Mc Inerney

Interim Report
for the six months
to 30 June **2004**

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HIGHLIGHTS:

- **Pre-tax profits increased by 100% to €17.03 m (2003: €8.53m)**
- **Earnings per share increased by 106% to 43.33 cent (2003: 21 cent)**
- **Interim dividend up 41% to 7 cent per share gross**
- **723 total private unit completions in first six months (2003: 570)**
- **Further UK expansion achieved through Alexander Developments acquisition**

McInerney Holdings plc reports a profit before taxation of €17.03m for the period ending 30th June 2004 which compares to €8.53m for the corresponding period in 2003. Group turnover increased from €138.5m in the six months to 30 June 2003 to €158.3m. Basic earnings per share were 43.33 cent compared to 21.0 cent for the same period in 2003 and this represents an increase of 106%.

The Directors are very pleased with this strong performance, which was driven by higher output in our Irish housing business and margin growth in our Irish and UK housing businesses. An interim dividend of 7 cent gross will be paid on 4th October 2004 to shareholders registered at 17th September 2004. This dividend is covered six times. This reflects the Directors' policy to align dividends with revenue growth and to bring dividend cover to a level comparable to the housing peer group.

Ireland

The Irish house building division experienced an excellent first half with a strong volume of sales being achieved. Some 574 private housing units have been completed compared with 355 for the first six months of 2003. The number of units completed for the full year is expected to exceed 1,100. Market conditions remain particularly strong with our broad regional spread ensuring continued favourable demand for the Group's range of housing products.

The contracting division had a particularly robust first half in line with the Group's growth plans. It is benefiting from the division's product alignment with the housing needs of local authorities as well as an increasing market for a range of commercial and retail properties.

The recent sale of the Group's interest in the Eyre Square Shopping Centre resulted in a good first half for the commercial division and provided additional funds for reinvestment in new business opportunities. Development at the new site in NewtownMountKennedy will commence shortly.

United Kingdom

The UK housing operation is continuing to increase its contribution to the Group with a strong first half performance. 141 private housing completions, at increased margins, were recorded in the first six months as compared to 181 for the same period in 2003. It is expected over 550 units will be completed for the full year.

The integration of the recently acquired Alexander Developments is progressing very well.

Critical mass has been attained by the successful amalgamation of our three UK acquisitions over recent years. This has resulted in a favourable market position being secured for our product portfolio. This portfolio, primarily aimed at the affordable end of the market, is well placed across North England to take best advantage of a market where demand exceeds supply.

Progressive opportunities for organic growth are planned for the near term. Our expansion programme is underway into the West Yorkshire and North Midlands areas.

Our commercial project at Park Royal London is over three quarters sold and a new site in the West London area has been secured for future development.

Spain

The Spanish freehold division completed 8 units in the first six months with 60 sales on hand for completion in 2005. The division is progressing two significant freehold developments. The first at Mijas, where planning is advancing steadily, and the second more medium term project at Sotogrande. These developments will provide significant growth and profit revenue streams in the 2005 period and beyond.

Outlook

The Group is pleased with the pace of profit growth achieved over the last three years.

The Directors anticipate another excellent full year result. Our growth strategy is exceeding targets and is ahead of expectations.

Ned Sullivan, *Chairman*

Consolidated Profit and Loss Account for the period ended 30 June 2004

	30 June 2004 €'000 (unaudited)	30 June 2003 €'000 (unaudited)	31 Dec 2003 €'000 (audited)
Turnover including Group Share of Joint Ventures			
Continuing Operations	165,401	139,973	352,502
Acquisitions	868	–	–
	166,269	139,973	352,502
Less: Share of Joint Ventures Turnover	(7,973)	(1,504)	(9,173)
Group Turnover	158,296	138,469	343,329
Cost of Sales	(127,644)	(115,738)	(284,408)
Gross Profit	30,652	22,731	58,921
Administrative Expenses	(13,650)	(11,948)	(26,341)
Group Operating Profit			
Continuing Operations	16,695	10,783	32,580
Acquisitions	307	–	–
	17,002	10,783	32,580
Share of Operating Profits in Joint Ventures			
Continuing Operations	4,100	744	2,935
Total Operating Profits including Joint Ventures	21,102	11,527	35,515
Interest Payable and Similar Charges	(4,077)	(2,999)	(7,058)
Profit on Ordinary Activities before Taxation	17,025	8,528	28,457
Taxation Charge arising on Ordinary Activities	(2,785)	(1,663)	(4,643)
Profit on Ordinary Activities after Taxation	14,240	6,865	23,814
Dividends	(2,302)	(1,634)	(3,610)
Profit Retained for the Period	11,938	5,231	20,204
Basic Earnings per Share	43.33 c	21.00 c	72.83 c
Fully Diluted Earnings per Share	41.86 c	20.33 c	70.40 c

