

Chairman's statement

The group result for the year ended 31 May 2011 shows a profit on continuing activities before taxation of £0.7m (2010 re-presented: £13.7m loss). Additionally, there was a loss before taxation on discontinued activities of £4.8m (2010: £2.9m loss). The directors do not recommend the payment of a final dividend.

It is pleasing to report a return to profit on continuing activities, albeit modest and partly arising from the favourable resolution of previously estimated liabilities.

In assessing the performance of the group during the year, regard has to be given to the economic climate in the region in which the group principally operates, namely North West England, and to the general conditions pertaining to the property and construction industries. With the single exception of the London area, there has been no recovery in commercial property values during the year, and the level of activity in the construction industry has been recently stated by the Office of National Statistics to be at its lowest for 30 years. In the North West, commercial rental values are weak and falling in some areas, notably in retail property. Flagging occupier demand lies behind this trend, and it continues to result in low levels of privately funded development activity. Few schemes can be appraised as profit making, and fewer still can be undertaken speculatively as a result of bank funding being, understandably, available only on the strictest criteria. These restricting influences in the private sector combine with the much publicised retrenchment of publicly funded infrastructure projects to make for tough conditions for the group's principal activities. Deflationary forces continue to stalk the property industry and, with the prevailing moods of anxiety and pessimism, they are unlikely to be

successfully resisted without some form of renewed fiscal or monetary stimulus.

It is in this context that the decision was taken during the year to dispose of the group's concrete pumping subsidiary. It has been loss making for many years, and although acknowledgement should be given to the efforts in recent times to bear down on costs and to the successfully increased levels of plant utilisation, the economic conditions described above do not permit its continuation as a core group activity. This gives rise to considerable uncertainty for the 118 employees engaged in this activity and great thanks are due to them for their commitment during the year to improve the division's performance in increasingly competitive market conditions. It is therefore re-assuring to be able to report that discussions with a prospective purchaser of the concrete pumping corporate entity have reached an advanced stage.

For this reason, the results for the division have been treated as a discontinued activity in the accounts, and best estimates of the costs of the proposed disposal have been provided for in the balance sheet at the year end. As a result, the 2010 results have been re-presented.

The decision to dispose of the concrete pumping business will return the group to its original model of combining building and construction with (principally commercial) property investment and development. In the year to 31 May 2011, although construction turnover fell significantly, its contribution to the group's results did not deteriorate markedly thanks to careful estimating and tight cost control. Valuable contracts of acceptable



Mid-Cheshire College, Hartford

Chairman's statement



The Robinsons Brew House and Visitor's Centre, Stockport

size and margin continue to be won, and current clients include Rolls Royce, Nestlé, Liberty Properties and Robinsons Brewery. The group retains its good reputation for quality building and reliable service in the region. It continues to work closely and successfully with an established group of subcontractors and professional advisers who support the in-house team, and all parties have risen to the challenge of winning and successfully completing construction contracts in a fiercely competitive market. These combined efforts are greatly appreciated.

The group's core commercial property investment portfolio continues to perform steadily with few voids and solid rental income. Traditionally this has underpinned a degree of profitable development activity which, as outlined above, current conditions do not permit. Commercial and residential land values have fallen over the last three years, and there will come a point where profitable development becomes viable once again. Meanwhile the group's land bank is largely retained, being valued in the accounts at the lower of cost or net realisable value. It should eventually enable the resumption of the profitable development activity which has served the group well in the past.

In my statement last year, and in subsequent updates, references were made to the financial exposure arising in our joint venture activities. It is of some comfort to be able to report that the principal liabilities, namely those which arose from the group's involvement in the two large refurbished Liverpool office properties, and in an office scheme at Heald Green, Manchester, have now been settled and accounted for as at the year end.

Having now achieved the resolution of the joint venture liabilities, to secure the group's stability and a resumption to overall profitability it remains necessary to complete the proposed disposal of the concrete pumping business. In addition, the disposal of a number of non-core properties is being targeted so that a more appropriate level of gearing may be restored to the balance sheet, which inevitably reflects the exposure to speculative development, largely in joint venture, committed some years ago in buoyant market conditions. It is right here to acknowledge the steadfast support of the group's principal bankers, The Royal Bank of Scotland PLC, who have worked closely with the group while it adjusts to the imperatives of the market in which it operates.

In recent months significant steps have been taken to ensure that the group is best placed to weather the economic storm which continues to gather. In particular, the settling of the main joint venture liabilities and the proposed sale of the concrete pumping business will each help to secure a sound future for the core activities. Inevitably and regrettably, the prevailing conditions make for unsettling times for employees and inadequate returns for shareholders. The continuing loyal support of all stakeholders is greatly appreciated.

Richard Fildes

Chairman

30 September 2011