

# Pochin's PLC

## Annual Results for the year ending 31 May 2007

### Highlights

#### Financial Highlights

- Turnover, £116.6 million
- Profit before tax from continuing operations, £9.1 million
- Net assets employed up by 12%, £51.5 million
- Diluted EPS (continuing operations) up by 17%, 33.4p
- Dividend per share up by 6%, 9.25p

#### Operating Highlights

- Solid performance from continuing operations
- Another good result from property activities
- Improved profits from contracting
- Construction Services refocused on concrete pumping
- Growth of Residential continues
- Further investment in joint venture projects and in group development activities
- Pension deficit significantly reduced

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## **Chairman's Statement**

The results for the group for the year ending 31 May 2007 are satisfactory. Profits before taxation were £9.1m (2006: £9.4m), derived from turnover of £116.6m (2006: £124.3m).

The final dividend proposed is 6.25p per share (2006: 6.0p) which, combined with the interim dividend of 3.0p (2006: 2.75p), will total 9.25p (2006: 8.75p) for the full year.

It is pleasing to be able to report a good outcome for the year following the previous year's outstanding results. The Property division has again made the major contribution, and improved performances from the Contracting and Residential divisions have combined to produce a sound result.

As reported in the interim statement, the group has taken action to reduce the deficit in the final salary scheme. The welcome support of all stakeholders to the revised benefits, together with cash contributions from the group and movements in forecasted investment returns, have combined to produce a credit in the year. This has principally benefited the Contracting and Construction Services divisions, where most of the scheme's members are employed.

This is my first Annual Report and Accounts statement to the shareholders of Pochin's PLC, following my appointment as Chairman on 1 January this year. As the group's first non-executive chairman, I have been well supported by my board colleagues and in particular by David Shaw, the group's Chief Executive. In learning about the various activities undertaken by the four main divisions, I have been struck by the high standards of service which Pochin's offers to its clients, by the proper regard which it pays to the issues of health & safety in the workplace and by its commitment as a responsible and considerate employer. These qualities stem from the values of the founding families who remain closely involved with the company, despite its being listed on the Stock Exchange for over forty years. From a recent exercise carried out by the Contracting division, the following extracted feedback from clients is instructive:

"Pochin's is a respected long established contractor with a reputation for honesty, reliability, and good work.... small enough that every job counts but large enough to handle multi-million pound projects .... a family orientated business with a hands on approach at senior level".

While these comments applied to the Contracting division, they succinctly describe the style of the group as a whole.

The reports of the Chief Executive and the Finance Director set out in detail the achievements of the year. In summary, the Contracting division has shown improved results with margins up on the previously inadequate level, whilst the Construction Services business, in competitive market conditions, has yet to demonstrate a similar performance. Property investment and development activities made another strong contribution, and the relatively new Residential division made further progress during the year. Even greater determination to improve margins in Contracting and Construction Services will be necessary for the group to sustain acceptable levels of profitability, particularly in the more difficult climate for commercial property generally.

Dramatic recent events in financial markets make commenting on the group's current prospects unusually perilous. Specifically, a valuable planning permission at Ellesmere, Shropshire, should prove particularly beneficial during the year, and proposals for the expansion of Midpoint 18, Middlewich, which are the subject of a planning application, offer significant opportunities for the future. Generally, the adverse movement in property yields, resulting largely from the re-pricing of credit risk, is likely to mean that the Property division will be operating in significantly tougher conditions. The strength of the various joint venture relationships, highly valued by the division, will stand the group in good stead in these changed circumstances, as will the good relations enjoyed with suppliers, professional advisors, and The Royal Bank of Scotland, principal bankers to the group over many years.

The wet summer weather has not been helpful to the start of the current year, but the Contracting division's order book is encouraging. Given the strength of the group's balance sheet, and assuming reasonable economic conditions, Pochin's looks well placed to produce another good result this year.

There are 425 people directly employed by the group. As I have indicated above, I have been impressed by the standards which pervade all the group's activities and, on behalf of the board and shareholders, I would like to thank all employees for their considerable part in achieving the year's results.

**Richard Fildes**  
**Chairman**  
**24 September 2007**

## **Chief Executive's Review**

### **Overview**

Pochin's PLC operates in the property and construction sectors. The group comprises four divisions:

- Property
- Contracting
- Construction Services
- Residential

Property activities are focused in the North West and North Wales, and are conducted both wholly within the group and also within joint ventures. The group has continued its balanced approach to portfolio management and to development opportunity, based on a spread across the group's geographical area of operations and across commercial, industrial and retail projects.

Contracting activities centre on our ability to work in partnership with clients, subcontractors and suppliers throughout the North West and North Wales whilst focusing on the management of risk and the maintenance of quality and value.

