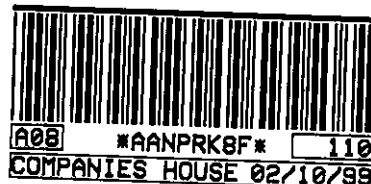


## Chairman's Statement



I am pleased to report half year profits before tax from continuing operations of £3.2 million (1998: £2.6 million) with all parts of the business trading profitably. These results show an increase of 23% on the same period last year. Turnover from continuing operations was £38 million (1998: £32 million). The interim dividend has been increased by 8% to 1.3p (1998: 1.2p).

Profits before tax were £1.5 million after the loss from discontinued operations of £1.7 million. The loss on disposal of Carter Commercial Developments was mainly attributable to the write off of £1.3 million goodwill arising on the original acquisition of this business. An equal amount is credited back to reserves so that the overall impact on shareholders' funds is limited to £0.4 million.

### Operations

Housing division trading profits rose to £3.4 million (1998: £2.3 million), an increase of almost 50%. Whilst unit completions of 158 were similar to last year (1998: 148) average selling prices rose to £125,000 (1998: £118,000). Average selling prices are expected to rise significantly in the second half given the increasing concentration on higher value product. Operating margins improve to 17% (1998: 14%) with the benefit of profits being released on the final phases of a number of sites in the South East. The land bank with planning permission totalled 812 plots. The market in the areas in which we operate has recovered strength following a less confident period during the latter part of 1998. With a stable economy trading conditions should remain favourable through the second half, and we have a good range of new site opportunities under negotiation.

Property division trading profits were £0.9 million (1998: £1.1 million). The principal disposals included the 20,000 sq ft office scheme in

Amersham, sale of the Century House site in Leeds to Nuffield Hospitals, and the investment sale of the first phase and the forward funding of the remainder of the 13 acre industrial scheme at Wolverhampton. Construction work has started on the 30,000 sq ft retail scheme in Brixton which has been presold to an investor. We are working on revised proposals for the major retail scheme at Stockton and expect to know in the autumn whether these are acceptable to the local authority. In line with the strategy announced in March, Carter Commercial Developments was sold in June to its management team releasing £8.1 million for re-investment. Both the French property operation and the Cygnet serviced office company traded profitably.

At 30 June 1999 net borrowings were £7.1 million, having fallen sharply as property sales and the disposal of Carter Commercial Developments were completed. Although further property sales are anticipated, borrowings will rise again as further investment is made in the housing business over the next year.

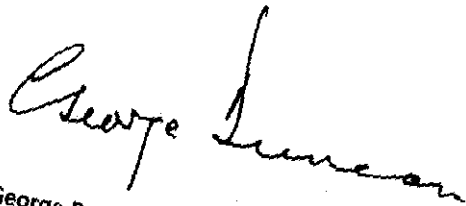
### Strategy

The implementation of the strategy announced in March is well underway, with the disposal programme proceeding more rapidly than predicted:

- The gross proceeds from property sales, including the disposal of Carter Commercial Developments, amount to around £25 million so far this year.
- Resolutions authorising the Company to buyback up to 14.99% of its own shares and redeem the preference share capital have been recently approved at an Extraordinary General Meeting as a first step in meeting the commitment to return capital to shareholders.

- Good progress continues to be made in the transformation of the Housing division from a builder of standard product into a creative developer of higher value, premium and often bespoke residential schemes, adding value through its development expertise. The second half will see a number of these new sites coming to the market. We will be investing in further residential schemes in the second half as additional cash is released from the Property division.

There has been an improvement in the profitability in the first half and good progress in recovering cash from our property activities allowing re-investment in the Housing division. We expect to maintain progress in the second half of the year.



