Tuesday, 30 March 2010

MCINERNEY HOLDINGS PLC PRELIMINARY ANNOUNCEMENT

Financial Results for the Year ended 31 December 2009

McInerney Holdings plc ('the Group' or 'McInerney') today announces its results for the year ended 31 December 2009.

Overview
The economic and financial backdrop to our business remains challenging. The focus of the Board of Directors (the 'Board') is to retain the practical support of our funders until a market recovery commences, in addition to cutting costs to a minimum and reviewing all non-cash generative aspects of the business.

Operational Performance
The Group recorded a pre-exceptional loss before tax of €25m in 2009 as compared to a pre-exceptional loss before tax of €47 million in 2008.

The Company undertook a further review of the carrying value of its assets in 2009 and an impairment charge of €156m was taken with the first half results in August 2009. To date, the Group has written down its Irish landbank by over 50% and the UK landbank by almost 40% since mid 2008. This impairment charge does not constitute a cash loss to the Group but has eroded the balance sheet. The write down is a prudent measure and assumes that current trading prices and sales volumes continue for the sales life of the landbank in both markets. A further review of the carrying value of the assets was undertaken with the full year results and no further significant impairment charge has arisen.

No dividend is being proposed for 2009.

Operational Activity
The housing markets in the UK and Ireland were both severely impacted by lack of mortgage availability and poor consumer sentiment. In 2009, the Group completed 744 private and contracting residential units in Ireland and the UK compared to 1,352 in 2008.

The Group completed 582 housing units in the UK in 2009, as compared to 750 in 2008. The 2010 selling season in the UK is showing some signs of improvement and the Group is seeing demand for its social housing units increase. The pipeline of social housing opportunity is now converting into new business in 2010. There are 497 social unit sales on hand as compared to 259 this time last year.

In Ireland, the home building division completed 131 private homes as compared to 296 in 2008. Housing prices have fallen considerably. These low prices are attracting interest and this is beginning to translate into positive demand for good housing at keen prices in key geographical locations. Our housing product specification has been modified on a continuous basis to provide a considerably more affordable quality product aligned to this emerging customer market. The Irish contracting business completed 31 housing units in 2009, as compared to 306 in 2008, reflecting a decrease in local authority housing activity in the market.

Hillview, the commercial division, continued to focus on renting its inventory during 2009. The Spanish business is currently the subject of a reorganisation plan designed to place it on hold until market activity returns.

Credit Facilities

Credit approval has been received for revised banking arrangements for our Irish housing business. The new maturity date will be 31 March 2011. Management is currently engaged in satisfying the preconditions attaching to this facility. Negotiations regarding an extension of our UK banking arrangements are ongoing. The Group's UK revolving credit facility has a maturity date of 31 March 2010 and this has now been extended by one month. The Group continues to be in breach of certain of its Irish and UK banking covenants. Accordingly, the Group continues to depend on the support of its principal banks for its ongoing operational activities. Interim funding measures are in place.

The company today also announces that it is undertaking a review of its strategic alternatives including, inter alia, raising new capital and a restructuring of its current financing commitments. To this end, Goldman Sachs International has been retained as financial advisor to the Group.

A restructuring or new equity raise may involve significant dilution of existing equity holders.

A further update on progress will be available at the AGM on the 12th May 2010.

Outlook

The Board remains focused on continuing to reduce costs and generate cash while reviewing strategies that can benefit the operational capacity and performance of the Group in this continuingly challenging economic environment. A stable funding platform is fundamental for the Group's operations and this is the key priority for the Board and senior management team.

Ned Sullivan
Chairman

ENDS

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Consolidated Income Statement for the year ending 31 December 2009

	Note	2009 Pre - Exceptional €'000	2009 Exceptional (Note 9) €'000	2009 Total €'000	2008 Pre - Exceptional €'000	2008 Exceptional (Note 9) €'000	2008 Total €'000
Continuing operations							
Revenue	2	149,372	-	149,372	300,934	-	300,934
Cost of sales		(131,943)	(144,020)	(275,963)	(283,825)	(99,885)	(383,710)
Gross profit / (loss)		17,429	(144,020)	(126,591)	17,109	(99,885)	(82,776)
Administrative expenses		(26,780)	(5,493)	(32,273)	(42,665)	(49,514)	(92,179)
Share of results from joint ventures		(964)	(13,514)	(14,478)	(2,463)	(10,152)	(12,615)
Loss from operations		(10,315)	(163,027)	(173,342)	(28,019)	(159,551)	(187,570)
Investment income		337	-	337	1,296	-	1,296
Finance costs		(14,708)	(5,312)	(20,020)	(20,219)	-	(20,219)
Loss before tax		(24,686)	(168,339)	(193,025)	(46,942)	(159,551)	(206,493)
Tax		97	1,067	1,164	7,482	9,786	17,268
Loss attributable to equity holders of the parent		(24,589)	(167,272)	(191,861)	(39,460)	(149,765)	(189,225)
Loss per share (cent)							
From continuing operations							
Basic				(95.15)			(94.38)
Diluted				(95.15)			(94.38)