Construction Services activities are based on the hire of concrete pumps to customers in the UK and on the internal hire of general plant to the Contracting division.

Residential activities are concentrated in the North West, and continue to expand its delivery of a quality product, offering value to homebuyers.

### **Highlights**

- Solid performance from continuing operations
- Another good result from Property activities
- Improved profits from Contracting
- Construction Services refocused on concrete pumping
- Growth of Residential continues
- Further investment in joint venture projects and in group development activities
- Pension deficit significantly reduced

### **Property**

The apparent decline in turnover and profitability of our property activities is more a reflection of the disposal last year of a single significant development rather than any decline in activity.

In fact, our property activities have expanded. The value of investment property, owned by the group or by joint ventures, now totals £68m, with corresponding debt of £26m. Property developments currently in progress have a carrying value of £78m and corresponding debt of £53m.

During the year, a 30.5 acre plot on our Midpoint 18 development, here in Middlewich, was sold to The Midpoint Partnership, (in which Pochin Developments Limited has retained a 25% interest). The partnership has recently completed the construction of a 350,000 sq.ft. high bay warehouse on the site, which is now being marketed to national distribution operators.

A planning application has been submitted for the development of the remaining land on Midpoint 18, Middlewich, including the provision of a long contemplated by-pass extension. Further land assembly and considerable road and infrastructure work will be necessary to bring this scheme to fruition in the medium term. Meanwhile, some smaller industrial units and offices have been built for sale or to let on the older part of the estate and these have proved successful.

Planning permission has been obtained for a mixed use scheme on a 34 acre site adjacent to the town centre in Ellesmere, Shropshire. A new entrance road and associated infrastructure work must be provided, but there is already encouraging interest from national housebuilders and food retail operators.

At Crewe, the next phase of the Gateway scheme is being considered, a small retail scheme now being fully let. A nearby site of 5.5 acres on the Crewe Gates Business Park has been acquired and development is under way with a hotel and a phased office scheme.

The fourth and final building at Keele University Science Park has been completed by Keele Park Developments Limited and is already fully occupied. Demand for the laboratories built into the previous building has not materialised and we are reviewing the Science Park's Medtech strategy with Keele University and Advantage West Midlands Development Agency.

### **Joint ventures**

Further investment in the group's partnership with UK Land & Property Limited has resulted in a number of schemes being taken forward throughout the North West and North Wales.

Some new schemes will commence in the current financial year but, in the year under review, the main feature was a substantial investment in the acquisition and refurbishment of Horton House in Liverpool city centre. With over 120,000 sq.ft. of office space and associated ground floor retail and underground car parking, this represents a landmark opportunity in an outstanding location. The refurbishment was completed after the year end and over two thirds of the total space has already been let to good quality tenants.

The success with Horton House has encouraged us to go ahead with our partner in acquiring, since the year end, the connected building named Walker House and to proceed with the refurbishment of that property. Walker House is considerably larger than Horton House with over 230,000 sq ft of office space but the decision was underpinned by the securing of a substantial pre-let, under an Agreement for Lease, to a government department for some 30% of the total space.

The partnership's development at Hawarden Business Park has continued with the construction of a speculative 25,000 sq.ft. unit, which has now been let. Planning permission has been obtained for the next phase of development involving a total of 140,000 sq.ft. of industrial space. The Park has been supplemented by the acquisition of an adjoining 22 acres of land. The land and existing hangar buildings on this site have been let for use as storage.

Elsewhere in North Wales, the sale of apartments and commercial space by Trinity Court Developments Limited at Holyhead Marina has proceeded steadily and the strategic land holding at Deeside with Goodman International Limited (formerly Rosemound Developments Limited) is a longer term opportunity.

The project with Castlewood Developments Limited in Birkenhead town centre is proceeding. Agreements with the local authority and a retail operator are still to be finalised whilst planning issues are resolved.

In Manchester Technopark Limited, lettings in Reynolds House were completed leading to the decision to market the building for disposal.

## **Contracting**

Turnover for the year, including work on projects for our property division, was £84.0m (2006: £76.4m), approximately ten percent higher than the previous year, despite the deferral of a number of schemes in the first quarter. Trading profits before the pension scheme credit have also improved significantly from last year to £0.8m (2006: £0.5m), reflecting the strong recovery in the second half.

The level of opportunities remains high and we have a strong order book of £64m for the current year (2006: £62.0m). The division is particularly pleased to have secured a £34m contract for the redevelopment of the former police headquarters in Chester, awarded by HQ Chester Limited, which will be spread over two years.

Much of our work in the year has been derived as a result of our close relationships with previous clients. 50% of our turnover again came from repeat business and 77% percent from partnered or negotiated contracts (2006: 70%).

