HIGGS & HILL

INTERIM REPORT

1996

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COMPANIES HOUSE 11/10/96

CONSTRUCTION · PROPERTY · HOMES

HIGGS AND HILL PLC

INTERIM STATEMENT 1996

Whilst the Property division had another active period and the housing market started to recover, the Group's results for the period were again affected by the performance of the Construction division. Although turnover remained at much the same level as last year, losses before tax for the half year ended 30 June 1996 amounted to £1.8 million (1995 : profits £0.6 million). A maintained interim dividend of 1p (1995 : 1p) will be paid.

Conditions within the construction market remained harsh. New orders totalling £130million have, however, been achieved so far this year including the manufacturing and headquarters buildings which comprise the first major phase of the Swan Valley distribution park, further retail and leisure projects and prestigious new office developments in the West End of London, at Manchester Airport and in central Birmingham. The work at Windsor Castle is progressing well and we have just been awarded the next phase of the restoration. The forward order book for the Construction division stood at £150 million at the end of June. Whilst the division suffered from the difficulties within its Southern operations, the other regions and the plant company continued to perform well. For the second year running we have been voted Medium Sized Contractor of the Year by clients and professionals within the industry.

The restructuring of the Southern operations, to which I referred in my statement last year, is nearing completion and we are working through the problem contracts. Once these are behind us the division should be well placed to benefit as recovery in the market develops.

We are pleased to have concluded a settlement of the Guy's Hospital contract with the Guy's and St Thomas' Hospital Trust and to have agreed the basis for progressing the further work required by the client.

Within the Property division, the infrastructure work required to open the Swan Valley distribution and business park in Northampton has been completed and the first sale of 26 acres has been concluded with an owner-occupier. Terms have been agreed for the

sale of the next phase of a further 12 acres. It also sold an industrial development at Woodford and a warehousing scheme close to Stansted Airport. The division has built the first phase of a new development just outside Bristol to accommodate the Group's own activities in the South West part of the country. This phase has been sold subsequently to an institutional investor.

Activity within our continental property divisions remains quiet although we have now sold the remaining site in Spain. Carter Commercial Developments had a successful first half with the finalisation of a further 5 schemes for food retailers. THI PLC, in which the Group has a 25% interest, is close to completing its next two leisure schemes in Dagenham and Teesside.

The Housing division completed 200 units by 30 June (1995 : 181 units) and is currently selling from a total of 16 sites. Signs of a recovery in the market increased but margins suffered from cost pressures. Average selling prices were much the same as last year but are expected to rise as more sales are made from higher value sites during the second half. We have started selling from the "flagship" island site at Port Solent. Following the excellent performance in the NHBC awards last year the division has achieved seven further awards this year for the quality of its site management.

There is growing evidence of the housing market recovering and a heartening level of activity within the property market. Progress this year will, however, continue to be overshadowed by the difficulties in the Southern operations within the Construction division. The Group as a whole will, therefore, remain in loss for the current year.

At 30 June net borrowings were £15.4 million (21% gearing) compared with £10.6 million at the end of 1995. The receipts of the settlement monies from Guy's Hospital and the first sale from the Northampton scheme have subsequently reversed this movement back to the level prevailing at the year end. Our priority is to focus investment within the Housing and Property divisions whilst preserving the financial strength of the Group.

George Duncan

George Duncan
Chairman
26 September 1996

CONSOLIDATED RESULTS

THE UNAUDITED GROUP RESULTS FOR THE HALF YEAR ENDED 30 JUNE 1996 ARE AS FOLLOWS

	Notes	Half year 30 June 1996 £'000	Half year 30 June 1995 £'000	Full year 1995 £'000
Turnover – Continuing operations		173,702	165,936	352,091
Operating (loss) profit				
Ordinary trading		(1,243)	816	669
Major provisions and reorganisation costs	1	–	–	(7,685)
Continuing operations		(1,243)	816	(7,016)
Net losses on property investments		(29)	(13)	(116)
Net interest payable	2	(566)	(210)	(481)
(Loss) profit on ordinary activites before taxation		(1,838)	593	(7,613)
Taxation charge	3	(554)	(148)	(272)
(Loss) profit on ordinary activites after taxation		(2,392)	445	(7,885)
Dividends		(659)	(657)	(1,640)
Retained loss		(3,051)	(212)	(9,525)
(Loss) earnings per Ordinary share	4	(3.6)p	0.7p	(11.9)p
Interim dividend per Ordinary share		1.0p	1.0p	2.5p

Notes:

1. The major provisions and reorganisation costs charged in full year 1995 consisted of the Guy's Hospital contract provision ($3,500,000) and reorganisation costs of restructuring the construction activities in the south east of England ($4,185,000).

2.

	£'000	£'000	£'000
Interest receivable	177	121	466
Less: Interest payable	(743)	(331)	(947)
	(566)	(210)	(481)

3. The tax charge relates to associated company earnings, overseas activities and irrecoverable advance corporation tax.

4. The weighted average number of shares in issue used in the calculation of earnings per share was 66.2 million (half year 1995 - 65.1 million; full year 1995 - 66.2 million).

5. Goodwill on acquisition written off is attributable to the acquisition of JT Design Build Limited.

6. The results for the year 1995 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 1995 which were filed with the Registrar of Companies.

7. The interim dividend will be paid on 5 December 1996 to those shareholders whose names appear on the Register of Members on 29 October 1996.

Copies of the Interim Report are being sent to all shareholders. Copies can also be obtained from Mr André Confavreux, Group Company Secretary, at the registered office of Higgs and Hill PLC, Crown House, Kingston Road, New Malden, Surrey KT3 3ST. Telephone 0181-942 8921.

	Notes	30 June 1996 £'000	30 June 1995 £'000	31 Dec 1995 £'000
Summarised Consolidated Balance Sheet				
Fixed assets		19,638	21,094	19,663
Current assets		159,900	169,375	166,063
Less: Current liabilities		106,789	103,463	109,400
Net current assets		53,111	65,912	56,663
Total assets less current liabilities		72,749	87,006	76,326
Net borrowings included above		(15,441)	(9,264)	(10,558)
Reconciliation of movements in shareholders' funds				
(Loss) profit for period		(2,392)	445	(7,885)
Dividends		(659)	(657)	(1,640)
Currency translation (losses) gains		(289)	1,112	1,224
Proceeds from issue of new share capital		13	-	10
Goodwill on acquisition written off	5	(250)	(850)	(2,339)
		(3,577)	50	(10,630)
Opening shareholders' funds		76,326	86,956	86,956
Closing shareholders' funds		72,749	87,006	76,326
Summarised Consolidated Cash Flow Statement				
Net outflow from operating activities		(2,330)	(9,262)	(8,086)
Net interest and dividends		(1,477)	(1,206)	(2,091)
Tax refunded (paid)		54	19	(355)
Movement in fixed assets, investments and closure costs		(1,143)	(947)	(2,168)
Share issue proceeds		13	-	10
Purchase of subsidiary		-	38	38
Net cash outflow		(4,883)	(11,358)	(12,652)