Pochin's PLC
Preliminary Results for the year ending 31 May 2011

Pochin's PLC ("Pochin" or "the group") the construction and property group announces its preliminary results for the year ending 31 May 2011.

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 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

Business review

Group overview

The construction and property markets in which the group operates have seen little or no improvement during the year. The recent UK Construction Purchasing Managers' Index survey has confirmed the slowing of growth in the construction sector and property values remain subdued, again with limited signs of recovery.

With these factors in mind, the policy of exiting joint ventures to reduce group liabilities has continued. The concrete pumping division has been recognised as no longer core to group activities and negotiations to dispose of the business are well advanced. In a similar way, speculative residential developments are no longer being pursued. The legacy schemes within the residential division are now controlled by the property division.

The continued downturn in the construction sector had an adverse effect on group revenues in the year, with turnover down by 10% to £59.3m (2010 re-presented: £65.7m). Turnover in the construction division fell by 32% to £41.6m (2010: £61.0m), however it is reassuring to report that it has a firm order book of £53.0m secured at the date of this report. The property division, benefiting from the sale of the Birkenhead site, had a turnover of £14.7m (2010: £1.2m). Despite the reduced turnover, net profit before tax, excluding the pumping division, was £0.7m (2010: re-presented £13.7m loss). This was chiefly due to improving margins on current contracts, successful completion of existing projects and a significantly reduced requirement for further impairments.

£m	Continuing	Discontinued	Total 2011	2010
Operating profit/(loss) – own	3.8	(1.2)	2.6	0.6
Operating profit/(loss) – joint ventures	0.7	-	0.7	(1.9)
Property revaluations	(0.1)	-	(0.1)	0.5
Impairment of investments	(2.7)	-	(2.7)	(11.2)
Impairment of inventories	(0.8)	-	(0.8)	(3.5)
Costs of restructure/remeasurement	(0.2)	(2.6)	(2.8)	(0.7)
Cost of disposal	-	(1.0)	(1.0)	-
Group profit/(loss) before taxation	**0.7**	**(4.8)**	**(4.1)**	**(16.2)**

Staff levels have reduced during the year in line with the reduced turnover and the number of employees fell by 15% to 262 at the year end (2010: 308). Despite this reduction, the group has retained its core skills and capabilities to allow it to continue to provide a first class service to its customers. This is evident in the group's strong reputation and the volume of repeat business secured from our loyal clients. The core values of the group remain unchanged and it is these that will provide the platform for a better focused, restructured group in the future. As always, employees remain the key asset to the group and they have shown their continued support to the group in testing times. The group looks forward to being able to repay that support as and when markets recover.

Group outlook

The actions taken in the last year in reducing outstanding liabilities and the proposed disposal of the concrete pumping business will leave the group better placed to control its future. A more streamlined group will be able to focus on the core activities of property (development and investment) and construction, without the distraction of legacy issues and loss making entities. The strong reputation and capabilities of these two businesses will allow the group to leverage opportunities from existing and new clients, with the intention of seeking out further opportunities for growth in other parts of the UK through existing client relationships. The restructured group will allow it to be more flexible, responsive and better able to capitalise on opportunities as the market recovers.

Divisional review

Construction

Following a positive start to the year, the construction division suffered from reduced turnover as contracts secured when the market was more buoyant came to an end and were not replaced. Some previously secured contracts never started on site as customers either withdrew or delayed the start date for various reasons, including lack of funding and constraints on planning. Public sector clients delayed projects before and after last year's government spending review in anticipation of the unknown or as a result of cuts in public spending. The reduction in turnover was therefore due mainly to the reduction in public sector work. However, as a result of the good relationships maintained with private sector clients, approximately 80% of work secured in the current financial year will be from the private sector.

Although total turnover fell to £41.6m (2010: £61.0m), as a result of good final account negotiations on completed contracts and improved margins on current contracts the division delivered a profit of £0.2m before restructuring costs of £0.2m. The result also reflected the good mix of clients and lack of dependency on any one particular sector, which also provides for a balanced portfolio moving forward.

