



Pochin's PLC

Interim Report
30 November 2004

Interim results of Pochin's PLC for the 6 months ended 30 November 2004

Chairman's statement

RESULTS AND DIVIDENDS

I am pleased to report interim profits before tax of £870,000 (2003: £751,000) on turnover of £45.2m (2003: £32.7m). The interim dividend is increased to 2.5p per share (2003: 2.25p).

TRADING

Contracting

This division is making solid progress, demonstrated by the increased turnover and contribution to profits in this half year. The level of forward orders has been maintained, and there is an encouraging level of repeat and negotiated work.

Construction services

I am delighted that the acquisition and successful integration of Raynesway Concrete Pumping, combined with improved efficiencies, has increased turnover and profits in the concrete pumping division in this period. The level of current trading indicates that this improvement is being maintained.

It is, however, disappointing to report that the recovery in Avoidatrench Limited at the start of this financial year proved to be short lived and losses have arisen in the second quarter. We have scaled down the business to meet reduced demand evident in the market and, with a lower operational cost base, some improvement is anticipated in the second half.

Property and joint ventures

Pochin Homes Limited is making good progress, notwithstanding the delays caused by planning issues. Construction is under way on two sites in the Potteries and the level of reservations to date encourages me to believe that completions in the second half will produce an overall profit for the year.

Following successful lettings in the latest medical incubator building, completed by Keele Park Developments Limited in October 2004, we have commenced the next building, which is due for completion in early 2006. This will be the fourth of the buildings developed by our unique public / private partnership with Keele University.

Whilst there were no material disposals in the period, negotiations for the disposal of a number of completed developments are in progress. I anticipate that some of these disposals will be completed by 31 May 2005.

GROUP FINANCE

The acquisitions of Raynesway Concrete Pumping and of the remaining interests in the Bushwing group of companies were both completed early in this half year. The former transaction was largely financed by debt and the Bushwing transaction was financed from group resources.

Expenditure on property developments currently in progress has increased debt during the period and further expenditure will continue to be financed by short-term borrowings over the coming months, notwithstanding receipts from planned disposals.

Short-term development finance of £9m on the first three buildings at Keele Park has been converted into a long-term loan facility, with repayments commencing in November 2006.

PROSPECTS

Profits arising from planned property disposals, together with the overall improvement in the performance of the trading divisions, lead me to anticipate a satisfactory outcome for this financial year.

J H Woodcock
Chairman
18 February 2005

Consolidated profit and loss account

| | 6 months ended 30 November 2004 | 6 months ended 30 November 2003 | 12 months ended 31 May 2004 |
|--|------------------------------------|------------------------------------|--------------------------------|
| Notes | £'000 | £'000 | £'000 |
| Turnover | | | |
| Group and share of joint ventures | 45,174 | 33,141 | 78,307 |
| Less: share of joint ventures | - | (454) | (12,397) |
| 3 | 45,174 | 32,687 | 65,910 |
| Cost of sales | (40,220) | (29,081) | (58,178) |
| Gross profit | 4,954 | 3,606 | 7,732 |
| Operating expenses | (5,483) | (4,297) | (8,931) |
| Other operating income | 1,775 | 1,766 | 3,359 |
| Operating profit | 1,246 | 1,075 | 2,160 |
| Share of operating (loss)/profit in joint ventures | (138) | (165) | 3,270 |
| Share of operating profit in associates | 167 | 180 | 365 |
| Net interest | (405) | (339) | (715) |
| Profit on ordinary activities before taxation | 870 | 751 | 5,080 |
| 3 | 870 | 751 | 5,080 |
| Tax on profit on ordinary activities | (331) | (279) | (1,938) |
| 4 | (331) | (279) | (1,938) |
| Profit on ordinary activities after taxation | 539 | 472 | 3,142 |
| Equity minority interest | (13) | (13) | (28) |
| Profit for the financial period | 526 | 459 | 3,114 |
| Dividends | (520) | (468) | (1,435) |
| 5 | (520) | (468) | (1,435) |
| Retained profit/(loss) for the period | 6 | (9) | 1,679 |
| 6 | 6 | (9) | 1,679 |
| Earnings per share (basic) | 6 | 2.3p | 15.3p |
| Earnings per share (diluted) | 6 | 2.2p | 15.3p |

