

In its principal activities of construction and commercial property investment the group performed creditably during the year, but the results have been affected by the need to take substantial provisions in relation to current and former joint ventures. In addition, the concrete pumping business has incurred significant losses and further write downs have been necessary in the value of residential work in progress. In the year to 31 May 2010, the group made a loss before taxation of £16.2m (2009: £9.4m), and again the directors are unable to recommend the payment of a final dividend.

The group's property assets have been valued at the year end by Knight Frank LLP. With the exception of the residential division, this external valuation has largely confirmed the group's book values. At the year end, the group's net asset value stood at £25.9m (2009: £38.3m) equivalent to 125p per share (2009: 184p per share). It should be noted that the group balance sheet does not incorporate the market valuation of land held for development, were it to do so, the net asset value per share would stand at 153p.

Given the sound performances from construction activities and the wholly-owned property portfolio, and reflecting the fact that most of the year's losses arise from the need to take provisions, it has been possible to reduce bank borrowings from £28.3m to £26.9m during the period.

Over the last two years, significant management changes and reductions in cost have been undertaken in the group's construction division. These enabled it to remain profitable in the difficult trading conditions which characterised the year and despite the anticipated reduction in turnover. The business review which follows this statement describes a number of the valuable contracts, and fine buildings, which were successfully completed during the year, and which have contributed to an acceptable result for the division.



Travelodge, Macclesfield

By contrast, the concrete pumping division has been unable to contain the effect of over capacity in its market, which was exacerbated by the general reduction in public sector infrastructure activity during the period. Pochin Concrete Pumping remains the only national supplier of concrete pumps and can only maintain this service if clients are prepared to properly recognise its value. A significant re-organisation of this division has been undertaken since the year end.

The group's wholly-owned properties performed well in terms of both capital value and income generation with tenant occupancy increasing slightly from the previously high levels reported last year. This has been achieved in the face of generally weak occupational demand for commercial property and it speaks well for both the underlying quality of the portfolio and the diligence of the division's property management team. There has been little development of the group's considerable land holdings, given the less than propitious conditions prevailing in the regional commercial property market, though a number of small schemes have been successfully completed.

In the residential division, where the group continues to reduce its commitment, further losses have been suffered mainly in the form of value write downs of partially completed sites, and of building land. The group's remaining residential investments will now be managed within the construction and property divisions with a concomitant saving in overheads.

It is in the property joint ventures where most of the group losses have arisen, including a large development site in Birkenhead, now wholly-owned, but formerly jointly held. Contracts for the sale of this painfully assembled land have recently been exchanged on terms which have been designed to avoid further losses in the current year. Similarly, action has been taken in connection with two large refurbished properties in Liverpool where the group's joint venture partner has been unable to bear its share of the holding costs. This has been aggravated by the continuing significant level of void space referred to in the interim management statement. A conditional agreement has been entered into whereby Pochin's would be released from further involvement in these properties, the cost of which has been provided in the group's results.

Shareholders will be disappointed to learn, for the second successive year, of a considerable fall in the group's value. Although there was a significant upward revaluation of prime commercial property during the year, particularly in London, this improvement was much less marked in secondary stock, particularly in the regions. Here too, the problem of letting void space persists over the three sectors of retail, office and industrial property. This makes the performance of the group's owned portfolio the more noteworthy, but is unfortunately the context in which Pochin's is having to give support to large, only partially let, office developments. It is believed that the cost of these exposures has been accounted for.

In the group's trading activities, the losses in concrete pumping are now being stemmed but not yet eliminated. The re-organisation of this division, referred to above, involved the resignation of David Pochin who has served the company which bears his name for 22 years, of which six were as a director on the group board. David has many friends in the company and in the industry and I would like to wish him well for the future.



Winsford Learning Zone, Winsford

In previous statements, I have referred to the strength of the group's balance sheet and Pochin's well deserved reputation for the quality of its service. The former has been tested over the last two years but, given the action which has been taken in connection with the main problem areas described above, it should now be able to offer a firm platform to support the group's ongoing core activities.

The latter, namely the esteem with which Pochin's is held in construction markets, is helping to confirm the group's position in the region, and increasingly further afield, as a sound and reliable business with which to trade. The renewed concentration on the construction businesses, and on the focussed management of the commercial property portfolio, is supported by the group's bankers. The Royal Bank of Scotland plc, who have indicated their continuing support through the agreement of new facilities.

The corrective action taken over the last two years has been painful for both employees and shareholders. In that time, the number on the group payroll has reduced by more than a quarter, and in such circumstances both leavers and those who remain suffer in various ways. I would therefore like to thank all employees for their efforts and loyalty in a testing period. I would also like to thank shareholders for their patience while the group endeavours to restore its fortunes. Provided that the economic conditions in the UK do not deteriorate further, and that the forthcoming public sector cuts are not too damaging to the construction industry, it should now be possible for Pochin's to progress once again.

Richard Fildes

Chairman

29 September 2010