George Duncan  
Chairman

8 September 1999

## Consolidated Results

The Unaudited Results for the half year ended 30 June 1999 are shown below:

	Notes	Half year ended 30 June 1999			Half year 30 June 1998	Full year 1998
		Continuing operations £'000	Discontinued operations £'000	Total £'000	Total £'000	Total £'000
<b>Turnover</b>		<b>38,124</b>	<b>392</b>	<b>38,516</b>	41,225	76,417
<b>Operating profit/(loss)</b>		<b>3,754</b>	<b>(427)</b>	<b>3,327</b>	2,905	3,656
Income from interest in associated undertakings		0	0	0	(1)	32
<b>Trading profit/(loss)</b>		<b>3,754</b>	<b>(427)</b>	<b>3,327</b>	2,904	3,688
Profit on disposal of property fixed assets		33	0	33	0	0
Loss on disposal of discontinued operations	3	0	(1,242)	(1,242)	0	0
<b>Profit/(loss) on ordinary activities before interest</b>		<b>3,787</b>	<b>(1,669)</b>	<b>2,118</b>	2,904	3,688
Net interest payable	4	(599)	0	(599)	(166)	(592)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>3,188</b>	<b>(1,669)</b>	<b>1,519</b>	2,738	3,096
Taxation on ordinary activities	5			(398)	(342)	(329)
<b>Profit on ordinary activities after tax</b>				<b>1,121</b>	2,396	2,767
Dividends – equity and non equity				(890)	(818)	(2,041)
<b>Retained profits</b>				<b>231</b>	1,578	726
<b>Basic earnings per Ordinary share</b>				<b>1.6p</b>	3.5p	4.1p
<b>Diluted earnings per Ordinary share</b>				<b>1.6p</b>	3.5p	4.1p
<b>Basic earnings per Ordinary share excluding discontinued operations</b>				<b>4.1p</b>	3.3p	6.0p
<b>Interim dividend per Ordinary share</b>				<b>1.3p</b>	1.2p	3.0p

## Summarised Consolidated Balance Sheet

	30 June 1999 £'000	30 June 1998 (restated) £'000	30 December 1998 (restated) £'000
<b>Fixed assets</b>	<b>12,701</b>	<b>13,309</b>	<b>13,768</b>
Current assets			
Stocks	79,203	83,209	93,396
Debtors	13,283	24,031	27,375
Cash at bank	548	325	536
Other current assets	0	112	0
	<b>93,034</b>	<b>107,677</b>	<b>121,307</b>
Current liabilities	<b>(24,416)</b>	<b>(40,455)</b>	<b>(55,070)</b>
<b>Net current assets</b>	<b>68,618</b>	<b>67,222</b>	<b>66,237</b>
Total assets less current liabilities	<b>81,319</b>	<b>80,531</b>	<b>80,005</b>
<b>Provisions for liabilities and charges</b>	<b>(891)</b>	<b>(950)</b>	<b>(950)</b>
<b>Total shareholders funds</b>	<b>80,428</b>	<b>79,581</b>	<b>79,055</b>

## Reconciliation of movements in shareholders' funds

	30 June 1999 £'000	30 June 1998 (restated) £'000	30 December 1998 (restated) £'000
Profit for the period	1,121	2,396	2,767
Dividends	(890)	(818)	(2,041)
	<b>231</b>	<b>1,578</b>	<b>726</b>
Purchased goodwill written back	1,284	0	0
Translation differences on foreign currency investments	(142)	(65)	261
<b>Net addition to shareholders funds</b>	<b>1,373</b>	<b>1,513</b>	<b>987</b>
<b>Opening shareholders funds as previously reported</b>	<b>80,005</b>	<b>79,018</b>	<b>79,018</b>
Prior period adjustment	(950)	(950)	(950)
<b>Closing shareholders funds</b>	<b>80,428</b>	<b>79,581</b>	<b>79,055</b>

## Summarised Consolidated Cash Flow Statement

	30 June 1999 £'000	30 June 1998 £'000	Full year 1998 £'000
Trading profit from continuing operations	3,754	2,904	3,688
Share of associated undertaking's profit	0	1	(32)
Depreciation charge	183	153	310
Working capital movements	4,339	(4,712)	(16,333)
<b>Net inflow (outflow) from operating activities</b>	<b>8,276</b>	<b>(1,654)</b>	<b>(12,367)</b>
Returns on investments and servicing of finance	(621)	1,020	606
Taxation	58	(171)	(529)
Capital expenditure	785	(111)	(492)
Acquisitions and disposals	7,473	0	0
Equity dividends paid	(1,217)	(1,116)	(1,928)
<b>Cash inflow (outflow) before financing</b>	<b>14,754</b>	<b>(2,032)</b>	<b>(14,710)</b>
(Decrease) increase in debt in the period	(471)	(104)	410
<b>Movement in net overdraft</b>	<b>14,283</b>	<b>(2,136)</b>	<b>(14,300)</b>
Opening net overdraft	(15,365)	(1,065)	(1,065)
<b>Closing net overdraft</b>	<b>(1,082)</b>	<b>(3,201)</b>	<b>(15,365)</b>
Net overdraft	(1,082)	(3,201)	(15,365)
Debt due within one year	(5,984)	(5,941)	(6,455)
<b>Total net borrowings</b>	<b>(7,066)</b>	<b>(9,142)</b>	<b>(21,820)</b>