Statement of total recognised gains and losses

| | 6 months ended 30 November 2004 £'000 | 6 months ended 30 November 2003 £'000 | 12 months ended 31 May 2004 £'000 |
|---|---|---|---|
| Profit for the financial period | 526 | 459 | 3,114 |
| Unrealised deficit on revaluation of investment properties - group | - | (2) | (104) |
| Unrealised deficit on revaluation of investment properties - joint ventures | - | (13) | - |
| Total gains recognised since last period | <u>526</u> | <u>444</u> | <u>3,010</u> |

Note of historical cost profits and losses

| | | | |
|--|-------------------|------------|--------------|
| Reported profit on ordinary activities before taxation | 870 | 751 | 5,080 |
| Realisation of revaluation surpluses of previous years - group | 52 | 52 | 242 |
| Realisation of revaluation surpluses of previous years - joint ventures | - | - | 641 |
| Difference between historical cost depreciation charge and depreciation charge based on revalued amounts | 30 | 101 | 155 |
| Historical cost profit on ordinary activities before taxation | <u>952</u> | <u>904</u> | <u>6,118</u> |
| Historical cost profit retained for the period after taxation, minority interest and dividends | <u>88</u> | <u>144</u> | <u>2,717</u> |

Consolidated balance sheet

| | As at 30 November 2004 £'000 | As at 30 November 2003 £'000 | As at 31 May 2004 £'000 |
|--|---------------------------------------|---------------------------------------|----------------------------------|
| Fixed assets | | | |
| Intangible assets | 990 | 552 | 443 |
| Tangible assets | 38,697 | 30,119 | 32,466 |
| Investments | | | |
| Joint ventures | | | |
| • Share of gross assets | 9,228 | 24,106 | 20,228 |
| • Share of gross liabilities | (6,943) | (15,901) | (11,182) |
| • Goodwill | 925 | 78 | 988 |
| | 3,210 | 8,283 | 10,034 |
| Associates | 2,564 | 2,488 | 2,547 |
| Other | 2,157 | 1,500 | 2,157 |
| Own shares | 847 | 607 | 607 |
| | 8,778 | 12,878 | 15,345 |
| | 48,465 | 43,549 | 48,254 |
| Current assets | | | |
| Stocks and work in progress | 32,593 | 16,603 | 20,077 |
| Debtors | 16,538 | 11,076 | 11,342 |
| Investments and deposits | 11,518 | 10,773 | 10,776 |
| Cash in hand | 3 | 5 | 4 |
| | 60,652 | 38,457 | 42,199 |
| Creditors: amounts falling due within one year | | | |
| Borrowings | (27,536) | (21,367) | (23,313) |
| Trade and other creditors | (18,941) | (11,656) | (15,485) |
| | (46,477) | (33,023) | (38,798) |
| Net current assets | 14,175 | 5,434 | 3,401 |
| Total assets less current liabilities | 62,640 | 48,983 | 51,655 |
| Creditors: amounts falling due after more than one year | | | |
| Borrowings | (10,964) | (790) | (695) |
| Other | - | (233) | (233) |
| Provisions for liabilities and charges | (1,631) | (1,159) | (1,714) |
| Accruals and deferred income | (3,464) | (1,836) | (2,441) |
| Net assets | 46,581 | 44,965 | 46,572 |
| Capital and reserves | | | |
| Called up share capital | 5,200 | 5,200 | 5,200 |
| Revaluation reserve | 8,725 | 9,781 | 8,807 |
| Profit and loss account | 32,445 | 29,784 | 32,357 |
| Equity shareholders' funds | 46,370 | 44,765 | 46,364 |
| Equity minority interest | 211 | 200 | 208 |
| | 46,581 | 44,965 | 46,572 |