As part of the division's growth strategy, work has been tendered and secured out of traditional areas, including a residential redevelopment at Hyde Park, London, industrial premises for Nestlé in Buxton and a retail store at Egham, Surrey. Current tendering opportunities also include a project for student accommodation in Edinburgh.

The special projects team has continued to grow and having profitably completed approximately £3.5m of work last year, it has in excess of this figure already secured in the current financial year.

Despite difficult trading conditions, the business has maintained its reputation for excellence in performance and this has been acknowledged by a RoSPA Gold Award for safety, a CSS National Site "Considerate Contractor" Silver Award and winning the 2011 Insider Property North West "Contractor of the Year" Award.

Property (including Residential)

Due to continued uncertainty in the property market, there have been no speculative development schemes and a commitment only to limited investment where an end user and exit strategy are in place.

Following the sale of the retail scheme at Birkenhead, a number of smaller retail schemes have been secured during the year.

The investment portfolio, consisting of over 40 income generating properties located in the North West and North Wales, was valued at the year end at £33.0m (2010: £29.1m). The increased value during the year is attributable to acquiring full control of Lincoln House Properties Limited and Manchester House Properties Limited (previously held in joint venture). Investment properties have been valued at the same levels as prior years by the directors having regard to property yields data for the region supported by advice obtained by external professional valuers. The main focus has been on the good management and retention of tenants and it is therefore pleasing to report that occupancy levels have been maintained at 96%.

Throughout the year, assets have been sold in order to continue to reduce debt and, at Ellesmere, sales to McCarthy & Stone, Shropshire County Council and Bloor Homes have become unconditional. Planning permission for Midpoint 18 Phase 3 has been renewed and work continues on securing the Middlewich bypass in order to create development and investment opportunities for the future.

Some progress has been made during the year on residential schemes by completing and selling units at Burslem and Winsford. However, the market continues to be depressed and difficulties with Homes and Communities Agency funding has meant that some affordable housing schemes have been cancelled and land bank sales have been slow. No new speculative work is being undertaken and completion of historical residential schemes is being carried out within the property division (including residential).

Of the joint ventures, Manchester Technopark Limited and Keele Park Developments Limited continue to perform well given current market conditions. Aside from these, other joint venture schemes have struggled financially and therefore the focus has been to extricate group involvement from these schemes. To this end, agreements have been successfully concluded with external funders to settle the guarantee liabilities associated with the schemes at Heald Green, Manchester and Exchange Flags, Liverpool.

Since the year end, the group has acquired full control of UKLP (BrynCegin) Limited, which has allowed the group to take full control of the development of land at Park Bryn Cegin, Bangor. Good progress has also been made at Hawarden Business Park, Deeside, with further lettings achieved to Airbus.

The group's strategy remains to exit joint ventures on acceptable terms wherever possible and to develop and manage new opportunities through the group's own in-house property team.

The property division (including residential) made a net profit before tax of £2.5m (2010: £13.0m loss).

Concrete Pumping

The continued downturn of the construction market and lack of public sector funded infrastructure and utility projects led to a further fall in revenues during the year, down to £8.8m (2010: £9.1m). Further cost cutting measures were therefore introduced, reducing the operating loss for the year to £1.2m (2010: £2.9m loss). This was slightly worse than anticipated due to the severe winter weather, when a loss of £0.3m was suffered in the month of December 2010.

Every effort has been made to increase both job price and utilisation and significant progress has been achieved in moving from historic lows. Average job price for the year rose to £581 from £570 in the previous year and utilisation rose from 72% to 73%. Unfortunately, over capacity in the market has restricted further improvement, although the current financial year is showing better progress as more infrastructure and utility work is commenced.

Despite the considerable efforts made to improve operating performance, the concrete pumping division continues to be a cash drain on the group's limited resources and as it is no longer regarded as being a core business in the future strategy of the group, it is being treated as a discontinued activity and a business held for sale.