Consolidated Statement of Comprehensive Income
for the year ending 31 December 2009

	2009 €'000	2008 €'000
Loss for the period	(191,861)	(189,225)
Actuarial loss on defined benefit pension scheme	(772)	(486)
Exchange difference on translation of foreign operations	131	(15,620)
Fair value movement on interest rate swaps	1,584	(5,364)
Tax relating to components of other comprehensive income	96	(236)
Transfers to income on interest rate swaps	-	354
Total comprehensive income and expense for the period attributable to equity shareholders	(190,822)	(210,577)

Consolidated Balance Sheet as at 31 December 2009

	Note	2009 €'000	2008 €'000
Non-Current Assets			
Property, fixtures & equipment		5,383	6,723
Interests in joint ventures		1,199	6,523
Deferred tax assets		4,708	3,409
		11,290	16,655
Current Assets			
Inventories		228,504	383,713
Trade & other receivables		16,126	45,115
Cash & cash equivalents		5,261	26,228
Assets classified as held for sale		-	504
		249,891	455,560
Total Assets		261,181	472,215
Current Liabilities			
Trade & other payables		81,427	112,566
Retirement benefit obligation		376	535
Tax liabilities		2,000	5,005
Provisions		10,550	8,678
Obligations under finance leases		152	282
Bank loans & overdrafts	4	241,725	140,330
		336,230	267,396
Net Current (Liabilities) / Assets		(86,339)	188,164
Non-Current Liabilities			
Bank loans	4	-	105,475
Retirement benefit obligation		1,916	985
Deferred tax liabilities		49	152
Provisions		14,761	3,123
Other payables		743	1,033
Obligations under finance leases		71	286
		17,540	111,054
Total Liabilities		353,770	378,450
Net (Liabilities) / Assets		(92,589)	93,765
Equity			
Share capital		5,041	5,041
Capital conversion reserve fund		62	62
Share premium account		101,071	101,071
Other reserves		(1,013)	(1,247)
Hedging & translation reserves		(21,221)	(27,067)
Accumulated (Losses) / Earnings		(176,529)	15,905
		(92,589)	93,765
Total Equity and Liabilities		261,181	472,215

Statement of Changes in Shareholders' Equity

for the year ending 31 December 2009

	Share Capital €'000	Capital Reserves €'000	Hedging & Translation Reserve €'000	Retained Earnings / Losses €'000	Total (Attributable to Equity Holders of Parent) €'000
Balance at 1 January 2008	5,036	100,221	(6,437)	211,506	310,326
Total comprehensive income and expense for the year	-	(299)	(20,630)	(189,648)	(210,577)
Recognition of share based payments	-	23	-	-	23
Transfer on exercise of share options	-	(104)	-	104	-
Transfer on vesting of shares	-	13	-	(13)	-
Dividends paid	-	-	-	(6,044)	(6,044)
New share issue	5	32	-	-	37
Total movement	5	(335)	(20,630)	(195,601)	(216,561)
Balance at 31 December 2008	5,041	99,886	(27,067)	15,905	93,765
Total comprehensive income and expense for the year	-	-	1,715	(192,537)	(190,822)
Transfer of interest rate swaps	-	-	4,131	-	4,131
Recognition of share based payments	-	337	-	-	337
Transfer on lapsing of share options	-	(103)	-	103	-
Total movement	-	234	5,846	(192,434)	(186,354)
Balance at 31 December 2009	5,041	100,120	(21,221)	(176,529)	(92,589)