Considerable investment has been made in new management information systems and cost/value reconciliation procedures have been overhauled.

We remain keen to retain client satisfaction and surveys indicate our continuing success, with an average 92% rating (2006: 90%). We are also pleased to report that the division received two awards in recognition of our high standards of construction and workmanship with regards to projects carried out in Cheshire and North Wales.

## **Construction Services**

Following the decision to dispose of several non-core businesses at the end of last year, the division has focused on its concrete pumping hire operations. Support management has been reorganised and new processes introduced to enable a greater customer focus within the business.

Consolidation in the concrete market has adversely affected the operational model for the Pumi fleet. With a number of machines being returned from the ready-mix operators and with evidently disproportionate costs and resources required to run the fleet on our own account, management has concluded that these operations should be wound down. The costs associated with this decision have affected the divisional result for the year, masking the steady underlying performance of the mobile concrete pumping fleet.

The rising cost of fuel has impacted on the underlying operating profit and the division remains vulnerable to fluctuations in fuel prices in the future, however with the actions taken to date it is now in a much stronger position to compete profitably.

The group's commitment to national concrete pumping hire remains and is demonstrated by the expansion of activity through a venture in Northern Ireland and the introduction of a 63 metre boom concrete pump to the fleet in September 2007.

### **Residential**

The division has done well to retain its growth in a difficult market. It sold 69 homes in the year (2006: 48) from 6 sites operating across the region.

The average selling price has been £159,500 (2006: £161,000), which is above the Halifax House Price Index average for the North West of £152,500 and below the equivalent average on the website Rightmove of £180,500.

Despite increasing competition for land acquisition, the division has increased its land bank to 136 plots with full planning permission and a further 66 plots secured awaiting planning permission.

The division has adopted a policy over the next 5 years to introduce energy and environmental features in future developments by way of a step-change to achieve the required standards of energy efficiency by Year 2013 in advance of these standards becoming compulsory by Year 2016.

### **Corporate Responsibility**

We endeavour to conduct our business in a manner which ensures that the public, clients and employees are at all times protected from any potentially harmful impact of our activities.

### **Health and Safety**

All divisions report to the director responsible for health and safety on a monthly basis to ensure that all matters are properly addressed.

We strive continuously to raise the profile and importance of health and safety issues throughout the group. During the year we achieved a 25% reduction in all accidents. It is pleasing to report that this trend has been continuous over the last five years despite a significant increase in turnover.

Following the success of the Construction Services, division the Contracting division has made good progress towards receiving formal accreditation to OHSAS 18001

(Occupational Health and Safety). External auditors have confirmed that we operate a sound management system and we expect to achieve certification later in the year.

Awareness is critical in matters relating to health and safety and we regularly issue circulars and bulletins to our employees. We also provide significant training to improve knowledge and understanding. For example, we distributed over 3,000 safety rules and guidance booklets to our employees, and those of our subcontractors, during the year.

The Contracting and Construction Services divisions introduced updated induction films to refresh the presentation of our safety culture to individuals who may not have worked with us before. The films are available in a number of languages to cater for an increasing number of foreign workers.

The Construction Services division is pleased to be associated with the recent publication and adoption of a new British Standard (BS 8476) for the safe operation of concrete pumps. The new standard formalises and replaces the previously voluntary code of practice written principally by ourselves and the Contractors Plant Hire Association in 2003. This is a major step forward in improving SHE standards and best practice within the industry.

It is pleasing to report that we have achieved three further awards this year:

ROSPA Gold – Pochin (Contractors) Limited  
ROSPA Gold – Pochin Concrete Pumping  
ROSPA Silver – Pochin Homes Limited

This brings the total to 20 awards in the last seven years.

## **Environmental**

We operate site waste management plans on all construction sites in anticipation of government legislation which will make this a statutory requirement in the near future. We have adopted the Department for Business, Enterprise and Regulatory Reform voluntary code of practice. All senior managers within the Contracting division have attended one or more workshops which have been organised with the help of government sponsorship over the last 12 months.

Good progress has been made throughout the group in improving the accuracy of data collection for the reporting of environmental key performance indicators. In the meantime we have raised awareness of the relevant issues and highlighted the importance of energy saving, recycling and waste reduction in all areas.

We are increasingly involving ourselves in the construction of more energy efficient buildings and the use of sustainable building products. We are developing an environmental checklist for the use of our design teams at the outset of new projects. All of our construction sites are registered with the Considerate Constructors Scheme and we achieved many certificates of compliance with their standards throughout the year.