Consolidated cash flow statement

| | Notes | 6 months ended 30 November 2004 | | 6 months ended 30 November 2003 | | 12 months ended 31 May 2004 | |
|--|----------|------------------------------------|-------|------------------------------------|-------|--------------------------------|-------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net cash (outflow)/inflow from operating activities | 7 | (4,285) | | 867 | | 2,804 | |
| Income received from joint ventures | | 31 | | 270 | | 528 | |
| Returns on investments and servicing of finance | | | | | | | |
| Interest received | | 349 | | 161 | | 289 | |
| Interest paid | | (455) | | (190) | | (427) | |
| Interest paid on finance leases | | (47) | | (23) | | (34) | |
| Net cash outflow from returns on investments and servicing of finance | | (153) | | (52) | | (172) | |
| Taxation | | (1,213) | | (791) | | (1,191) | |
| Capital expenditure and financial investment | | | | | | | |
| Purchase of tangible fixed assets | | (4,038) | | (1,333) | | (4,627) | |
| Receipt of government grant | | 354 | | - | | 605 | |
| Sale of tangible fixed assets | | 199 | | 521 | | 835 | |
| Net cash outflow from capital expenditure and financial investment | | (3,485) | | (812) | | (3,187) | |
| Acquisitions and disposals | | | | | | | |
| Purchase of subsidiary undertaking | | (2,398) | | - | | (13) | |
| Net (overdraft)/cash from purchase of subsidiary undertaking | | (276) | | - | | 13 | |
| Decrease/(increase) in interest in joint ventures and associates | | 450 | | (1,630) | | (1,531) | |
| Purchase of goodwill | | (645) | | - | | - | |
| Purchase of other fixed asset investment | | - | | - | | (657) | |
| Purchase of own shares | | (240) | | - | | - | |
| Net cash outflow from acquisitions and disposals | | (3,109) | | (1,630) | | (2,188) | |
| Equity dividends paid | | (967) | | (884) | | (1,352) | |
| Net cash outflow before financing and management of liquid resources | | (13,181) | | (3,032) | | (4,758) | |
| Net cash inflow/(outflow) from management of liquid resources | | | | | | | |
| Cash deposited/(withdrawn) at call and short notice | | 3,080 | | (171) | | (161) | |
| Financing | | | | | | | |
| New loan capital | | 10,430 | | 800 | | 800 | |
| Repayment of loan capital | | (310) | | (310) | | (510) | |
| Repayment of principal under finance leases and hire purchase contracts | | (113) | | (115) | | (224) | |
| Net cash inflow from financing | | 10,007 | | 375 | | 66 | |
| Decrease in cash in the period | | (94) | | (2,828) | | (4,853) | |

Reconciliation of net cash flow to movement in net debt

| | 6 months ended 30 November 2004 £'000 | 6 months ended 30 November 2003 £'000 | 12 months ended 31 May 2004 £'000 |
|--|---|---|---|
| Decrease in cash in the period | (94) | (2,828) | (4,853) |
| Cash inflow from increase in debt and lease financing | (10,007) | (375) | (66) |
| Cash (inflow)/outflow from (increase)/decrease in liquid resources | (3,080) | 171 | 161 |
| Change in net debt resulting from cash flows | (13,181) | (3,032) | (4,758) |
| Inception of finance leases | (570) | (152) | (275) |
| Movement in net debt in the period | (13,751) | (3,184) | (5,033) |
| Opening net debt | (13,228) | (8,195) | (8,195) |
| Closing net debt | (26,979) | (11,379) | (13,228) |