Consolidated Cash Flow Statement

for the year ending 31 December 2009

	Note	2009 €'000	2008 €'000
Loss from operations		(173,342)	(187,570)
Adjustments for:			
Non cash exceptional items		144,520	140,619
Depreciation		1,020	2,222
Share of results from joint ventures		14,478	12,615
Provision for fair value of share based payments		337	23
Loss on disposal of tangible assets		117	21
Pension service costs		487	399
(Decrease) / Increase in provisions		(3,061)	4,585
Operating cash flows before movements in working capital		(15,444)	(27,086)
Decrease / (Increase) in inventories		34,517	(13,856)
Decrease in receivables		9,953	63,255
Decrease in payables		(29,177)	(48,846)
Cash used in operations		(151)	(26,533)
Taxation received / (paid)		8,115	(242)
Interest paid		(14,139)	(18,504)
Net cash used in operating activities		(6,175)	(45,279)
Investing activities			
Interest received		34	831
Loans advanced to joint ventures		644	59
Loans repaid by joint ventures		560	3,443
Proceeds on disposal of property, fixtures & equipment		103	1,296
Purchases of property, fixtures & equipment		(28)	(293)
Employer contributions to pension scheme		(609)	(517)
Acquisition of subsidiaries		-	(1,499)
Net cash from investing activities		704	3,320
Financing activities			
Dividends paid		-	(6,044)
Share capital subscribed		-	37
Repayments of borrowings		(38,157)	(58,719)
Repayments of obligations under finance leases		(400)	(512)
New bank loans raised		24,812	47,941
(Decrease) / Increase in bank overdrafts	4	(2,442)	2,451
Net cash used in financing activities		(16,187)	(14,846)
Net decrease in cash & cash equivalents		(21,658)	(56,805)
Cash & cash equivalents at beginning of period		26,228	80,459
Effect of foreign exchange rate changes		691	2,574
Cash & cash equivalents at end of period			
Bank balances and cash		5,261	26,228

Notes to the Preliminary Announcement

1 Going Concern

The financial statements have been prepared on a going concern basis.

The Chairman's Statement and the Report of the Directors refer to challenging trading conditions which the Group continued to experience in the UK and Irish housing markets, as weak consumer sentiment and lack of access to mortgage funding constrained demand. As a result, the Group incurred trading losses before exceptional items of €25m and losses after exceptional items of €192m for the year ended 31 December 2009. The Group had net liabilities of €93m at 31 December 2009. The loss of capital was substantially due to an unrealised impairment charge against the carrying value of land and work in progress. The Directors believe that the net liability position does not prevent the adoption of the going concern basis in the preparation of these financial statements.

In 2008 the Group impaired the value of certain land and work in progress by €110m and its entire goodwill balance of €40m. The Group reviewed the carrying value of its land and work in progress again as at 30 June 2009, in the context of the continued deterioration in trading conditions in the first half of the year. This review resulted in a further provision for impairment of €156m in the value of land and work in progress based on the continuation of current market conditions, particularly price and demand, for the duration of the development of the landbank, bringing the cumulative provisions for impairment at that date to €306m. The review was updated at the balance sheet date and an additional provision for impairment of €1.5m was considered necessary.

Note 4 provides disclosures in relation to the Group's bank loans at 31 December 2009 of €242m and the terms and conditions relating to those loans. As a result of the trading performance and impairment charges, the Group is in breach of various covenants set out in its banking agreements. Based on current market conditions, and current forecasts, the Group's subsidiaries are likely to remain in breach of these covenants until new facility structures and covenants are finalised. All of the Group's loans are classified as current liabilities. The Group depends on the continued support of its principal banks to enable it to continue its ongoing trading activities. The Group has engaged professional advisors to assist in restructuring its overall capital base.

Since the balance sheet date, Credit Committee approval has been obtained from the Group's Irish principal lenders for revised loan facility structures and interim funding arrangements have been put in place. Detailed loan agreements are currently being drafted and the Group is in the process of securing compliance with various conditions precedent. The maturity date of the new facilities will be 31 March 2011. The Directors expect negotiations to further extend the facilities to a date beyond March 2011 to commence in late 2010 with the aim of a successful conclusion early in 2011.

The Group's UK revolving credit facility, the security for which is restricted to UK assets, has a maturity date of 31 March 2010 and this has been extended by one month. Negotiations are in progress to restructure and further extend facilities to provide funding for a number of years into the future.

Negotiations are ongoing to continue or extend funding in the Group's ancillary and project finance based businesses. Negotiations are also ongoing to defer payment of certain licence fees and amounts owed under licence agreements.

Continuation of the support of the Group's lenders and the possibility of further or prolonged significant deterioration in the key housing markets of Ireland and the UK beyond that assumed in the Group's forecasts, represent material uncertainties that may cast significant doubt on the

Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if the Group was unable to continue as a going concern.

However, the directors are satisfied that the Group will continue as a going concern, given that revised Irish facilities have been Credit Committee approved and on the basis of the progress to date of discussions with the Group’s other principal lenders. Accordingly the Directors consider it appropriate to prepare the financial statements on a going concern basis.