Awareness is again a critical factor in improving environmental performance and we have introduced appropriate signage at the entrance to all construction sites, so that it is clearly visible alongside the traditional health and safety guidance. The updated

induction film introduced by our Construction Services division also includes specific guidance on environmental matters to all users including customers and subcontractors.

Our Residential division is taking active steps to meet new standards in housing construction in advance of their compulsory implementation.

In a further effort to reduce waste we are proposing to increase our use of electronic communication including the publication of future annual reports on our website.

## **People**

We are pleased to report that during the year our Contracting division was officially recognised as an "Investor in People". This followed a rigorous assessment process which independently confirmed that our culture of training, development, communication and reward is properly and successfully implemented.

Although recruiting the right people remains difficult and competitive for some key positions, we have nevertheless continued to strengthen our resources to match our increasing workload.

Many of our employees have had to cope this year with the disruption and extra work caused by the introduction of a new management information and accounting system. They dealt with this challenge admirably and we wish to thank them for their hard work and patience.

The health of our employees is very important to us and this year we introduced regular site visits by a qualified nurse who is available privately to advise on any health issues.

We continue to implement the policy that all employees, or potential employees, receive fair and equal treatment regardless of gender, age, ethnic origin, nationality, religion, belief, race, sexual orientation or disability.

**David Shaw**  
**Chief Executive**  
**24 September 2007**

## **FINANCIAL REVIEW**

### **Trading Results**

Total group sales were £116.6m (2006: 124.3m) resulting in a profit before tax for the year from continuing operations of £9.1m (2006: £9.4m). Growth was achieved from Contracting, Construction Services and Residential divisions. The underlying performance of Property remains strong although the division did not improve on its prior year performance, which last year was dominated by the exceptional contribution from the sale of the student accommodation project at Crewe.

The Contracting division showed a healthy growth of 10% in activity, completing a number of major contracts to deliver a profit before tax of £2.1m (2006: £0.1m). This strong result was a combination of an improved operating performance and a one off net gain of £1.6m following changes made to pension fund benefits of which they were a major beneficiary.

The Property division remained the major profit contributor to the Group, £7.4m (2006: £9.7m) for the year coming in broadly equal measure from development activity and property investment income. It continued to invest in schemes both within the group and through joint ventures for delivery of profit in future years.

Construction Services division generated sales of £14.2m (2006: £13.8m) showing a modest underlying growth of 3%. At the same time it continued its restructuring programme to focus on its core activity of concrete pumping. It generated a profit before tax of £0.1m (2006: £0.1m loss), after one off restructure costs of £0.3m and a net gain on pension deficit movement of £0.5m.

The Residential division continued to grow despite a slow market, completing 69 units (2006: 48 units) which produced a turnover of £11.0m (2006: £7.7m) and a profit of £0.8m (2006: £0.5m).

### **Earnings Per Share and Dividend**

Diluted earnings per share from continuing activities were 33.4p (2006: 28.5p).

Diluted earnings per share after discontinued activities were 33.2p (2006: 18.2p).

Utilisation of brought forward tax credits of £0.8m helped to reduce the effective tax rate to 24.8% (2006: 37.8%) and had a positive effect on earnings per share.

Subject to approval at the AGM, a final dividend of 6.25p per share (2005: 6.0p) will be paid on 2 November 2007. This will result in a full year dividend of 9.25p per share (2006: 8.75p) and shows an annual increase of 5.7%. Dividend cover is 3.5 times (2006: 2.0 times). This apparent higher level of cover is distorted by the impact of the one off pension credit, which is a non-cash item.

## Balance Sheet

Net assets have increased by 12.4% to £51.5m (2006: £45.8m) equivalent to 248p per share (2006: 220p).

Investment in properties owned by the group increased by £1.6m to £43.0m. New additions included a fourth business unit at Keele Park and retail units in Crewe. Investments in joint ventures and associates increased by £1.9m to £13.4m following the group's participation in the acquisition of Horton House, Liverpool.

Development work in progress increased by £10.4m driven by the growth in residential activity and a major investment in the development of the former creamery site at Ellesmere in Shropshire.

In accordance with IAS19 the pension deficit of £0.6m (2006: £5.2m) is included in non-current liabilities.

## Cashflow and Borrowings

Total net borrowings increased by £2.8m in the year to £31.0m.