Consolidated Balance Sheet as at 30 June 2004

		30 June 2004 €'000 (unaudited)	30 June 2003 €'000 (unaudited)	31 Dec 2003 €'000 (audited)
Fixed Assets				
Intangible Assets		25,315	13,819	13,237
Tangible Assets		14,593	14,544	14,050
Financial Assets				
Joint Ventures:	Share of Gross Assets	9,056	12,141	11,540
	Share of Gross Liabilities	(4,473)	(10,763)	(8,612)
		4,583	1,378	2,928
Total Fixed Assets		44,491	29,741	30,215
Current Assets				
Stocks		249,729	197,502	211,706
Debtors		55,609	46,499	47,861
Cash at Bank and in Hand		18,595	23,422	26,435
		323,933	267,423	286,002
Creditors (Amounts falling due within one year)				
Bank Loans and Overdrafts		24,291	39,924	38,837
Trade and Other Creditors		148,623	113,397	123,756
		172,914	153,321	162,593
Net Current Assets		151,019	114,102	123,409
Total Assets Less Current Liabilities		195,510	143,843	153,624
Creditors (Amounts falling due after more than one year)				
Bank Loans		87,611	60,862	60,238
Other Creditors		4,220	3,550	253
		91,831	64,412	60,491
Provisions for Liabilities and Charges				
Deferred Taxation		1,139	1,158	1,341
		102,540	78,273	91,792
Financed by:				
Capital and Reserves				
Called up Share Capital		4,110	4,086	4,101
Capital Conversion Reserve Fund		62	62	62
Share Premium Account		16,764	16,443	16,648
Revaluation Reserve		2,159	2,159	2,159
Profit and Loss Account		79,445	55,523	68,822
Total Shareholders' Funds – All Equity		102,540	78,273	91,792

Consolidated Cash Flow Statement for the period ended 30 June 2004

	30 June 2004 €'000 (unaudited)	30 June 2003 €'000 (unaudited)	31 Dec 2003 €'000 (audited)
Net Cash (Outflow) / Inflow from operating activities	(996)	(10,288)	2,709
Dividends Received from Joint Ventures	1,900	–	130
Returns on Investment and Servicing of Finance			
Interest Received	54	71	53
Interest Paid	(3,864)	(2,938)	(6,284)
Interest element of Finance Lease payments	(17)	(14)	(34)
	(3,827)	(2,881)	(6,265)
Taxation	(1,938)	(2,395)	(5,020)
Capital Expenditure and Financial Investment			
Expenditure on Tangible assets	(1,081)	(1,563)	(2,523)
Sale of Tangible Assets	–	133	244
	(1,081)	(1,430)	(2,279)
Acquisition of Subsidiary Undertaking	(9,959)	–	–
Equity Dividend Paid	(1,971)	(2,039)	(3,678)
Net Cash Outflow before Financing	(17,872)	(19,033)	(14,403)
Financing			
Share Capital Subscribed	125	93	313
Repayment of Loans	(26,769)	(17,427)	(58,049)
Proceeds from Borrowings	38,191	35,744	76,488
Capital Element of Finance Lease Rentals	(154)	(161)	(287)
	11,393	18,249	18,465
(Decrease) / Increase in cash in period	(6,479)	(784)	4,062

Notes to the Interim Report for the period ended 30 June 2004

1. Basis of preparation of Interim Financial Information

The Interim Financial Information has been prepared on the going concern basis, and on the basis of the other accounting policies set out in the Group's published accounts for the year ended 31 December 2003.

2. Segmental Analysis of Turnover and Profit

		30 June 2004 €'000 (unaudited)	30 June 2003 €'000 (unaudited)	31 Dec 2003 €'000 (audited)
Group Turnover				
Ireland:	Private Housing	112,511	61,570	183,164
	Developed Sites & Land	3,320	9,973	17,230
	Contracts	10,093	17,913	31,068
	Commercial	3,899	6,304	14,217
Spain:	Leisure	5,518	15,577	31,684
United Kingdom:	Private Housing	25,461	24,920	59,328
	Contracts	5,467	3,716	15,811
Total Group Turnover including Group Share of Joint Ventures		166,269	139,973	352,502
Profit before Interest & Taxation				
Ireland:	Private Housing	16,352	7,190	22,275
	Developed Sites & Land	918	1,980	3,552
	Contracts	1,303	529	2,154
	Commercial	2,362	547	1,816
Spain:	Leisure	254	1,285	2,342
United Kingdom:	Private Housing	2,304	2,145	7,671
	Contracts	180	(121)	26
Segment Profits		23,673	13,555	39,836
Common Costs		(2,119)	(1,632)	(3,541)
Goodwill		(452)	(396)	(780)
Net Interest Payable		(4,077)	(2,999)	(7,058)
Profit Before Taxation		**17,025**	**8,528**	**28,457**

3. Taxation

The taxation charge for the period is estimated based on the results for the period.

4. Reconciliation of movement in Group Shareholders' Funds

	€'000 (unaudited)
Opening Shareholders' Funds as at 1 January 2004	91,792
Retained Profit for the period	11,938
Proceeds of new Share Subscription	125
Currency Translation Adjustment	(1,315)
Closing Shareholders' Funds as at 30 June 2004	102,540

During the period 71,500 options were exercised at a price of €1.75 per share.

Mc Inerney

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