf by:

JOHN R SMART
Director

DAVID W SMART
Director

Company Number SC028860

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

	Notes	2023 £	2022 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss after tax		**(177,420)**	*(219,171)*
Tax credit for year		**(47,192)**	*(50,611)*
Loss before tax		**(224,612)**	*(269,782)*
Adjustments for:			
Depreciation		**1,869**	*2,803*
Change in inventories		**8,228**	*7,720*
Change in contract assets		**5,540**	*(78,786)*
Change in receivables		**27,784**	*4,476*
Change in payables		**(8,005)**	*25,555*
		(189,196)	*(308,014)*
Tax received		**51,297**	*45,191*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(137,899)**	*(262,823)*
DECREASE IN CASH AND CASH EQUIVALENTS		**(137,899)**	*(262,823)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15(a)**	**(452,314)**	*(189,491)*
CASH AND CASH EQUIVALENTS AT END OF YEAR	**15(a)**	**(590,213)**	*(452,314)*

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

McGowan and Company (Contractors) Limited is a private company limited by shares, registered in Scotland and incorporated in the United Kingdom.

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 Company have been issued by the International Accounting Standards Board and are mandatory for the first time for the financial year to 31st July 2023:

- IFRS 3 (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 Company'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 Company which have been issued by the International Accounting Standards Board, but are not yet effective for the Company at the date of these financial statements.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

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, 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, having assessed the business risks of the Company as detailed in the Strategic Report on pages 5 and 6, confirm that they have a reasonable expectation that the Company has adequate financial resources without reliance on external funding to allow the Company 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 Company and the Group as a whole 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 as a whole 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.

The Company is reliant on its Parent Company for work and funding from the Group as a whole and a signed letter of financial support has been provided by J. Smart & Co. (Contractors) PLC covering a period of at least twelve months from the date of approval of these financial statements.

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 built programmes and increased costs.

The Company, with the continuing support of its Parent Company, continues to meet its obligations as they fall due and therefore the going concern basis remains appropriate.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

LONG TERM CONTRACT PROVISIONS
Judgement is required in determining if provisions for losses are required on long term contracts. The Directors make judgements relating to estimated costs to complete and the percentage stage of completion of current contracts when determining the provision for losses. The Directors consider adequate, but not excessive provisions have been made in this respect.

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interests of the Company and of its employees to maintain wherever possible security of employment, remuneration and retirement provisions.

The assets of the Company are purchased, managed and maintained by the Company's management.

The capital structure of the Company consists of issued share capital and retained losses, represented predominantly by contract assets, trade and other receivables and trade and other payables and the bank overdraft.

The Company has the ongoing support of its Parent Company to allow it to meet its foreseeable commitments.

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 Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

DEPRECIATION

Depreciation is provided on all items of plant and equipment at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and equipment	- 4 years
Motor vehicles	- 3 years

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

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.

The Company assesses at each Statement of Financial Position date whether there is an indication that an asset may be impaired. If an indication exists the Company 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 and 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 Statement of Comprehensive Income.

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.

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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (*continued*)

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.

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 Statement of Comprehensive Income 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.

PENSIONS

The Company 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 Statement of Comprehensive Income as incurred.

The Company is a member of a multi-employer defined benefit scheme. As a multi-employer scheme it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by IAS19 (amended): Employee Benefits, the Company accounts for this scheme as if it was a defined contribution scheme. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

REVENUE

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

Revenue is recognised by the Company from long and short term construction contracts.

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 Company uses the output method to recognise revenue from construction contracts as it is recognised over time as the work progresses. Prior to raising invoices, the Company will recognise a contract asset for work performed, only when the invoice is raised will the contract asset be reclassified to trade receivables. When it is probable that the total costs of construction will exceed the total contract revenue, the expected loss is recognised immediately in the Statement of Comprehensive Income. 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 Company 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 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.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES *(continued)*

REVENUE (continued)

The Company has no obligations for returns or warranties.

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.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company 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 Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they arise.

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 in 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.

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.

2. REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods over time in relation to construction contracts.

Construction contracts are only for plumbing services and therefore there is no disaggregation of revenue disclosure required.

As at 31st July 2023 and 31st July 2022 there was no unsatisfied performance obligations and therefore there is no disclosure required for amount of transaction price allocated to unsatisfied performance obligations at 31st July 2023 or 31st July 2022.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

	2023	2022
	£	£
Staff costs during the year amounted to:		
Wages, salaries and short term benefits	327,297	269,574
Social security costs	38,397	32,068
Post-employment benefits	40,286	38,442
	405,980	340,084

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

	No.	No.
Construction and related services	6	6
Office and management	1	1
	7	7

No remuneration was paid to the Directors of this Company in this or the previous year from the Company.

All Directors' Remuneration is borne by the Parent Company and recharged based on an estimate of time spent on the affairs of the Company via a management charge based on an estimate of time spent on the affairs of this Company. This management charge is accounted for under net operating expenses in the Statement of Comprehensive Income.

Key management comprises solely of the Directors of the Company.

4. LOSS BEFORE TAX

	£	£
This is stated after charging:		
Staff costs (note 3)	405,980	340,084
Depreciation of owned assets	1,869	2,803
Auditor's remuneration		
Audit of these financial statements	8,000	7,700

5. TAXATION

	2023	2022
	£	£
UK Corporation Tax		
Current tax on loss for the year	(47,000)	(51,300)
Corporation tax over/(under) provided in previous years	3	(191)
	(46,997)	(51,491)
Deferred taxation (note 13)	(195)	880
	(47,192)	(50,611)
Tax Reconciliation		
Loss on ordinary activities before tax	(224,612)	(269,782)
Current tax at 21.01% (2022, 19.00%)	(47,191)	(51,259)
Effects of:		
Effect of changes in tax rate	67	10
Deferred tax not recognised	(71)	829
Adjustments to corporation tax charge in respect of prior years	3	(191)
	(47,192)	(50,611)

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.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and motor vehicles £
Cost:	
At 1st August 2022 and 31st July 2023	37,168
Depreciation:	
At 1st August 2022	31,562
Provided during year	1,869
At 31st July 2023	33,431
Net book value:	
At 31st July 2023	3,737
At 31st July 2022	5,606

7. INVENTORIES

	2023 £	2022 £
Raw materials and consumables	**2,831**	*11,059*

8. CONTRACT ASSETS

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 9). The Company does not receive deposits or payments in advance for contracts and therefore has no Contract Liabilities to disclose. The Company did not incur costs to obtain contracts.

Contract assets	**89,449**	*94,989*
As at 1st August 2022	**94,989**	*16,203*
Transfers from contract assets recognised at the beginning of the year to trade receivables	**(94,989)**	*(16,203)*
Increase related to services provided in the year	**89,449**	*94,989*
As at 31st July 2023	**89,449**	*94,989*

9. TRADE AND OTHER RECEIVABLES

	2023 £	2022 £
Trade receivables	999	186
Amounts owed by Group Companies	8,402	32,611
VAT recoverable	2,942	2,954
Other debtors	2,983	5,581
Prepayments and accrued income	12,525	14,303
	27,851	55,635

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.

The Company 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.

Due to the nature of the customers of the Company which tend to be intra group the risk of credit loss is almost non-existent. In the years to 31st July 2023 and 31st July 2022 the Company had no specific bad debt write offs. Therefore, based in this past experience the Company has incorporated a £nil expected credit loss.

Amounts owed by Group 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.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2023	2022
Cash at bank and on hand	34	34
Bank overdraft	(590,247)	(452,348)
	(590,213)	(452,314)

The bank has been granted guarantees and letters of offset by each member of the J. Smart & Co. (Contractors) PLC Group, except for the subsidiary Smart Serviced Offices Limited, in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank. Overall the Group does not have an overdraft facility, however individual companies within the Group may have an overdrawn bank balance.