The group continued to invest in new opportunities by following conservative principles using:

- retained earnings and long term funding for investment activities
- short term project based funding for asset backed short term development projects, and
- short term unsecured facilities for other activity

	2007	2006
Operating activities	5.2	25.8
Interest and dividends	(1.3)	(1.6)
Taxation	(2.4)	(3.5)
Sale/purchase of property and assets	(1.1)	(7.5)
Increase in interest in joint ventures	(3.2)	(6.8)
Acquisitions/disposals	-	0.5
Other	-	(0.1)
Net cash movement (£m)	<u>(2.8)</u>	<u>7.0</u>

Long term borrowing commitments of £9.2m (2006: £9.5m) include remaining balances on acquisition loans and the principle sum outstanding on the funding for Keele Park Developments Limited where repayment commences in 2008. There were no new long-term borrowing arrangements made in the year, although there was a specific, short-term development loan of £10m arranged to facilitate the purchase of the land at Ellesmere.

## **Joint Ventures and Investments**

The group has continued its commitment to the development of future business through its strategic relationships with joint venture partners. During 2007 the group's net investment in joint ventures and associated companies increased to £13.4m (2006: £11.5m). As in previous years, the group has taken a prudent approach in writing down, where appropriate, initial investment values to reflect the risk associated with fluctuations in timescales and projected outcomes on certain projects. The impact of these adjustments in the year is a charge to operating expenses of £1.5m (2006: £2.5m).

As at 31 May 2007 the principal joint venture and associate interests of the group are in Castlewood Developments (Birkenhead) Limited (£3.8m), Pochin Rosemound (Deeside) Limited (£2.1m), Hawarden Business Park Limited (£0.9m), UKLP Developments Limited (£1.0m), Manchester Technopark Limited (£1.1m), UKLP Exchange Flags Limited (£1.5m), Lincoln House Properties Limited (£1.4m) and Manchester House Properties Limited (£0.6m).

The group continues to have investment interests in Manchester Science Park Limited (£1.5m) and UK Land & Property Limited (£0.7m). The group also has interests in The Prosperity Court Partnership and Keele Park Developments Limited, which are treated as subsidiaries in these accounts, both having third party minority interests that are reflected in the income statement.

## **Pensions**

The group operates a defined benefit scheme (DB scheme) and a defined contribution scheme for its employees. The DB scheme has been closed to new members since 31 December 2001. The last full actuarial valuation of that scheme was carried out on 1 July 2005 and updated on an approximate basis on 31 May 2007. The next full valuation is scheduled for 1 July 2008.

To ensure the long term viability of the DB scheme and to protect the benefits of its members, last year the group proposed a number of changes to the benefits of members together with an additional contribution of £1.2m to the scheme's fund. These proposals were approved by the scheme members on 1 November 2006. The first tranche of the additional contribution, £0.5m, was paid in May 2006 and the balance of £0.7m paid in December following the approval of the benefit changes.

Total contributions paid in the year to the DB scheme, including the special contribution, were £1.2m (2006: £1.0m).

The DB scheme also benefited from favourable movements in investment values and bond yields during the year, which when combined with reduced benefit liabilities and special contributions, have reduced the reported deficit to £0.6m (2006: £5.2m).

In accordance with IAS19 the pension deficit is shown in the company balance sheet and the movement in the year reflected in the income statement and the statement of recognised income and expense.

## **Financial Instruments**

The group uses financial instruments, which include cash, loans and various liquid resources, such as trade debtors and trade creditors, arising directly from its operations. The main purpose of these financial instruments is to finance the cost of the group's operations.

The ongoing operations of the group are principally funded through a mixture of retained profits and bank borrowings. Funding availability and the management of interest rates and liquidity risks are the responsibility of the Finance Committee, which is responsible to the board for implementing the group's treasury policy.

The group continues to have minimal exposure to foreign currency exchange risks and accordingly does not require a policy to hedge such exposure.

The group has minimal fixed rate borrowings and continually reviews the need to hedge against interest rate movements. The only interest rate hedge entered into by the group is in respect of borrowings in Keele Park Developments Limited. At 31 May 2007, there was a recognised gain on this hedge of £0.3m (2006: £0.2m loss). Under IFRS, the favourable movement in the year of £0.5m has been recognised in the income statement of the group.

Certain associated companies are financed by long term repayment loans to finance investment property assets and other joint venture companies are financed by short term bank borrowings. The group regularly reviews the risk of exposure to interest rate increases with its partners and where appropriate, hedges against that risk on a project by project basis.

## **Financial Reporting**

There have been no changes to the accounting policies of the group in 2007, unlike 2006 when International Financial Reporting Standards were adopted for the first time.

