

# SWAN HILL GROUP PLC - 55973

## INTERIM STATEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2001

5 September 2001

### HIGHLIGHTS

- Profit before tax was £2.6 million, slightly ahead of the same period last year.
- Trading profit from continuing operations was £2.7 million (2000: £3.2 million) reflecting the limited number of active sites in the Housing division in the first half.
- The number of active sites is increasing during the second half and into 2002.
- Interim dividend increased to 1.6p (2000: 1.4p).
- Proceeds of £17 million from further property disposals during the period. Capital employed in the Property division is reduced to £17.3 million.
- Net assets per share increased to 127p at 30 June 2001.

George Duncan, the Chairman of Swan Hill Group PLC said:

"The Housing division is establishing a reputation as a niche developer of high value, design-led schemes in a market that continues to become more discerning. The division will be trading from a growing number of new sites during the second half, and into 2002, which will provide a broader trading base. We view the future with confidence particularly if the market continues to be robust."

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## CHAIRMAN'S STATEMENT

The Group's strategy of focusing on residential development whilst withdrawing from its commercial property activities has progressed well with disposals of both the Northampton and Carlisle commercial schemes.

The benefits of this repositioning will increase from the second half onwards as the number of active sites within our Housing division grows. In the first six months, operating profits from the Housing division were dependent on the performance of 7 sites, whereas in the second half the number of active projects will rise to 12.

### Results

Profit before tax was £2.6 million, slightly ahead of the same period last year. Trading profit from continuing operations was £2.7 million. This result was £0.5 million below the corresponding period last year with increased property profits and reduced central costs offsetting lower housing profits. Turnover was £39 million. The interim dividend has been increased to 1.6p per share (2000: 1.4p).

Net assets per share increased to 127p at 30 June 2001. Net borrowings were £11.6 million following the property disposals in the first half. Borrowings will rise in the second half, however, as further investment is committed to land acquisition.

### Housing Division

The housing market remained stable in the first six months, and the outlook continues to be positive as long as purchasers remain confident about their employment prospects. *This confidence should persist during the second half of the year unless the UK economy moves sharply into recession.*

During the first half the division was selling from 7 principal sites (Droitwich, Findon, Gloucester, Staines, Wells, Westergate and Wokingham). In the second half, the number of active sites will rise to 12 (including Climping, Froxfield, Rustington, Watersfield and Whitminster) as new sites are taken through the planning process and brought into production. This growth follows the substantially increased investment in new housing land as funds have been released from property disposals.

The division sold 108 units (2000: 110) at an average selling price of £198,000 (2000: £191,000). As expected the overall margin was reduced, partly due to the impact of a significant number of social housing sales during the period. *Without these sales the margin would have been 14.3%.*

The developments at Gloucester, Wells, Wokingham and Westergate sold well. Findon and Droitwich had a slower start to the year but sales have picked up. Sales at the Staines site, which opened in January, started more slowly than expected, which impacted on the results for the period. Despite a high level of reservations on the Climping site, we have not been able to take sales until the second half as a result of difficulties with the Environment Agency in releasing a planning condition. These issues have recently been resolved with a strong sales performance now expected.

As regards the key sites for the future, the first phase of the Clifton apartment scheme (45 units) is under construction with a marketing suite opening in September. The detailed planning in respect of the important scheme for 24 large houses in Weybridge has been submitted with construction expected to start later in the year. New schemes are under construction in Tetbury (20 units) and Pershore (20 units) in the Cotswolds. The development at Enham Alamein (71 units) received a detailed planning permission recently and construction has just commenced. The mixed refurbishment and new housing scheme at Sibford Ferris, near Banbury, (19 units) is expected to receive a detailed consent in the next two months and construction will start following vacant possession in December. These schemes continue to give us confidence that the scale of the business will increase significantly during the next 18 months. The appraised forward sales value of the land bank is estimated in excess of £150 million.

### Property Division

The Property division made a strong contribution as a result of the sale of our share of the Northampton distribution and business park to our joint venture partners. In addition, the retail scheme in Carlisle, which was let during 2000, was sold. Proceeds from property disposals amounted to around £17 million during the first half.

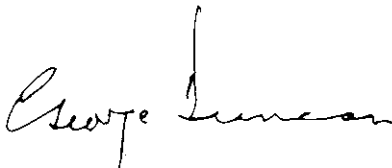
The construction of the Stockton retail scheme, which is being developed as a joint venture, will be completed in the early autumn. Further lettings have been made and the intention is to complete the lettings programme and then market the scheme. Thus, an investment sale is unlikely to take place before the second half of 2002.