11. TRADE AND OTHER PAYABLES

	2023 £	*2022 £*
Trade payables	**21,616**	*31,015*
Other taxes and social security costs	**9,966**	*9,538*
Other creditors and accruals	**14,791**	*13,825*
	46,373	*54,378*

12. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise bank balances and cash, 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.

The financial instruments are held to finance the Company'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 Company's financial instruments are credit risk and liquidity risk. All transactions for the Company are undertaken in Pounds Sterling and therefore the Company is not exposed to foreign exchange rate risk.

CREDIT RISK

In relation to the Company's financial assets, the Company has no significant concentration of credit risk, as the Company works only for other Group Companies.

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. The Company 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 Company 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 nil% (2022, nil%) of the trade receivables are past due but not impaired.

LIQUIDITY RISK

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

13. DEFERRED TAXATION

Deferred Tax Liabilities

	Accelerated Capital Allowances £
At 1st August 2021	415
Charged to Statement of Comprehensive Income	880
At 31st July 2022	1,295
Credited to Statement of Comprehensive Income	(195)
At 31st July 2023	1,100

14. SHARE CAPITAL

	2023 £	2022 £
Allotted called up and fully paid		
1,000 (2022, 1,000) ordinary shares of £1 each	**1,000**	*1,000*

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. Each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

Retained loss
Retained loss represents the accumulated profits or losses, net of distributions made.

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

Cash and cash equivalents	**34**	*34*
Bank overdraft	**(590,247)**	*(452,348)*
	(590,213)	*(452,314)*

(b) ANALYSIS OF NET DEBT

	At 1st August 2022 £	Cash Flow £	At 31st July 2023 £
Cash and cash equivalents	34	–	34
Bank overdraft	(452,348)	(137,899)	(590,247)
Net debt	(452,314)	(137,899)	(590,213)

16. 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.

17. RETIREMENT BENEFITS OBLIGATIONS

DEFINED CONTRIBUTION SCHEMES
In the year to 31st July 2003 the Company 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 contributions to the plan for the year were £35,029 (2022, £34,538) and are expensed through the Statement of Comprehensive Income as incurred.

MULTI-EMPLOYER SCHEME
The Company is 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 Company makes contributions to this scheme which in the year amounted to £1,748 (2022, £752) and are expensed through the Statement of Comprehensive Income as incurred.

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

18. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES
Transactions between the Company and its fellow Group Companies are as follows:

	2023	*2022*	**2023**	*2022*
	£	*£*	**£**	*£*
	Sale of goods and Services to Group Companies		Purchase of goods and services from Group Companies	
GROUP COMPANY				
J. Smart & Co. (Contractors) PLC	**535,694**	*246,402*	**136,891**	*130,531*
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	**304**	–	–	–
Concrete Products (Kirkcaldy) Limited	**185**	–	–	–
C. & W. Assets Limited	**28,135**	*58,426*	–	–
Smart Serviced Offices Limited	**30**	*1,218*	–	–
Northrigg Limited	–	–	–	–

	Amounts owed by fellow Group Company		Amounts owed to fellow Group Company	
GROUP COMPANY				
J. Smart & Co. (Contractors) PLC	**90,439**	*114,816*	–	–
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	–	–	–	–
Concrete Products (Kirkcaldy) Limited	–	–	–	–
C. & W. Assets Limited	**7,412**	*12,784*	–	–
Smart Serviced Offices Limited	–	–	–	–
Northrigg Limited	–	–	–	–

The Company is also owed £89,449 (2022, £94,989) from J. Smart & Co. (Contractors) PLC in respect of amounts recoverable on long term contracts, which is disclosed as Contract Assets.

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 Group Companies.

(b) DIRECTOR'S REMUNERATION
No Directors' remuneration is paid by this Company.

(c) PENSION SCHEMES
Disclosures in relation to the pension schemes are included in note 17 of the financial statements.

19. ULTIMATE PARENT COMPANY

J. Smart & Co. (Contractors) PLC, registered in Scotland is regarded by the Directors as being the Company's ultimate Parent Company. Group financial statements are available from the Parent Company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.