## Segmental Analysis of Turnover and Trading Profit by Principal Activity

	Half year 30 June 1999 £'000	Half year 30 June 1998 £'000	Full year 1998 £'000
<b>Turnover</b>			
Property	18,292	14,923	21,805
Housing	19,832	17,429	32,109
<b>Continuing operations</b>	<b>38,124</b>	<b>32,352</b>	<b>53,914</b>
Discontinued operations	392	8,873	22,503
	<b>38,516</b>	<b>41,225</b>	<b>76,417</b>
<b>Trading profit</b>			
Property	893	1,110	1,716
Housing	3,446	2,310	4,342
	<b>4,339</b>	<b>3,420</b>	<b>6,058</b>
Group and other costs	(552)	(635)	(1,054)
<b>Continuing operations</b>	<b>3,787</b>	<b>2,785</b>	<b>5,004</b>
Discontinued operations	(1,669)	119	(1,316)
<b>Profit before interest</b>	<b>2,118</b>	<b>2,904</b>	<b>3,688</b>
Trading profit from continuing operations (as above)	<b>3,787</b>	<b>2,785</b>	<b>5,004</b>
Net interest payable	(599)	(166)	(592)
<b>Profit before tax from continuing operations</b>	<b>3,188</b>	<b>2,619</b>	<b>4,412</b>

## Notes

1. The results for the half year to 30 June 1999 have been prepared on a basis consistent with the accounting policies adopted for the year ended 31 December 1998 with one exception. Following the introduction of FRS 12 the Company has changed its accounting policy to make provision for obligations in respect of a leased property which is substantially unlet. This has been reflected by means of a prior period adjustment and the 1998 figures are restated accordingly.

2. Following the disposal of the construction activities in 1997, the Group retains the financial responsibility for the construction works at Brook House, a development of flats, offices and retail premises in London. Practical completion of this contract was achieved on 29 June 1998. The Group is seeking its proper entitlement under the contract. It is expected that this dispute will go to arbitration and an arbitrator is being appointed.

3. Carter Commercial Developments is treated as a discontinued operation for purposes of this statement. The disposal of this business for £8.1 million was completed on 14 June 1999. The loss on disposal of £1.2 million is after charging £1.3 million through the profit and loss account (representing goodwill which arose on acquisition in 1993, previously written off against reserves). There is an equivalent credit of £1.3 million direct to reserves.

#### 4. Net interest payable

	Half year 30 June 1999 £'000	Half year 30 June 1998 £'000	Full year 1998 £'000
Interest payable	(663)	(262)	(720)
Interest receivable	64	96	128
	<b>(599)</b>	<b>(166)</b>	<b>(592)</b>

5. The tax charge has been calculated at 12½% of the profit before tax from continuing operations, based on the current estimate of the effective tax rate for the full year.

6. 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 67.8 million (half year 1998: 67.6 million; full year 1998: 67.6 million). The calculation of diluted earnings per share is based on a weighted average of 67.8 million shares (half year 1998: 67.7 million; full year 1998: 67.7 million).

7. This interim statement has been neither audited nor reviewed by the Group's auditors. The results for the year 1998 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 1998 which were filed with the Registrar of Companies.

8. The interim dividend will be paid on 3 December 1999 to those shareholders whose names appear on the Register of Members on 22 October 1999.

Copies of the Interim Report are being sent to all shareholders. Copies can also be obtained from Mr André Confavreux, Company Secretary, at the registered office of Swan Hill Group PLC, Cygnet Court, Portsmouth Road, Esher, Surrey KT10 9SG. Telephone number 01372 468 433.