Revised planning was received for the business and retail park at Cagnes in the south of France in April, and the scheme is now being marketed.

The capital employed within the Property division has fallen from £32.1 million at the end of 2000 to £17.3 million at the end of the first half. The principal remaining property assets are the Stockton scheme, the mixed use development at Brewery Wharf in Leeds, a small office scheme in Slough which was let in the first half, and the Cagnes development in France.

## Prospects

The Housing division is establishing a reputation as a niche developer of high value, design-led schemes in a market that continues to become more discerning. The division will be trading from a growing number of new sites during the second half, and into 2002, which will provide a broader trading base. We view the future with confidence particularly if the market continues to be robust.



George Duncan  
Chairman

5 September 2001

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## PROFIT AND LOSS ACCOUNT

### CONSOLIDATED RESULTS



The unaudited results for the half year ended 30 June 2001 are shown below:

		Half Year 30 June 2001 £'000	Half Year 30 June 2000 £'000	Full Year 2000 £'000
	Notes			
Turnover		39,140	31,089	59,582
Operating profit before joint ventures		3,324	3,944	7,490
Share of (loss)/profit in joint ventures		(2)	0	85
Operating profit before exceptional items		3,322	3,944	7,575
Reorganisation and other costs	2	(167)	0	(635)
Operating profit		3,155	3,944	6,940
Loss on disposal of property and other fixed assets		0	(601)	(719)
Loss on disposal of discontinued operations	3	0	(103)	(2,425)
Profit on ordinary activities before interest		3,155	3,240	3,796
Net interest payable – Group	4	(481)	(713)	(1,453)
– joint ventures	4	(101)	0	0
Profit on ordinary activities before tax		2,573	2,527	2,343
Tax on ordinary activities	5	(643)	(725)	(974)
Profit on ordinary activities after tax		1,930	1,802	1,369
Dividends – equity		(946)	(833)	(2,128)
Retained profit/(loss)		984	969	(759)
Basic earnings per Ordinary share	7	3.3p	3.0p	2.3p
Diluted earnings per Ordinary share	7	3.3p	3.0p	2.3p
Basic earnings per Ordinary share excluding discontinued operations	7	3.3p	3.2p	6.4p
Interim dividend per Ordinary share		1.6p	1.4p	3.6p
Net assets per Ordinary share		127p	128p	125p

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## SUMMARISED CONSOLIDATED BALANCE SHEET

		30 June 2001 £'000	30 June 2000 £'000	31 December 2000 £'000
	Notes			
Fixed assets				
Tangible assets		2,176	1,987	1,932
Investment				
Investments in associates and joint ventures	6			
Share of gross assets		14,654	8,258	11,818
Less: Share of gross liabilities		(14,618)	(8,119)	(11,640)
		36	139	178
Own shares		454	455	455
		490	594	633
		2,666	2,581	2,565
Current assets				
Stocks		77,597	84,050	87,740
Debtors: Amounts falling due within one year		14,511	14,124	10,986
Debtors: Amounts falling due after one year	6	8,875	8,092	10,591
Cash at bank		224	3,997	393
		101,207	110,263	109,710
Current liabilities		(27,632)	(35,373)	(36,854)
Net current assets		73,575	74,890	72,856
Total assets less current liabilities		76,241	77,471	75,421
Provision for liabilities and charges		(622)	(762)	(694)
Net assets		75,619	76,709	74,727
Capital and Reserves				
Called up share capital		14,910	15,013	14,910
Share premium account		43,085	43,082	43,085
Capital redemption reserve		2,432	2,327	2,432
Other reserves		21	21	21
Profit and loss account		15,171	16,266	14,279
Shareholders' funds		75,619	76,709	74,727

GROUP FINANCE DIRECTOR

# SWAN HILL GROUP PLC - 55973

## SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	Half Year 30 June 2001 £'000	Half Year 30 June 2000 £'000	Full Year 2000 £'000
Operating profit	3,155	3,944	6,940
Share of associated undertakings loss/(profit)	2	0	(85)
Depreciation charge	165	108	239
Loss on sales of tangible fixed assets	0	7	17
Working capital movements	9,823	(11,781)	(16,232)
Net inflow/(outflow) from operating activities	13,145	(7,722)	(9,121)
Dividends received from joint ventures and associates	44	0	0
Returns on investments and servicing of finance	(525)	(739)	(1,464)
Taxation	(272)	69	(515)
Capital expenditure and financial investment	(409)	10,066	9,972
Acquisitions and disposals	0	(103)	0
Equity dividends paid	(1,300)	(1,199)	(2,027)
Cash inflow/(outflow) before financing	10,683	372	(3,155)
Issue of shares	0	0	5
Purchase of own shares	0	(3,609)	(4,238)
(Decrease)/increase in debt due within one year	(154)	111	(2,034)
Cash flows for the period	10,529	(3,126)	(9,422)
Opening net overdraft	(18,692)	(9,270)	(9,270)
Closing net overdraft	(8,163)	(12,396)	(18,692)
Net overdraft	(8,163)	(12,396)	(18,692)
Debt due within one year	(3,487)	(5,792)	(3,640)
Total net borrowings	(11,650)	(18,188)	(22,332)