2 Business and Geographical Segments

The Group operates in Ireland, the UK and Spain. These divisions are the basis on which the Group reports its segmental information. The principal activities of the Group are Housing, Contracting, Commercial Development and Leisure. Land sales are also part of each business.

Revenue	2009 Revenue €'000	2008 Revenue €'000
Ireland:		
Housing	28,197	72,712
Developed sites and land	317	1,906
Construction contracts	33,341	89,748
Commercial	102	140
Commercial land	-	120
	61,957	164,626
UK:		
Housing	73,229	122,279
Developed sites and land	882	1,051
Construction contracts	5,962	6,214
Commercial	2,037	2,463
	82,110	132,007
Spain:		
Club management	2,836	3,133
Leisure freehold	3,789	5,080
	6,625	8,213
Eliminations	(1,320)	(3,912)
Total revenue	149,372	300,934

Segment Results	2009 Group Subsidiaries €'000	2009 Joint Ventures €'000	2009 Total Segment €'000	2008 Group Subsidiaries €'000	2008 Joint Ventures €'000	2008 Total Segment €'000
Ireland:						
Housing	(3,140)	(1,051)	(4,191)	(930)	(1,980)	(2,910)
Developed sites and land	34	-	34	1,733	-	1,733
Construction contracts	3,685	-	3,685	(2,071)	-	(2,071)
Commercial	(205)	(75)	(280)	(1,284)	(256)	(1,540)
Commercial land	-	-	-	430	-	430
	374	(1,126)	(752)	(2,122)	(2,236)	(4,358)
UK:						
Housing	(1,813)	10	(1,803)	(9,428)	-	(9,428)
Developed sites and land	13	-	13	(472)	-	(472)
Construction contracts	(768)	-	(768)	(334)	-	(334)
Commercial	(734)	152	(582)	(816)	(227)	(1,043)
	(3,302)	162	(3,140)	(11,050)	(227)	(11,277)
Spain:						
Club management	47	-	47	2,266	-	2,266
Leisure freehold	(202)	-	(202)	(7,382)	-	(7,382)
	(155)	-	(155)	(5,116)	-	(5,116)
Total segment results pre exceptional costs	(3,083)	(964)	(4,047)	(18,288)	(2,463)	(20,751)

A summary of the above results by activity is as follows:

Housing	(4,953)	(1,041)	(5,994)	(10,358)	(1,980)	(12,338)
Developed sites and land	47	-	47	1,691	-	1,691
Construction contracts	2,917	-	2,917	(2,405)	-	(2,405)
Commercial	(939)	77	(862)	(2,100)	(483)	(2,583)
Club management	47	-	47	2,266	-	2,266
Leisure freehold	(202)	-	(202)	(7,382)	-	(7,382)
	(3,083)	(964)	(4,047)	(18,288)	(2,463)	(20,751)
Common costs			(6,268)			(7,268)
Exceptional costs			(163,027)			(159,551)
Loss from operations			(173,342)			(187,570)
Investment income			337			1,296
Finance costs			(20,020)			(20,219)
Loss before tax			(193,025)			(206,493)
Tax			1,164			17,268
Loss after tax			(191,861)			(189,225)

Exceptional costs are analysed by division in note 3.

Balance Sheet	2009 Assets €'000	2009 Liabilities €'000	2009 Net Assets €'000	2008 Assets €'000	2008 Liabilities €'000	2008 Net Assets €'000
Ireland:						
Housing	96,760	(58,317)	38,443	224,998	(79,962)	145,036
Commercial	4,864	(2,960)	1,904	7,198	(2,635)	4,563
	101,624	(61,277)	40,347	232,196	(82,597)	149,599
UK:						
Housing	99,062	(37,511)	61,551	150,239	(30,237)	120,002
Commercial	13,610	(678)	12,932	14,623	(154)	14,469
	112,672	(38,189)	74,483	164,862	(30,391)	134,471
Spain:						
Club management	6,313	(535)	5,778	7,732	(432)	7,300
Leisure freehold	30,158	(7,426)	22,732	35,743	(8,478)	27,265
	36,471	(7,961)	28,510	43,475	(8,910)	34,565
Total operating assets / (liabilities)	250,767	(107,427)	143,340	440,533	(121,898)	318,635
Total cash / (bank borrowings)	5,261	(241,725)	(236,464)	26,228	(245,805)	(219,577)
Unallocated assets / (liabilities)	5,153	(4,618)	535	5,454	(10,747)	(5,293)
	261,181	(353,770)	(92,589)	472,215	(378,450)	93,765

