

## Highlights

Profit before tax increased 14% to £5.8m.

Turnover at record high of £96.1m.

Dividend up 10% to 7.6p.

Diluted earnings per share increased by 8% to 16.5p.

Net assets increased to £50.0m.

Pochin Homes returns its first profit to the group.

Concrete pumping wins “Plant Hirer of the Year” for the third time.

Healthy order book for 05/06.

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## CHAIRMAN'S STATEMENT

### Results and dividends

We are celebrating our 70<sup>th</sup> year with record results and I am pleased to announce a growth in turnover to £96.1m (2004: £65.9m) and a 14% increase in pre-tax profits to £5.8m (2004: £5.1m). A final dividend of 5.1p per share (2004: 4.65p) is proposed giving a total dividend for the year of 7.6p (2004: 6.9p), a 10% increase on the previous year.

### Operations

#### **Property and joint ventures**

The property division had an excellent year. In particular, our major development site at Crewe Green is progressing well, where I am pleased to report the sale, on 23 September 2005, of a 790 student bedroom project occupied by Manchester Metropolitan University. This sale will make a

strong contribution to the results for the current financial year. I indicated at the interim stage that we were in the process of selling a number of properties. I am pleased to report that these planned disposals have now been achieved contributing an operating profit of £3.3m to the overall result.

Speculative office units have been completed on Midpoint 18 in Middlewich, the majority of which have been sold. We are now proceeding with the second phase comprising offices and some industrial units.

Pochin Homes Limited is at an early stage in its planned growth strategy and completed 28 sales in the year, contributing a small profit to the group. This is an encouraging performance from the division and, notwithstanding a general slowdown in the housing market, we anticipate sales of 78 homes in the current year.

Keele Park Developments Limited has now completed its third building and lettings are proceeding. This building has been designed for use by health technology (med-tech) companies and has received grant funding from Advantage West Midlands. In light of the continued success at Keele, we are proceeding with the construction of a fourth building.

Our policy of forming joint venture companies to expand our development activities is ongoing and recent commitments include an office development in Heald Green, Manchester, a refurbishment scheme for a block of apartments in Liverpool, and a town centre redevelopment in Birkenhead, with plans for a 75,000 square feet food retail unit. Although we do not anticipate these immediately reflecting in group profits, we are confident they will come to fruition over the next few years.

Manchester Technopark Limited has had a difficult year, but I am pleased to report that further lettings in one building have been completed in the second half, thereby reducing the overall amount of vacant space in the development by 29% and increasing the rent roll by £220,000 p.a., equivalent to c.50% of total rental capacity. Negotiations are underway with other potential occupiers.

## **Contracting**

The strategy to seek larger projects has proved worthwhile with an increase in turnover, from £48.9m to £59.2m. Profits were up by 10.6% to £864,000, although there was a reduction in margin due to higher than anticipated costs of completing certain projects. The order book is looking very healthy with £68m of work secured into the current year, including a high proportion of repeat business from existing clients.

Management has been strengthened during the year and is focused on an improvement in margins. The major student accommodation project for Manchester Metropolitan University in Crewe was completed to a demanding timetable and I am delighted to record this great team effort. I am also pleased to congratulate the division on receiving an industry award for high standards of quality and a RoSPA Gold Award for site safety.

## **Construction services**

I am pleased to report that construction services has improved its profit performance by £1.2m in the year. However, this was a challenging year for the division. Avoidatrench Limited and Pipeline Drillers Limited were seriously affected by a lack of infrastructure works across the country and the concrete pumping division had a disappointing final quarter as workload became scarce. This downturn, reflected in a fall in the number of jobs carried out, continued into the

first three months of the current year, although I am able to report that there have been signs of improvement in the latest weekly sales levels.

Despite these uncertain times, the quality of the division has been recognised and I congratulate everyone involved in winning the Contract Journal “Plant Hirer of the Year” Award for the third time, in addition to achieving RoSPA safety awards for Cheshire Concrete Products (gold), Avoidatrench Limited (gold) and Pochin Concrete Pumping (silver).

### **Board and senior management changes**

In accordance with the group’s planned strategic development and board evolution previously reported I am pleased to announce the appointments of three new directors to the board.

I am pleased to welcome John Edwards, following his appointment on 22 September as group finance director. John is a Fellow of The Chartered Institute of Management Accountants and joined the group as company secretary on 1 August 2005.

I would also like to welcome two new non-executive directors, Nicholas Fry and Michael Chadwick, who were both appointed with effect from 22 September 2005.