Results by division (before taxation)

£m	Trading	Adjustments*	Total 2011	2010
Continuing Activities				
Construction	0.2	(0.2)	**0.0**	0.7
Property (including Residential)	6.2	(3.7)	**2.5**	(13.1)
Group	(1.8)	-	**(1.8)**	(1.0)
	4.6	(3.9)	**0.7**	(13.4)
Discontinued Activities				
Concrete Pumping	(1.2)	(3.6)	**(4.8)**	(2.9)
Group profit/(loss) before taxation	**3.4**	**(7.5)**	**(4.1)**	**(16.2)**

*Adjustments represent restructuring costs and impairments

Earnings per share and dividend

Allowing for the result from discontinued operations the total diluted earnings per share was -16.9p (2010: -76.2p). Diluted earnings per share for continuing operations was 4.6p (2010: -62.3p).

No final dividend is proposed, consequently the dividend for the full year is nil (2010: nil).

Balance sheet

Following provisions made for the disposal of discontinued operations the net asset value reduced to £23.8m (2010: £25.9m). This is equivalent to 117p per share (2010: 127p).

Investment property values increased to £33.0m (2010: £29.1m) largely due to the addition of properties held in the newly acquired subsidiaries of Lincoln House Properties Limited and Manchester House Properties Limited, which had previously been held in joint venture.

Investment in joint ventures and associates decreased by £5.8m to £5.0m. This was in part due to the transfer out of the above mentioned acquisitions and to further impairments and settlement of outstanding liabilities in remaining joint venture interests.

Inventories reduced by £4.1m to £17.8m mainly as a result of disposal of housing stock and a reduction in the number of active construction projects.

Cash flow and borrowings

Cash generation and debt repayment remained the principal financial focus during the year and although profitable trading was restricted by the difficult market conditions, positive cash flow was enhanced through further reductions in working capital and the sale of non-income producing assets.

An overall reduction in net borrowings was achieved of £3.9m (2010: £1.4m), with major movements summarised as follows:

£m	**2011**	2010
Operating activities	**6.7**	2.6
Joint ventures & investments	**(1.7)**	(2.0)
Net interest paid	**(1.0)**	(0.1)
Taxation	**(0.1)**	0.9
Decrease in net borrowings	**3.9**	**1.4**

Going concern

During the year the group successfully concluded negotiations with its principal banker, The Royal Bank of Scotland PLC (RBS), to restructure its borrowing facilities. The aim of the restructure was to ensure that the group is adequately and appropriately funded to meet its forecasted obligations and cash requirements for the foreseeable future. The new facilities at the year end comprised an investment loan of £17.9m, asset disposal loans of £9.2m and an overdraft/multi option facility of £4.1m. These facilities are secured against assets in the business and are in place until March 2012.

Based on the latest forecasts for the restructured group, further negotiations are in progress with RBS to extend its facilities to 30 November 2012 and re-set covenants accordingly. RBS have engaged independent external advisors who have recommended the revised covenants and extended facilities are put to the credit committee for approval; however this advice is subject to reaching satisfactory arrangements in relation to the disposal of the concrete pumping business.

Significant progress has been made by the directors towards disposing of Pochin Concrete Pumping Limited and they are currently in advanced discussions with a prospective purchaser of the corporate entity. Notwithstanding these ongoing discussions, the directors have also received confirmation from RBS of its intention to continue to support the group through their existing funding arrangement, subject to usual review and approval procedures, for a period of 12 months from 30 September 2011.

During the period the group acquired 100% holdings in Manchester House Properties Limited and Lincoln House Properties Limited (previously 50% joint ventures). Loans of £1.7m associated with these two companies are now recognised on the group balance sheet and represent outstanding property mortgages with the Nationwide Building Society.

At 31 May 2011 total group borrowings were £29.3m (2010: £35.2m). Cash held on deposit was £6.3m (2010: £8.3m), resulting in a net debt position of £23.0m (2010: £26.9m).