**John Edwards**  
**Finance Director**  
**24 September 2007**

## Consolidated income statement

### For the year ended 31 May 2007

	<u>2007</u> £'000	<u>2006</u> £'000
Continuing operations		
Revenue	116,554	124,295
Cost of sales	<u>(102,219)</u>	<u>(104,096)</u>
Gross profit	14,335	20,199
Operating expenses	(10,621)	(14,343)
Other operating income	3,839	3,212
Gains on revaluation of investment properties	<u>707</u>	<u>509</u>
Operating profit	8,260	9,577
Share of profit/(loss) after taxation in joint ventures	45	(379)
Share of profit after taxation in associates	241	153
Finance income	2,801	1,898
Finance cost	(2,212)	(1,866)
Profit before taxation	<u>9,135</u>	<u>9,383</u>
Taxation	<u>(2,270)</u>	<u>(3,551)</u>
Profit for the year from continuing operations	6,865	5,832
Discontinued operations		
Loss for the year from discontinued operations	(59)	(2,094)
Profit for the year	<u>6,806</u>	<u>3,738</u>
Attributable to:		
Equity holders of the company	6,775	3,708
Minority interest	<u>31</u>	<u>30</u>
Retained profit for the year	<u>6,806</u>	<u>3,738</u>
Earnings per share (basic)	33.4p	18.4p
Earnings per share (diluted)	33.2p	18.2p
Earnings per share (basic) from continuing operations	33.6p	28.8p
Earnings per share (diluted) from continuing operations	33.4p	28.5p
Dividend proposed for the year	6.25p	6.0p

## Consolidated statement of recognised income and expense

For the year ended 31 May 2007

	<u>2007</u> £'000	<u>2006</u> £'000
Actuarial gains/(losses) on defined benefit pension scheme	1,028	(834)
Deferred taxation on pension scheme deficit	<u>(310)</u>	<u>250</u>
Net income/(expense) recognised directly in equity	718	(584)
Profit for the financial year	6,806	3,738
	<u>7,524</u>	<u>3,154</u>
Total gains recognised since last year		
Attributable to:		
Equity holders of the company	7,493	3,124
Minority interest	31	30
	<u>7,524</u>	<u>3,154</u>

## Consolidated balance sheet

As at 31 May 2007

	2007	2006
	£'000	£'000
Non current assets		
Intangible assets	-	323
Property, plant and equipment	4,400	9,544
Investment properties	41,090	34,923
Investments		
Joint ventures	11,414	9,128
Associates	2,037	2,378
Other	2,157	2,157
	<u>15,608</u>	<u>13,663</u>
Total non current assets	<u>61,098</u>	<u>58,453</u>
Current assets		
Inventories	35,638	26,215
Trade and other receivables	19,283	19,931
Cash and cash equivalents	223	791
Corporation tax recoverable	55	-
Assets classified included in disposal group	-	990
Total current assets	<u>55,199</u>	<u>47,927</u>
Current liabilities		
Trade and other payables	24,202	17,948
Corporation tax	-	1,245
Bank loans	10,618	815
Bank overdrafts	11,409	18,672
Financial derivatives	-	174
Liabilities included in disposal groups	-	665
Total current liabilities	<u>46,229</u>	<u>39,519</u>
Net current assets	<u>8,970</u>	<u>8,408</u>
Non current liabilities		
Bank loans	9,207	9,536
Retirement benefit obligation	577	5,179
Deferred tax liabilities	2,413	1,422
Long term provisions	1,632	1,050
Other payables	4,757	3,856
Total non current liabilities	<u>18,586</u>	<u>21,043</u>
Net assets	<u>51,482</u>	<u>45,818</u>
Shareholders' equity		
Share capital	5,200	5,200
Own shares	(954)	(954)
Revaluation reserve	240	270
Retained earnings	46,785	41,093
Equity shareholders' funds	<u>51,271</u>	<u>45,609</u>
Minority interest	211	209
Total equity	<u>51,482</u>	<u>45,818</u>

## Consolidated cash flow statement

For the year ended 31 May 2007

	<u>2007</u> £'000	<u>2007</u> £'000	<u>2006</u> £'000	<u>2006</u> £'000
Net cash from operating activities				
Operating profit for the year		8,260		9,577
Depreciation charge		908		1,381
Impairment of intangible assets		323		547
Charge in respect of share based payments		41		54
Profit on sale of fixed assets		(243)		(313)
Gains on revaluation of investment properties		(707)		(509)
Provision against investments in joint ventures		1,500		2,516
Income from joint ventures and associates		246		44
		<hr/>		<hr/>
Operating profit before changes in working capital		10,328		13,297
(Increase)/decrease in inventories		(9,423)		14,079
Decrease/(increase) in receivables		1,638		(3,438)
Increase in payables		2,611		1,842
		<hr/>		<hr/>
		5,154		25,780
Interest paid		(2,212)		(1,866)
Income taxes paid		(2,414)		(3,469)
		<hr/>		<hr/>
Net cash from operating activities		528		20,445
Investing activities				
Interest received	2,801		1,898	
Disposal of businesses	-		527	
Purchase of investment properties	-		(4,473)	
Purchase of property, plant and equipment	(1,880)		(3,789)	
Proceeds from sale of property, plant and equipment	728		808	
Receipt of government grants	150		427	
Repayment of government grants	-		(237)	
Increase in interest in joint ventures and associates	(3,234)		(6,831)	
Purchase of shares by EST	-		(107)	
Net cash used in investing activities		(1,435)		(11,777)
Financing activities				
Proceeds from new loans	10,000		-	
Repayment of loans	(526)		(725)	
Payment of finance lease liabilities	-		(395)	
Dividends paid	(1,872)		(1,633)	
Net cash from/(used in) financing activities		7,602		(2,753)
		<hr/>		<hr/>
Net increase in cash and cash equivalents		6,695		5,915
Cash and cash equivalents at beginning of year		(17,881)		(23,796)
		<hr/>		<hr/>
Cash and cash equivalents at end of year		(11,186)		(17,881)