It is the intention that Nicholas Fry, as an independent non-executive director, will succeed William Underwood as chairman of the audit committee next year. Michael Chadwick is a substantial shareholder in the company and we therefore do not regard him as an independent non-executive director, however he brings with him a wealth of experience from within our industry that I am sure will prove to be invaluable to the group.

Andrew Waugh, our former company secretary, has moved on to pastures new. I would like to thank him for his contribution to the company over the last four years and to wish him well in his future career.

## **Employees**

I would like to recognise the invaluable contribution made by everyone across the group and to express my sincere thanks to my fellow directors and to all employees for their enormous efforts. Without their outstanding energy, effort and enthusiasm across every department these excellent results would not have been achieved.

## **Prospects**

Looking to the future we are entering a new financial year having completed the disposal of the major development at Crewe and with further strong development opportunities, a healthy contracting order book and, despite some softening in the housing market, there is the expectation of further growth in Pochin Homes Limited. The construction services division is operating in a difficult market but is well placed to take full advantage of any upturn. We are continually reviewing its operations to ensure that it will make satisfactory returns over the longer term.

I am confident that we are well positioned for the challenges ahead and look forward to reporting further progress in this coming year.

	Notes	2005 £'000	2004 £'000
<b>Turnover</b>			
Group and share of joint ventures		96,750	78,307
Less: share of joint ventures		(624)	(12,397)
	2	<u>96,126</u>	<u>65,910</u>
Continuing operations		89,566	65,910
Acquired operations	3	<u>6,560</u>	-
		96,126	65,910
<b>Cost of sales</b>			
		(82,121)	(58,178)
<b>Gross profit</b>			
		14,005	7,732
Operating expenses		(11,133)	(8,931)
Other operating income	5	3,633	3,359
<b>Operating profit</b>			
Continuing operations		5,177	2,160
Acquired operations	3	<u>1,328</u>	-
		6,505	2,160
Share of operating (loss) / profit in joint ventures		(177)	3,270
Share of operating profit in associates		496	365
Net interest		(1,020)	(715)
<b>Profit on ordinary activities before taxation</b>			
	2	5,804	5,080
Tax on profit on ordinary activities	6	(2,422)	(1,938)
<b>Profit on ordinary activities after taxation</b>			
		3,382	3,142
Equity minority interests		(27)	(28)
<b>Profit for the financial year</b>			
		<u>3,355</u>	<u>3,114</u>

Dividends	7	(1,581)	(1,435)
<b>Retained profit for the year</b>		<b>1,774</b>	<b>1,679</b>
<b>Earnings per share (basic)</b>	<b>8</b>	<b>16.6p</b>	15.3p
<b>Earnings per share (diluted)</b>	<b>8</b>	<b>16.5p</b>	15.3p

The above figures are for continuing operations.

#### Statement of Total Recognised Gains and Losses

		2005	2004
		£'000	£'000
<b>Profit for the financial year</b>		<b>3,355</b>	3,114
Unrealised surplus / (deficit) on revaluation of investment properties - group		<b>2,409</b>	(104)
Unrealised surplus on revaluation of investment properties - joint ventures		<b>50</b>	-
Total recognised gains and losses for the year		<b>5,814</b>	3,010
Prior year adjustment	1	<b>(607)</b>	-
<b>Total gains recognised for the year</b>		<b>5,207</b>	<b>3,010</b>

#### Note of Historical Cost Profits and Losses

		2005	2004
		£'000	£'000
<b>Reported profit on ordinary activities before taxation</b>		<b>5,804</b>	5,080
Realisation of revaluation surpluses of previous years - group		<b>378</b>	242
Realisation of revaluation surpluses of previous years - joint ventures		-	641
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts		<b>40</b>	155
<b>Historical cost profit on ordinary activities before taxation</b>		<b>6,222</b>	<b>6,118</b>
<b>Historical cost profit retained for the year after taxation, minority interests and dividends</b>		<b>2,192</b>	<b>2,717</b>