Notes

- The interim report was approved by the board on 18 February 2005.
- The figures for the six months ended 30 November 2004 and 30 November 2003 are unaudited. These figures have been prepared using accounting policies consistent with those adopted in the 2004 annual report and accounts.
- Segmental information by activity:

| | 6 months ended 30 November 2004 £'000 | 6 months ended 30 November 2003 £'000 | 12 months ended 31 May 2004 £'000 |
|---|---|---|---|
| Turnover | | | |
| Contracting | 33,553 | 24,374 | 48,927 |
| Construction services | 9,725 | 8,178 | 15,625 |
| Property | 1,896 | 135 | 1,358 |
| | 45,174 | 32,687 | 65,910 |
| Joint ventures | | | |
| Property | - | 454 | 12,397 |
| | 45,174 | 33,141 | 78,307 |
| Profit/(loss) on ordinary activities before taxation | | | |
| Contracting | 593 | 49 | 781 |
| Construction services | 207 | (163) | (1,085) |
| Property | 457 | 1,274 | 2,333 |
| Group management cost | (487) | (361) | (723) |
| Group interest | 324 | 227 | 682 |
| | 1,094 | 1,026 | 1,988 |
| Joint ventures and associates | | | |
| Property - joint ventures | (268) | (335) | 2,962 |
| Property - associates | 44 | 60 | 130 |
| | 870 | 751 | 5,080 |

Notes (continued)

| | 6 months ended 30 November 2004 | 6 months ended 30 November 2003 | 12 months ended 31 May 2004 |
|-------------------------------|--|------------------------------------|--------------------------------|
| | £'000 | £'000 | £'000 |
| Net assets | | | |
| Contracting | (5,112) | (1,856) | (3,177) |
| Construction services | 10,714 | 8,409 | 8,249 |
| Property | 22,345 | 15,441 | 16,043 |
| Group interest | 12,860 | 12,200 | 12,876 |
| | 40,807 | 34,194 | 33,991 |
| Joint ventures and associates | | | |
| Property - joint ventures | 3,210 | 8,283 | 10,034 |
| Property - associates | 2,564 | 2,488 | 2,547 |
| | 46,581 | 44,965 | 46,572 |

Turnover, profit/(loss) before taxation and net assets are derived from operations within the United Kingdom.

- The taxation charge is calculated by applying the estimated effective annual tax rate to the profit for the period. The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom as a result of expenses not deductible for tax purposes and interest charges and losses in joint venture companies not utilised.
- The interim dividend of 2.5p per share (2003 : 2.25p per share) will be paid on 7 April 2005 to shareholders on the register at 11 March 2005.
- The calculation of earnings per share (basic and diluted) is based on group profit after taxation and minority interests of £526,000 (2003 : £459,000) and the 20,800,000 ordinary shares of 25p in issue at 30 November 2004 and 30 November 2003. The number of shares in the calculation has been reduced at 30 November 2004 for the 589,000 (2003 : 442,000) shares held in the Employee Share Trust. Basic earnings per share is 2.6p (2003: 2.3p). The assumed conversion of dilutive options increases the number of shares by 80,000 (2003: 49,000) shares and so diluted earnings per share is also 2.6p (2003:2.2p).

| | 6 months ended 30 November 2004 | | |
|-------------------------|--|----------------------|------------------|
| | Earnings | No. of shares | Per share |
| | £'000 | £'000 | p |
| Basic EPS | 526 | 20,211 | 2.6 |
| Effect of share options | - | 80 | - |
| Diluted EPS | 526 | 20,291 | 2.6 |

| | 6 months ended 30 November 2003 | | |
|-------------------------|---------------------------------|---------------|-----------|
| | Earnings | No. of shares | Per share |
| | £'000 | £'000 | p |
| Basic EPS | 459 | 20,358 | 2.3 |
| Effect of share options | - | 49 | - |
| Diluted EPS | 459 | 20,407 | 2.2 |

| | 12 months ended 31 May 2004 | | |
|-------------------------|-----------------------------|---------------|-----------|
| | Earnings | No. of shares | Per share |
| | £'000 | £'000 | p |
| Basic EPS | 3,114 | 20,358 | 15.3 |
| Effect of share options | - | 47 | - |
| Diluted EPS | 3,114 | 20,405 | 15.3 |