## Notes

The preliminary announcement is prepared in accordance with International Financial Reporting Standards.

The Board of Directors approved the preliminary announcement on 20 September 2007.

The announcement represents non-statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory annual accounts for the year ended 31 May 2007, upon which an unqualified audit opinion has been given and which did not contain a statement under section 235, 237 (2) or 237 (3) of the Companies Act 1985, will be sent to the Registrar of Companies.

### Turnover, profit before taxation and net assets

#### Segmental information

For management purposes, the group is currently organised into four operating business segments:

Contracting, Property, Residential and Construction Services.

As operations are carried out entirely within the UK, there is no secondary segmental information.

Inter segmental pricing is done on an arms length open market basis.

Segment information about these businesses is presented below.

#### Year ended 31 May 2007

##### Continuing operations

	Contracting	Property	Residential	Construction	Group	Group
	£'000	£'000	£'000	Services	management	Total
				£'000	£'000	£'000
<b>Revenue</b>						
External sales	82,755	8,613	11,004	14,182	-	116,554
Inter-segment sales	1,201	-	-	928	-	2,129
Eliminations	(1,201)	-	-	(928)	-	(2,129)
Total revenue	<u>82,755</u>	<u>8,613</u>	<u>11,004</u>	<u>14,182</u>	<u>-</u>	<u>116,554</u>
<b>Segment result</b>						
Operating profit/(loss)	2,108	6,468	752	154	(1,222)	8,260
Share of results of joint ventures and associates	-	286	-	-	-	286
Net finance income/(cost)	-	658	-	(69)	-	589
Profit/(loss) before taxation	<u>2,108</u>	<u>7,412</u>	<u>752</u>	<u>85</u>	<u>(1,222)</u>	<u>9,135</u>
Taxation						<u>(2,270)</u>
Profit for the year from continuing operations						<u>6,865</u>

**Year ended 31 May 2007**

**Discontinued operations**

	<b>Contracting</b>	<b>Property</b>	<b>Residential</b>	<b>Construction</b>	<b>Group</b>	<b>Group</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Services</b>	<b>management</b>	<b>Total</b>
				<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Segment result</b>						
Operating loss	-	-	-	(534)	-	(534)
Taxation						475
Loss for the year from discontinued operations						(59)

The loss on discontinued activities which has arisen in the year has resulted from costs incurred in the current year in respect of activities discontinued in the prior year.

**Year ended 31 May 2007**

	<b>Contracting</b>	<b>Property</b>	<b>Residential</b>	<b>Construction</b>	<b>Elimination</b>	<b>Group</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Services</b>	<b>of inter</b>	<b>Total</b>
				<b>£'000</b>	<b>segment</b>	<b>£'000</b>
					<b>items</b>	
					<b>£'000</b>	
<b>Asset and liabilities</b>						
Segment assets	25,553	90,865	11,789	7,797	(33,158)	102,846
Investment in equity accounted joint ventures and associates	-	13,451	-	-	-	13,451
Segment assets	25,553	104,316	11,789	7,797	(33,158)	116,297
Segment liabilities	19,864	39,919	3,137	1,461	(33,158)	31,223
Borrowings	-	23,102	7,843	289	-	31,234
Taxation	82	1,787	225	264	-	2,358
Net assets	5,607	39,508	584	5,783	-	51,482
<b>Other information</b>						
Capital expenditure	331	1,253	-	296	-	1,880
Depreciation	78	93	-	737	-	908
Impairment of investment in joint ventures	-	1,500	-	-	-	1,500
Impairment of inventories	-	207	-	-	-	207
Impairment of intangible assets	-	-	-	323	-	323

Borrowings and taxation are reported within segments as, in the opinion of the directors, this gives a more accurate utilisation of the group's assets and liabilities.