## Consolidated Balance Sheet

As at 31 May 2005

	2005	2004
		(restated)
Notes	£'000	£'000
<hr/>		
<b>Fixed assets</b>		
Intangible assets	1,164	443
Tangible assets	38,253	32,466
Investments		
Joint ventures		
Share of gross assets	10,286	20,228
Share of gross liabilities	(6,006)	(11,182)
Goodwill	925	988
Associates	5,205	10,034
Other	2,585	2,547
	2,157	2,157
	<b>9,947</b>	14,738
	<hr/>	
	<b>49,364</b>	47,647
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<b>Current assets</b>		
Stocks and work in progress	38,251	20,077
Debtors	22,583	11,342
Investments and deposits	12,901	10,776
Cash at bank and in hand	5	4
	<hr/>	
	<b>73,740</b>	42,199
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<b>Creditors: amounts falling due within one year</b>		
Borrowings	(37,604)	(23,313)
Trade and other creditors	(19,262)	(15,485)
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	<b>(56,866)</b>	(38,798)
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<b>Net current assets</b>	<b>16,874</b>	3,401
	<hr/>	
<b>Total assets less current liabilities</b>	<b>66,238</b>	51,048
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<b>Creditors: amounts falling due after more than one year</b>		

Borrowings		(10,570)	(695)
Other creditors		-	(233)
		(10,570)	(928)
<b>Provisions for liabilities and charges</b>		(2,020)	(1,714)
<b>Accruals and deferred income</b>		(3,675)	(2,441)
<b>Net assets</b>	<b>2</b>	<b>49,973</b>	<b>45,965</b>
<b>Capital and reserves</b>			
Called up share capital		5,200	5,200
Own shares		(847)	(607)
Revaluation reserve		10,848	8,807
Profit and loss account		34,549	32,357
<b>Equity shareholders' funds</b>		<b>49,750</b>	<b>45,757</b>
Equity minority interests		223	208
		<b>49,973</b>	<b>45,965</b>

## Consolidated Cash Flow Statement

For the year ended 31 May 2005

		2005	2005	2004	2004
	Notes	£'000	£'000	£'000	£'000
<b>Net cash (outflow) / inflow from operating activities</b>	<b>9</b>		<b>(8,726)</b>		<b>2,804</b>
<b>Income received from joint ventures</b>			<b>284</b>		<b>528</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		396		289	
Interest paid		(807)		(427)	
Interest paid on finance leases		(79)		(34)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(490)</b>		<b>(172)</b>

**Taxation**

UK corporation tax paid		<b>(2,052)</b>	(1,191)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<b>(3,677)</b>	(4,627)
Receipt of government grants		<b>585</b>	605
Sale of tangible fixed assets		<u><b>827</b></u>	<u>835</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(2,265)</b>	(3,187)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking	3	<b>(2,741)</b>	(13)
Net cash on purchase of subsidiary undertaking	3	<b>2,972</b>	-
Increase in interest in joint ventures and associates		<b>(1,602)</b>	(1,531)
Purchase of goodwill and tangible fixed assets	4	<b>(2,445)</b>	-
Purchase of other fixed asset investment		-	(657)
Purchase of own shares		<b>(240)</b>	-
		<u>                    </u>	<u>                    </u>
<b>Net cash outflow from acquisitions and disposals</b>		<b>(4,056)</b>	(2,201)
<b>Equity dividends paid</b>		<u><b>(1,487)</b></u>	<u>(1,352)</u>
<b>Net cash outflow before financing and management of liquid resources</b>		<b>(18,792)</b>	(4,771)
<b>Management of liquid resources</b>			
Cash withdrawn at call and short notice		<u><b>(1,275)</b></u>	<u>(161)</u>
<b>Net cash outflow from management of liquid resources</b>		<b>(1,275)</b>	(161)
<b>Financing</b>			
New loan capital		<b>11,000</b>	800
Repayment of loan capital		<b>(4,832)</b>	(510)
Repayment of principal under finance leases and hire purchase contracts		<u><b>(192)</b></u>	<u>(224)</u>
<b>Net cash inflow from financing</b>		<b>5,976</b>	66
		<u>                    </u>	<u>                    </u>
<b>Decrease in cash in the year</b>		<u><b>(14,091)</b></u>	<u>(4,866)</u>

**Reconciliation of net cash flow to movement in net debt**

<b>Decrease in cash in the year</b>	<b>(14,091)</b>	(4,866)
Cash inflow from increase in debt and lease financing	<b>(5,976)</b>	(66)
Cash outflow from increase in liquid resources	<b>1,275</b>	161
<b>Change in net debt resulting from cash flows</b>	<b>(18,792)</b>	(4,771)
Inception of finance leases	-	(275)
Bank loans acquired with subsidiary	<b>(4,098)</b>	-
Deposits acquired with subsidiary	<b>850</b>	13
<b>Movement in net debt in the year</b>	<b>(22,040)</b>	(5,033)
Opening net debt	<b>(13,228)</b>	(8,195)
<b>Closing net debt</b>	<b>(35,268)</b>	(13,228)

## Notes

### 1 Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain tangible fixed assets are shown at their revalued amounts. The accounting policies have remained unchanged from the previous year apart from the adoption of UITF38 which results in a prior year adjustment and the restatement of certain figures.