Treasury and financing risk

The group continues to fund its operations through the use of cash, loans and various liquid resources such as debtors and trade creditors. Treasury management is performed by the finance department through implementation of the group's treasury policy, which is the responsibility of the Finance Committee. This remit includes development of relationships with principal funders, management of interest rates and liquidity risk. The Finance Committee is responsible to the main board.

The group has minimal fixed interest rate borrowings and reviews the need to hedge against interest rate movements continually. A three year swap arrangement fixing LIBOR exposure to 4.98% on £15m of debt expired in March 2011. This now allows the group to benefit across all of its facilities from the continued low floating rate of LIBOR and in part compensates for the higher commercial rates being charged by the banks.

The group continues to formally operate an effective interest rate hedging policy, which states that the sole purpose of any financial instrument employed by the group to fix interest rates is to protect the group from fluctuations in interest rates charged on its borrowings. As a consequence, any changes in the fair value of such hedging instruments are recognised directly in equity and not, unless deemed to be ineffective, through the income statement. Due to expiry of a number of hedging facilities during the year there was a favourable movement in financial derivatives of £0.6m (2010: £1.3m). This is shown against hedge reserve in the group balance sheet.

There remains both long term repayment loans and short to medium term development borrowings relating to associated companies and joint venture entities respectively, to which the group has exposure. As a consequence, the group regularly reviews the risk of exposure to interest rate movements with its partners and, where appropriate, hedges against that risk on a project by project basis.

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

Pensions

The group continues to contribute to the recovery plan agreed with the Pensions Regulator for the now closed defined benefit (DB) pension scheme. The next triennial valuation is due in November 2011.

As a result of a potential debt crystallising under section 75 of the Pensions Act 1995 on the sale of the concrete pumping business, it will be necessary to apportion the pension liability relating to that business across the remaining group employers ahead of any sale. Following consultation between the group and the scheme trustees, the trustees have indicated their willingness in principle to approve such an apportionment. Accordingly, the liability has not been classified as held for sale.

Total contributions paid in the period to the DB scheme were £0.1m (2010: £0.2m). Payments to the defined contribution scheme were £0.4m (2010: £0.3m). The DB pension scheme obligations are shown in the group balance sheet and movement in the period reflected in the income statement and statement of comprehensive income. The actuarial deficit, calculated in accordance with IAS19, is reported as £1.0m (2010: £2.7m).

Financial reporting

The consolidated financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. There have been no changes to the IFRS requirements this year that have a material impact on the group results.

John Moss
Chief Executive
30 September 2011

John Edwards
Group Finance Director

Consolidated income statement
For the year ended 31 May 2011

	2011 £'000	2010 (re-presented) £'000
Revenue	59,283	65,725
Cost of sales	(52,580)	(64,617)
Gross profit	6,703	1,108
Operating expenses	(8,501)	(16,273)
Other operating income	2,891	3,242
(Losses)/gains on revaluation of investment properties	(135)	530
Operating profit/(loss)	958	(11,393)
Share of profit/(loss) after taxation in joint ventures	587	(1,948)
Share of profit after taxation in associates	87	121
Finance income	1,115	2,074
Finance cost	(2,103)	(2,235)
Profit/(loss) before taxation from continuing operations	644	(13,381)
Taxation	289	702
Profit/(loss) for the year from continuing operations	933	(12,679)
Discontinued Operations		
Loss for the year from discontinued operations	(4,372)	(2,829)
Loss for the year	(3,439)	(15,508)
Attributable to:		
Equity holders of the company	(3,477)	(15,545)
Non controlling interests	38	37
Loss for the year	(3,439)	(15,508)
Basic and diluted earnings/(loss) per share		
from continuing operations	4.6p	(62.3p)
from discontinued operations	(21.5p)	(13.9p)
Total	(16.9p)	(76.2p)