Notes (continued)

7. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:

| | 6 months ended 30 November 2004 £'000 | 6 months ended 30 November 2003 £'000 | 12 months ended 31 May 2004 £'000 |
|---|--|---|---|
| Operating profit | 1,246 | 1,075 | 2,160 |
| Deferred income | 450 | - | - |
| Depreciation charge | 817 | 753 | 1,482 |
| Amortisation of goodwill | 161 | 171 | 280 |
| Profit on sale of fixed assets | (3) | (316) | (393) |
| Increase in stocks and work in progress | (5,793) | (733) | (4,207) |
| (Increase)/decrease in debtors | (693) | 1,386 | 1,120 |
| (Decrease)/increase in creditors | (470) | (1,469) | 2,362 |
| Net cash (outflow)/inflow from operating activities | <u>(4,285)</u> | <u>867</u> | <u>2,804</u> |

8. On 31 May 2004, the group owned 75% of the ordinary share capital of Bushwing Plc and its subsidiaries which, due to the nature of the shareholders agreement governing the operations of Bushwing Plc and its subsidiaries, 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 and its subsidiaries 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 and its subsidiaries acquired were as follows:

| | Book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---------------------|----------------------|-----------------------|
| Tangible fixed assets | 2,226 | 410 | 2,636 |
| Current assets | | | |
| Stocks | 4,459 | 2,264 | 6,723 |
| Debtors | 4,503 | - | 4,503 |
| Deposits | 3,822 | - | 3,822 |
| Total assets | <u>15,010</u> | <u>2,674</u> | <u>17,684</u> |
| Creditors | 3,726 | - | 3,726 |
| Borrowings | 4,098 | - | 4,098 |
| Corporation tax | 867 | - | 867 |
| Deferred tax | 16 | - | 16 |
| Total liabilities | <u>8,707</u> | <u>-</u> | <u>8,707</u> |
| Net assets | <u>6,303</u> | <u>2,674</u> | <u>8,977</u> |
| Net assets included in investment in joint ventures as at 31 May 2004 | | | <u>(6,236)</u> |
| | | | <u>2,741</u> |
| Satisfied by: | | | |
| Cash | | | 2,375 |
| Settlement of loan accounts | | | 343 |
| Professional fees | | | 23 |
| | | | <u>2,741</u> |

Notes (continued)

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

| | £'000 |
|---|--------------|
| Net cash inflow from operating activities | 162 |
| Returns on investment and servicing of finance | (11) |
| Taxation | (861) |
| Capital expenditure and financial investment | (10) |
| | <hr/> |
| Decrease in cash in the period | (720) |
| | <hr/> |
| Net cash outflow in respect of the purchase of Bushwing Plc and its subsidiaries: | |
| Cash consideration | 2,375 |
| Professional fees | 23 |
| | <hr/> |
| | 2,398 |
| | <hr/> |

Turnover and operating loss

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

| | |
|--------------------|--------------|
| Turnover | 284 |
| Cost of sales | (149) |
| Operating expenses | (476) |
| | <hr/> |
| Operating loss | (341) |
| | <hr/> |

9. The results for the year ended 31 May 2004 are an abridged version of the statutory accounts for that period on which the auditors gave an unqualified report and which have been filed with the Registrar of Companies.
10. Copies of this interim report are being sent to shareholders on 25 February 2005. Further copies of the interim report are available from the Company Secretary, Pochin's PLC, Brooks Lane, Middlewich, Cheshire, CW10 0JQ. This interim report will also be available on the group's website (www.pochins.plc.uk).