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## SEGMENTAL ANALYSIS OF TURNOVER AND TRADING PROFIT BY PRINCIPAL ACTIVITY

	Half year 30 June 2001	Half year 30 June 2000	Full year 2000
Notes	£'000	£'000	£'000
Turnover – by principal activity			
Housing	21,391	21,071	40,300
Property	17,749	10,018	19,282
	39,140	31,089	59,582
Operating Profit – by principal activity			
Housing	2,636	4,215	8,627
Property	1,140	370	206
Group costs	(454)	(641)	(1,258)
Operating profit before exceptional items	3,322	3,944	7,575
Reorganisation and other costs	2 (167)	0	(635)
Operating profit	3,155	3,944	6,940
Disposal of property and other fixed assets	0	(601)	(719)
Continuing operations	3,155	3,343	6,221
Discontinued operations	3 0	(103)	(2,425)
Profit on ordinary activities before interest	3,155	3,240	3,796
Operating profit before exceptional items (as above)	3,322	3,944	7,575
Net interest payable	4 (582)	(713)	(1,453)
Trading profit from continuing operations	2,740	3,231	6,122

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the period	1,930	1,802	1,369
Dividends	(946)	(833)	(2,128)
Retained profit/(loss)	984	(969)	(759)
Proceeds from the issue of new shares	0	0	5
Purchase of own shares	0	(3,923)	(4,238)
Revaluation surplus realised	0	550	550
Translation difference on foreign currency investments	(92)	69	125
Net addition/(reduction) to shareholders' funds	892	(2,335)	(4,317)
Opening shareholders' funds	74,727	79,044	79,044
Closing shareholders' funds	75,619	76,709	74,727

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## NOTES

1. The results for the half year to 30 June 2001 have been prepared on a basis consistent with the accounting policies adopted for the year ended 31 December 2000.
2. Reorganisation and other costs in 2001 of £167,000 relate principally to the withdrawal from property activities. The charge in 2000 of £635,000 comprised £510,000 relating to Group costs and £125,000 relating to the withdrawal from property activities.
3. The loss on disposal of discontinued operations amounting to £2,425,000 in 2000 arose as a result of the settlement in relation to the Brook House construction contract claim.
4. Net interest payable is as follows:

	Half year 30 June 2001 £'000	Half year 30 June 2000 £'000	Full year 2000 £'000
<b>Group</b>			
Interest payable	(468)	(703)	(1,438)
Interest receivable	21	30	63
Net interest payable	(447)	(673)	(1,375)
Unwinding of discount in lease provision	(34)	(40)	(78)
	(481)	(713)	(1,453)
<b>Joint ventures</b>			
Interest payable	(101)	0	0
<b>Total</b>	<b>(582)</b>	<b>(713)</b>	<b>(1,453)</b>

5. The tax charge has been calculated at 25.0% of the profit on ordinary activities before tax, based on the current estimate of the effective tax rate for the full year.
6. The principal investment in associates and joint ventures relates to the development of the retail town centre scheme in Stockton on Tees. This development is being progressed within a joint venture company which is funded by loans from the partners and bank debt. The loans from each partner amounted to £8.5 million at the end of June 2001 which is included within debtors falling due after one year.
7. The weighted average number of shares in issue excluding those owned by the Employee Share Trust used in the calculation of basic earnings per share was 59.1 million (half year 2000 – 60.3 million; full year 2000 – 59.7 million). The calculation of diluted earnings per share is based on a weighted average of 59.3 million shares (half year 2000 – 60.5 million; full year 2000 – 59.8 million).
8. This interim statement has been neither audited nor reviewed by the Group's auditors. The results for the year 2000 are abridged and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The auditors gave an unqualified report upon the full accounts for 2000 which were filed with the Registrar of Companies.
9. The interim dividend will be paid on 16 November 2001 to those shareholders whose names appear on the Register of Members on 12 October 2001.
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