Consolidated statement of comprehensive income

For the year ended 31 May 2011

	Group	
	2011	2010
	£'000	£'000
Loss for the year	(3,439)	(15,508)
Other comprehensive income:		
Actuarial gains and losses	1,521	(312)
Deferred tax on actuarial gains and losses	(449)	88
Cash flow hedging:		
Current period fair value movement	1,662	4,613
Reclassification adjustment-disposal of cash flow hedge	(1,013)	(3,322)
Deferred tax on cash flow hedging	(350)	(204)
Revaluation of property, plant and equipment	-	2,258
Total comprehensive income for the year	(2,068)	(12,387)
Attributable to non controlling interests	38	37
Attributable to equity holders of the Company	(2,106)	(12,424)
	(2,068)	(12,387)

Consolidated statement of changes in equity

For the year ended 31 May 2011

	Share capital	Own shares	Revaluation reserve	Hedge reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling Interest
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 June 2009	5,200	(745)	75	(2,520)	36,112	38,122	214
Cost of share based payments	-	-	-	-	(5)	(5)	-
Equity dividend	-	-	-	-	-	-	(32)
Transactions with owners	-	-	-	-	(5)	(5)	(32)
Loss for the year	-	-	-	-	(15,545)	(15,545)	37
Other comprehensive income							
Actuarial gains & losses	-	-	-	-	(312)	(312)	-
Deferred tax on pension scheme deficit	-	-	-	-	88	88	-
Realisation of revaluation reserve on disposal	-	-	(68)	-	68	-	-
Revaluation of property, plant and equipment	-	-	2,258	-	-	2,258	-
Cash flow hedging:							
current period fair value movements	-	-	-	4,613	-	4,613	-
reclassification adjustment–disposal of cash flow hedge	-	-	-	(3,322)	-	(3,322)	-
Deferred tax on cash flow hedging	-	-	-	-	(204)	(204)	-
Total comprehensive income for the year	-	-	2,190	1,291	(15,905)	(12,424)	37
At 31 May 2010	5,200	(745)	2,265	(1,229)	20,202	25,693	219
Cost of share based payments	-	-	-	-	(19)	(19)	-
Equity dividend	-	-	-	-	-	-	(41)
Transactions with owners	-	-	-	-	(19)	(19)	(41)
Loss for the year	-	-	-	-	(3,477)	(3,477)	38
Other comprehensive income							
Actuarial gains & losses	-	-	-	-	1,521	1,521	-
Deferred tax on pension scheme deficit	-	-	-	-	(449)	(449)	-
Cash flow hedging:							
current period fair value movements	-	-	-	1,662	-	1,662	-
reclassification adjustment-disposal of cash flow hedge	-	-	-	(1,013)	-	(1,013)	-
Deferred tax on cash flow hedging	-	-	-	-	(350)	(350)	-
Total comprehensive income for the year	-	-	-	649	(2,755)	(2,106)	38
At 31 May 2011	5,200	(745)	2,265	(580)	17,428	23,568	216

Consolidated balance sheet
As at 31 May 2011

	2011	2010
	£'000	£'000
Non current assets		
Property, plant and equipment	3,808	4,648
Investment properties	32,980	29,116
Investments		
Joint ventures	4,544	8,855
Associates	500	2,033
Available for sale	1,244	2,190
Deferred tax assets	1,939	1,946
Total non current assets	45,015	48,788
Current assets		
Inventories	17,825	21,891
Trade and other receivables	12,107	12,618
Cash and cash equivalents	6,320	8,328
Corporation tax recoverable	319	305
Total current assets	36,571	43,142
Assets classified as held-for-sale	4,554	-
Total assets	86,140	91,930
Current liabilities		
Trade and other payables	28,960	25,956
Bank loans	9,277	12,904
Bank overdrafts	18,499	22,370
Financial derivatives	-	621
Total current liabilities	56,736	61,851
Liabilities classified as held-for-sale	2,071	-
Net current liabilities	(17,682)	(18,709)
Non current liabilities		
Bank loans	1,565	-
Retirement benefit obligation	1,041	2,709
Other payables	943	1,458
Total non current liabilities	3,549	4,167
Total liabilities	62,356	66,018
Net assets	23,784	25,912
Equity		
Share capital	5,200	5,200
Own shares	(745)	(745)
Revaluation reserve	2,265	2,265
Hedge reserve	(580)	(1,229)
Retained earnings	17,428	20,202
Total shareholders' equity	23,568	25,693
Non-controlling interest	216	219
Total equity	23,784	25,912