### 2 Turnover, profit before taxation and net assets

Segmental analysis of the results is set out below:

	Turnover		Profit / (loss) before tax		Net assets	
	<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004
	<b>£'000</b>	£'000	<b>£'000</b>	£'000	<b>£'000</b>	(restated) £'000
By activity:						
Group:						
Contracting	<b>59,185</b>	48,927	<b>864</b>	781	<b>(1,898)</b>	(3,177)
Construction services*	<b>18,691</b>	15,625	<b>111</b>	(1,085)	<b>9,424</b>	8,249
Property	<b>18,250</b>	1,358	<b>5,756</b>	2,333	<b>22,346</b>	16,043
Group management cost	-	-	<b>(975)</b>	(723)	-	-
Group interest**	-	-	<b>262</b>	682	<b>12,311</b>	12,269

	<b>96,126</b>	65,910	<b>6,018</b>	1,988	<b>42,183</b>	33,384
Joint ventures and associates***						
Property - joint ventures	624	12,397	(458)	2,962	5,205	10,034
Property - associates	-	-	244	130	2,585	2,547
	<b>624</b>	12,397	<b>(214)</b>	3,092	<b>7,790</b>	12,581
Totals	<b>96,750</b>	78,307	<b>5,804</b>	5,080	<b>49,973</b>	45,965

Turnover, profits before tax and net assets are derived from operations within the United Kingdom.

\* Construction services operations include plant hire, concrete block manufacture and trenchless technology services.

\*\* Borrowings and related interest charges are included under each activity only where they are identifiable with that activity, principally property. Group interest includes group investments, cash resources and those borrowings that are not readily identifiable with individual activities.

\*\*\* Borrowings and related interest charges in joint ventures and associates are included under property activities.

### 3 Acquisition of subsidiary undertaking

On 31 May 2004, the group owned 75% of the ordinary share capital of Bushwing Plc which, due to the nature of the shareholders agreement governing the operations of Bushwing Plc, was included on the balance sheet at 31 May 2004 as a joint venture. On 4 June 2004 the group acquired the remaining 25% ordinary share capital of Bushwing Plc for a cash consideration of £2,398,000 (including professional fees) and settlement of loan accounts of £343,000.

The assets and liabilities of Bushwing Plc acquired were as follows:

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	2,226	410	<b>2,636</b>
Current assets			
Stocks	4,663	2,060	<b>6,723</b>
Debtors	4,503	-	<b>4,503</b>
Cash at bank and in hand	2,972	-	<b>2,972</b>
Deposits	850	-	<b>850</b>
Total assets	<b>15,214</b>	<b>2,470</b>	<b>17,684</b>
Creditors			
Other	4,153	-	<b>4,153</b>
Borrowings	4,098	-	<b>4,098</b>
Corporation tax	872	-	<b>872</b>

Deferred tax	16	420	<b>436</b>
Total liabilities	<u>9,139</u>	<u>420</u>	<b><u>9,559</u></b>
Net assets	<u>6,075</u>	<u>2,050</u>	<b><u>8,125</u></b>
Goodwill			<b>483</b>
Net assets included in investment in joint ventures as at 31 May 2004			<b>(5,867)</b>
			<b><u>2,741</u></b>

Satisfied by:

Cash			<b>2,375</b>
Settlement of loan accounts			<b>343</b>
Professional fees			<b>23</b>
			<b><u>2,741</u></b>

Bushwing Plc made the following contribution to, and utilisation of, group cashflow:

Net cash outflow from operating activities			<b>(8,455)</b>
Returns on investment and servicing of finance			<b>32</b>
Taxation			<b>(992)</b>
Capital expenditure and financial investment			<b>3,244</b>
Decrease in cash in the period			<b><u>(6,171)</u></b>

Net cash inflow in respect of the purchase of Bushwing Plc:

Cash consideration			<b>2,375</b>
Settlement of loan accounts			<b>343</b>
Professional fees			<b>23</b>
Cash at bank and in hand			<b><u>(2,972)</u></b>
			<b><u>(231)</u></b>

Turnover and operating profit

The amounts shown include the following in respect of the acquisition of Bushwing Plc:

Turnover			<b>6,560</b>
Cost of sales			<b>(4,051)</b>

Operating expenses		<b>(1,181)</b>
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Operating profit		<u><b>1,328</b></u>
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4 Other acquisition

On 18 June 2004, the group acquired the concrete pumping business of Balfour Beatty Group Limited, Raynesway Concrete Pumping, for a cash consideration of £2,445,000 (including professional fees) representing £1,800,000 in respect of tangible fixed assets and £645,000 in respect of goodwill. The Raynesway acquisition was successfully integrated into the business of Pochin Plant Limited and the directors are of the opinion that its financial impact cannot be assessed on its own.