**Year ended 31 May 2006**

**Continuing operations**

	<b>Contracting</b>	<b>Property</b>	<b>Residential</b>	<b>Construction</b>	<b>Group</b>	<b>Group Total</b>
	£'000	£'000	£'000	Services £'000	management £'000	£'000
<b>Revenue</b>						
External sales	67,317	35,443	7,738	13,797	-	124,295
Inter-segment sales	9,085	-	-	1,066	-	10,151
Eliminations	(9,085)	-	-	(1,066)	-	(10,151)
Total revenue	67,317	35,443	7,738	13,797	-	124,295

**Segment result**

Operating profit/(loss)	123	9,836	499	4	(885)	9,577
Share of results of joint ventures and associates	-	(226)	-	-	-	(226)
Net finance income/(cost)	-	135	-	(103)	-	32
Profit/(loss) before taxation	123	9,745	499	(99)	(885)	9,383
Taxation						(3,551)
Profit for the year from continuing operations						5,832

**Year ended 31 May 2006**

**Discontinued operations**

	<b>Contracting</b>	<b>Property</b>	<b>Residential</b>	<b>Construction</b>	<b>Group</b>	<b>Group Total</b>
	£'000	£'000	£'000	Services £'000	management £'000	£'000
<b>Revenue</b>						
External sales	-	-	-	6,490	-	6,490
Inter-segment sales	-	-	-	152	-	152
Eliminations	-	-	-	(152)	-	(152)
Total revenue	-	-	-	6,490	-	6,490
<b>Segment result</b>						
Operating loss	-	-	-	(333)	-	(333)
Net finance cost	-	-	-	(17)	-	(17)
Loss before taxation	-	-	-	(350)	-	(350)
Loss on disposal of operation						(72)
Provision against assets held in disposal group						(1,777)
Taxation						105
Loss for the year from discontinued operations						(2,094)

Year ended 31 May 2006

	Contracting	Property Residential	Construction Services	Elimination of inter segment items	Group Total	
	£'000	£'000	£'000	£'000	£'000	
<b>Asset and liabilities</b>						
Segment assets	19,393	86,747	6,541	10,484	(28,291)	94,874
Investment in equity accounted joint ventures and associates	-	11,506	-	-	-	11,506
Segment assets	19,393	98,253	6,541	10,484	(28,291)	106,380
Segment liabilities	16,467	33,035	2,974	4,687	(28,291)	28,872
Borrowings	-	25,166	3,400	457	-	29,023
Taxation	(686)	3,313	97	(57)	-	2,667
Net assets	3,612	36,739	70	5,397	-	45,818
<b>Other information</b>						
Capital expenditure	37	7,661	-	564	-	8,262
Depreciation	44	109	-	1,228	-	1,381
Impairment of investment in joint ventures	-	2,516	-	-	-	2,516
Impairment of inventories	-	570	-	-	-	570
Impairment of intangible assets	-	386	-	161	-	547

**Earnings per share (continuing activities)**

The calculation of earnings per share (basic and diluted) for continuing activities is based on group profit after taxation from continuing activities and minority interests of £6,834,000 (2006: £5,802,000) and the 20,800,000 ordinary shares of 25p in issue at 31 May 2007 and 31 May 2006. The number of shares used in the calculation has been reduced at 31 May 2007 for the 449,500 (2006: 517,000) shares held in the Employee Share Trust. Basic earnings per share are 33.6p (2006: 28.8p). The assumed conversion of dilutive options increases the number of shares by 118,000 (2006: 169,000) shares and so diluted earnings per share decreases to 33.4p (2006: 28.5p).

	2007			2006		
	Earnings	Weighted average no. of shares	Per share	Earnings	Weighted average no. of shares	Per share
	£'000	000	p	£'000	000	p
Basic EPS	6,834	20,313	33.6	5,802	20,154	28.8
Effect of share options	-	118	(0.2)	-	169	(0.3)
Diluted EPS	6,834	20,431	33.4	5,802	20,323	28.5

## Dividends

	2007	2006
	£'000	£'000
Interim paid – 3.0p per share (2006 : 2.75p)	624	572
Final paid – 6.0p (2006 : 5.1p)	1,248	1,061
	<hr/>	<hr/>
	1,872	1,633

The Directors are proposing a final dividend in respect of the financial year ending 31 May 2007 of 6.25p per share. It will be paid on 2 November 2007 to shareholders who are on the register of members on 5 October 2007. The final dividend has not been included as a liability as at 31 May 2007.

The Annual General Meeting will be held at Mere Golf and County Club, Knutsford, Cheshire on Friday 26 October 2007. The full report will be posted to shareholders on 3 October 2007.