Consolidated cash flow statement

For the year ended 31 May 2011

	2011	2011	2010 Re-presented	2010 Re-presented
	£'000	£'000	£'000	£'000
Net cash from operating activities				
Loss for the year		(3,439)		(15,508)
Loss for the year from discontinued operations		4,372		2,829
Income tax		(289)		(702)
Finance income		(1,115)		(2,074)
Finance cost		2,103		2,260
Share of profit/(loss) in joint ventures and associates		(674)		1,827
Cash flow hedge movement in joint ventures		(15)		(657)
Depreciation charge		289		160
Release of gain on bargain purchase		(1,175)		-
Credit in respect of share based payments		(19)		(5)
Profit on sale of property, plant and equipment		(12)		(4)
Profit on sale of investment properties		(57)		(655)
Losses/(gains) on revaluation of investment properties		135		(530)
Provision against investments in joint ventures		1,537		4,215
Provision against investment in other investments		1,478		998
Income from joint ventures and associates		298		53
Operating profit/(loss) before changes in working capital		3,417		(7,818)
Decrease in inventories		3,796		7,986
(Increase)/decrease in receivables		(1,997)		12,182
Increase/(decrease) in payables		11,543		(7,765)
Cash flows used in operating activities (discontinued)		(5,437)		(1,910)
		11,322		2,675
Interest paid		(1,036)		(902)
Income taxes (paid)/received		(123)		874
Net cash from operating activities		10,163		2,647
Investing activities				
Interest received	26		792	
Purchase of investment properties	(3,896)		(2,645)	
Purchase of property, plant and equipment	(26)		(13)	
Proceeds from sale of investment properties	264		4	
Proceeds from sale of property, plant and equipment	144		144	
Purchase of subsidiary undertakings	(50)		-	
Net movement on disposal of joint ventures	-		649	
Decrease/(increase) in interest in joint ventures and associates	10		(567)	
Increase in interest in other investments	(532)		(458)	
Cash flows (used in)/from investing activities (discontinued)	(1,005)		108	
Net cash used in investing activities		(5,065)		(1,240)
Financing activities				
Repayment of loans	(3,915)		(2,320)	
Cash flows from financing activities (discontinued)	858		(58)	
Net cash used in financing activities		(3,057)		(2,378)
Net increase/(decrease) in cash and cash equivalents		2,041		(971)
Cash and cash equivalents at beginning of year		(14,042)		(13,071)
Cash and cash equivalents at end of year		(12,001)		(14,042)
Cash and cash equivalents at end of year (continuing)		(12,179)		(14,195)
Cash and cash equivalents at end of year (discontinued)		178		153
Total		(12,001)		14,042

Notes to the preliminary results

Basis of preparation

The preliminary announcement is prepared in accordance with International Financial Reporting Standards, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement have remained unchanged from those set out in the 2010 annual report. They are also consistent with those in the full financial statements which have yet to be published.

The Board of Directors approved the preliminary announcement on 30 September 2011.

The financial information set out in this preliminary announcement does not constitute the group's financial statements for the years ended 31 May 2011 and 2010. The financial information for the year ended 31 May 2010 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The statutory annual accounts for the year ended 31 May 2011, upon which an unqualified audit opinion has been given and which did not contain a statement under sections 498 (2) and 498 (3) of the Companies Act 2006, will be sent to the Registrar of Companies following the Company's annual general meeting.

Segmental information

Operating segments have been determined based on the reports regularly reviewed by the group board which are used to make strategic and operational decisions. The group board is considered to be the CODM and reviews the segments based on the nature of the services provided.

During the year, the group was organised into three operating business segments based on the different services provided by each division: Construction, Property and Residential. The residential segment has been transferred to the construction division during the period for operational purposes. The concrete pumping segment has been classified as discontinued during the year and comparatives re-presented.