5 Other operating income

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Income from property	<b>3,612</b>	3,086
Profit on disposal of land and buildings	<b>21</b>	273
	<u><b>3,633</b></u>	<u>3,359</u>

6 Tax on profit on ordinary activities

	<b>2005</b>	2004
	<b>£'000</b>	£'000
The tax charge is based on the profit for the year and comprises:		
United Kingdom corporation tax at 30% (2004 : 30%)	<b>2,322</b>	706
Adjustments in respect of prior years	<b>9</b>	32
Share of tax charge of joint ventures	<b>1</b>	1,164
Share of tax charge of associates	<b>80</b>	11
	<u><b>2,412</b></u>	<u>1,913</u>
Deferred tax	<u><b>10</b></u>	<u>25</u>
	<u><b>2,422</b></u>	<u>1,938</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom.

The differences are explained below:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Profit on ordinary activities before taxation	<u><b>5,804</b></u>	<u>5,080</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%)	<b>1,741</b>	1,524

Effects of:

Expenses not deductible for tax purposes	<b>262</b>	282
Impact of fair value adjustment	<b>300</b>	-
Non taxable income in period	<b>(31)</b>	(86)
Capital allowances for period in excess of depreciation	<b>(106)</b>	(8)
Other short term timing differences	<b>96</b>	(17)
Adjustments to tax charge in respect of previous years	<b>9</b>	32
Losses not utilised	<b>141</b>	186

	<b>2,412</b>	1,913
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7 Dividends

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Interim paid - 2.5p (2004 : 2.25p)	<b>520</b>	468
Final proposed - 5.1p (2004 : 4.65p)	<b>1,061</b>	967
	<b>1,581</b>	1,435

Dividend record date : 7 October 2005.

If the dividend is approved, warrants will be posted on Monday, 7 November 2005, and paid on Tuesday, 8 November 2005.

8 Earnings per share

The calculation of earnings per share (basic and diluted) is based on group profit after taxation and minority interests of £3,355,000 (2004 : £3,114,000) and the 20,800,000 ordinary shares of 25p in issue at 31 May 2005 and 31 May 2004. The number of shares used in the calculation has been reduced at 31 May 2005 for the 589,000 (2004 : 442,000) shares held in the Employee Share Trust. Basic earnings per share is 16.6p (2004: 15.3p). The assumed conversion of dilutive options increases the number of shares by 94,000 (2004: 47,000) shares and so diluted earnings per share decreases to 16.5p (2004: 15.3p).

	2005			2004		
	Weighted average			Weighted average		
	Earnings £'000	no. of shares 000	Per share p	Earnings £'000	no. of shares 000	Per share p
Basic EPS	<b>3,355</b>	<b>20,262</b>	<b>16.6</b>	3,114	20,358	15.3
Effect of share options	-	<b>94</b>	<b>0.1</b>	-	47	-

Diluted EPS	<b>3,355</b>	<b>20,356</b>	<b>16.5</b>	3,114	20,405	15.3
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9 Reconciliation of operating profit to net cash (outflow) / inflow from operating activities:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Operating profit	<b>6,505</b>	2,160
Depreciation charge	<b>1,576</b>	1,482
Amortisation of goodwill	<b>407</b>	280
Profit on sale of fixed assets	<b>(94)</b>	(393)
Increase in stocks and work in progress	<b>(9,025)</b>	(4,207)
(Increase) / decrease in debtors	<b>(6,738)</b>	1,120
(Decrease) / increase in creditors	<b>(1,357)</b>	2,362
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Net cash (outflow) / inflow from operating activities	<b><u>(8,726)</u></b>	<u>2,804</u>

10 Additional information

(i) The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 May 2005 and 2004. The figures for year ended 31 May 2005 and 31 May 2004 are extracted from the statutory accounts which contain an unqualified audit report and which did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The 31 May 2004 accounts have been filed with the Registrar of Companies, however, the 31 May 2005 accounts are yet to be filed.

(ii) The Annual General Meeting will be held at the company's offices at Brooks Lane, Middlewich, Cheshire at 12.00 noon on Friday, 4 November 2005. The full report will be posted to shareholders on 6 October 2005.