As operations are carried out entirely within the UK, there is no further consideration of information on geographical areas in determining the groups operating segments. The measurements policies used for segment reporting reflect those used for internal reporting and for the group's financial statements. Inter-segmental pricing is done on an arms length open market basis.

Year ended 31 May 2011	Construction	Property	Residential	Group management	Total continuing operations	Discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	41,569	14,679	3,035	-	59,283	8,821
Inter-segment sales	1,006	310	-	-	1,316	67
Eliminations	(1,006)	(310)	-	-	(1,316)	(67)
Total revenue	41,569	14,679	3,035	-	59,283	8,821
Segment result						
Operating profit/(loss)	12	3,129	(403)	(1,780)	958	(1,170)
Loss on remeasurement and cost of disposal	-	-	-	-	-	(3,569)
Share of results of joint ventures and associates	-	674	-	-	674	-
Net finance income/(cost)	18	(1,008)	-	2	(988)	(26)
Profit/(loss) before taxation	30	2,795	(403)	(1,778)	644	(4,765)
Taxation					289	393
Loss for the year					933	(4,372)

Within the construction segment, external sales of £18,250,000 arise from three customers that individually account for more than 10 percent of the entity's revenues; these are also considered to be major customers.

	Construction	Property	Residential	Elimination of inter-company balances	Total continuing operations	Discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000
Asset and liabilities						
Segment assets	20,932	83,455	2,998	(30,843)	76,542	4,554
Investment in equity accounted joint ventures and associates	-	5,044	-	-	5,044	-
Total assets	20,932	88,499	2,998	(30,843)	81,586	4,554
Segment liabilities	14,781	75,074	1,273	(30,843)	60,285	2,071
Net assets	6,151	13,425	1,725	-	21,301	2,483
Other information						
Capital expenditure	26	-	-	-	26	1,149
Depreciation	67	63	-	-	130	159
Provision against investment in joint ventures, associates and other investments	-	3,015	-	-	3,015	-
Impairment of inventories	-	393	400	-	793	-

Year ended 31 May 2010

Re-presented	Construction	Property	Residential	Group management	Total continuing operations	Discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	60,999	1,230	3,496	-	65,725	9,094
Inter-segment sales	554	-	-	-	554	73
Eliminations	(554)	-	-	-	(554)	(73)
Total revenue	60,999	1,230	3,496	-	65,725	9,094
Segment result						
Operating profit/(loss)	730	(7,795)	(3,298)	(1,030)	(11,393)	(2,826)
Share of results of joint ventures and associates	-	(1,827)	-	-	(1,827)	-
Net finance cost	(39)	(116)	-	(6)	(161)	(25)
Profit/(loss) before taxation	691	(9,738)	(3,298)	(1,036)	(13,381)	(2,851)
Taxation					702	22
Loss for the year					(12,679)	(2,829)

Within the construction segment in 2010, external sales of £23,384,000 arise from two contracts that individually account for more than 10 percent of the entity's revenues.

	Construction	Property	Residential	Elimination of inter-company balances	Total continuing operations	Discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	21,778	59,556	6,036	(10,952)	76,418	4,624
Investment in equity accounted joint ventures and associates	-	10,888	-	-	10,888	-
Total assets	21,778	70,444	6,036	(10,952)	87,306	4,624
Segment liabilities	16,085	54,303	3,556	(10,952)	62,992	3,026
Net assets	5,693	16,141	2,480	-	24,314	1,598
Other information						
Capital expenditure	13	-	-	-	13	32
Depreciation	89	71	-	-	160	49
Provision against investment in joint ventures and other investments	-	5,213	-	-	5,213	-
Impairment of inventories	-	691	2,858	-	3,549	-

Disposal group classified as held for sale

Pochin Concrete Pumping Limited has been treated as a discontinued operation as the business is being sold as a going concern and is expected to complete by 30 November 2011. Consequently, the comparatives within the income statement have been re-presented. The results of this operation are summarised below:

	2011 £'000	2010 £'000
Revenue	8,821	9,094
Cost of sales	(8,007)	(8,699)
Gross profit	814	395
Operating expenses	(1,996)	(3,247)
Other operating income	12	26
Operating loss	(1,170)	(2,826)
Finance income	192	-
Finance cost	(218)	(25)
Loss from discontinued operations before taxation	(1,196)	(2,851)
Tax credit	393	22
Net operating result from discontinued operations	(803)	(2,829)
Remeasurement and disposal of assets held for sale		
Loss on remeasurement and cost of disposal	(3,569)	-
Loss for the year from discontinued operations	(4,372)	(2,829)
Net cash flow from discontinued operations		
Net cash flow from operating activities	(5,437)	(1,910)
Net cash flow from investing activities	(1,005)	108
Net cash flow from financing activities	858	(58)
	(5,584)	(1,860)
Net cash flow from discontinued operating activities		
Loss for the year	(4,372)	(2,829)
Income tax	(393)	(22)
Finance income	(192)	-
Finance cost	218	25
Depreciation charge	158	49
Profit on sale of property, plant and equipment	(12)	(24)
Operating cash flow before movement in working capital	(4,593)	(2,801)
Decrease/(increase) in inventories	52	(53)
(Increase)/decrease in receivables	(55)	383
(Decrease)/increase in payables	(811)	571
Interest paid	(30)	(12)
Income tax received	-	2
	(5,437)	(1,910)

Assets of disposal group classified as held for sale	2011 £'000
Property, plant and equipment	1,594
Inventories	218
Trade and other receivables	2,564
Cash and cash equivalents	178
	4,554
Liabilities of disposal group classified as held for sale	
Trade and other payables	904
Obligations under hire purchase agreements	962
Deferred tax	205
	2,071

Earnings per share

The calculation of earnings per share (basic and diluted) is based on group loss after taxation and non-controlling interest of £3,439,000 (2010: £15,508,000) and the 20,800,000 ordinary shares of 25p in issue at 31 May 2011 and 31 May 2010. The number of shares used in the calculation has been reduced at 31 May 2011 for the 440,500 (2010: 440,500) shares held in the Employee Share Trust. The assumed conversion of dilutive options has no impact on the number of shares and so diluted earnings per share is equal to basic earnings per share.

	Earnings	2011 Weighted average no. of shares	Per share	Earnings	2010 Weighted Average no. of shares	Per share
Continuing operations	£'000	'000	p	£'000	'000	p
Basic EPS	933	20,360	4.6	(12,679)	20,360	(62.3)
Effect of share options	-	-	-	-	-	-
Diluted EPS	933	20,360	4.6	(12,679)	20,360	(62.3)

	Earnings	2011 Weighted average no. of shares	Per share	Earnings	2010 Weighted Average no. of shares	Per share
Discontinued operations	£'000	'000	p	£'000	'000	p
Basic EPS	(4,372)	20,360	(21.5)	(2,829)	20,360	(13.9)
Effect of share options	-	-	-	-	-	-
Diluted EPS	(4,372)	20,360	(21.5)	(2,829)	20,360	(13.9)

	Earnings	2011 Weighted average no. of shares	Per share	Earnings	2010 Weighted Average no. of shares	Per share
Total operations	£'000	'000	p	£'000	'000	p
Basic EPS	(3,439)	20,360	(16.9)	(15,508)	20,360	(76.2)
Effect of share options	-	-	-	-	-	-
Diluted EPS	(3,439)	20,360	(16.9)	(15,508)	20,360	(76.2)

Dividends paid in the year

No dividends were paid during the year (2010: nil).

The Directors are not proposing a final dividend in respect of the financial year ending 31 May 2011.

Post balance sheet event

Since the year end the company has increased its shareholding in UKLP (BrynCegin) Limited to 100%.

Annual general meeting

The Annual General Meeting will be held at Mere Golf and County Club, Knutsford, Cheshire at 10.30 a.m. on Thursday 3 November 2011. The full annual report will be posted to shareholders on or before 12 October 2011. Copies will be available from the Company's website (www.pochins.plc.uk).

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