3 Exceptional Items

	2009 €'000	2008 €'000
Land and inventory impairments		
UK	39,477	41,552
Ireland	110,088	42,336
Spain	4,138	12,592
Commercial division	3,831	13,557
	157,534	110,037
Other exceptional items		
Restructuring charge		
UK	1,770	5,509
Ireland	3,612	3,690
Spain	111	-
Commercial division	-	607
Finance costs	5,312	-
Goodwill impairment (note 16)	-	39,708
	10,805	49,514

Land and inventory impairments represent a write down in the value of the land and inventory controlled by the Group to reflect current market conditions. This includes €13.5m for Group's share of joint venture land impairment (2008: €10.2m) and a provision of €16.7m for obligations under licence agreements (2008: nil). A full review of inventories has been performed and write downs have been made where cost exceeds net realisable value. Estimated sales rates and prices have been reviewed on a site by site basis and reflect local management and the Board's assessment of current market conditions.

The restructuring charge is made up of redundancy payments, office closure costs, costs associated with site closures and professional fees associated with refinancing the Group's UK revolving credit facility.

Finance costs relate to arrangement fees for refinancing the Group's UK revolving credit facility and to the fair value of the Group's interest rate swaps at 31 December 2009. In the past these interest rate swaps were both designated and effective as cash flow hedges and the fair value thereof had been deferred in other reserves. However due to covenant breaches of loan facilities and restructuring of the Group's debt as set out in Note 1, the originally forecasted repayment profile for the hedged debt is no longer expected to occur and hedge accounting has been discontinued. As the original repayments profile is no longer expected to occur, the cumulative fair value of interest rate swaps at 31 December 2009 has been transferred from the hedging reserve to retained earnings.

The Group tested its goodwill for impairment at December 2008. The impairment was determined on the basis of the business' value in use. The value in use is the present value of the future cash flows expected to be derived from each cash generating unit over the following three years. As a result the goodwill was fully impaired.

4 Bank Overdraft and Loans

	2009 €'000	2008 €'000
Bank loans	241,716	243,354
Bank overdrafts	9	2,451
	241,725	245,805

The borrowings are repayable as follows:	2009 €'000	2008 €'000
On demand or within one year	241,725	140,330
In the second year	-	7,217
In the third year	-	85,690
In the fourth year	-	6,000
In the fifth year	-	932
After five years	-	5,636
Gross Debt	241,725	245,805
Less : Amounts due for settlement within 12 months	(241,725)	(140,330)
Non-current liabilities		
Amounts due for settlement after 12 months	-	105,475

Analysis of borrowings by currency	Euro €'000	Sterling €'000	Total €'000
At 31 December 2009			
Bank loans	137,400	104,316	241,716
Bank overdrafts	9	-	9
	137,409	104,316	241,725
At 31 December 2008			
Bank loans	93,447	149,907	243,354
Bank overdrafts	986	1,465	2,451
	94,433	151,372	245,805

Weighted average interest rates paid	2009 %	2008 %
Bank loans	6.5	7.5
Bank overdrafts	8.9	6.7

The Group funds itself through a mixture of committed facilities and project finance. The committed facilities are usually maintained on a revolving basis with a range of relationship banks. The project finance facilities are used where it is more appropriate to fund a project on a stand alone basis.

As a result of the trading performance and impairment charges, the Group is in breach of various covenants set out in its banking agreements. Based on current market conditions, and current forecasts, the Group's subsidiaries are likely to remain in breach of these covenants until new facility structures and covenants are finalised. All of the Group's loans are classified as current liabilities. The Group depends on the continued support of its principal banks to enable it to continue its ongoing trading activities. The Group has engaged professional advisors to assist in restructuring its overall capital base.

Since the balance sheet date, Credit Committee approval has been obtained from the Group's Irish principal lenders for revised loan facility structures and interim funding arrangements have been put in place. Detailed loan agreements are currently being drafted and the Group is in the process of securing compliance with various conditions precedent. The maturity date of the new facilities will be 31 March 2011. The Directors expect negotiations to further extend the facilities to commence in late 2010 with the aim of a successful conclusion early in 2011.

The Group's UK revolving credit facility, the security for which is restricted to UK assets, has a maturity date of 31 March 2010 and this has been extended by one month. Negotiations are in progress to restructure and further extend facilities to provide funding for a number of years into the future.

Negotiations are also ongoing to continue or extend funding in the Group's ancillary and project finance based businesses.

Of the borrowings of €241.7m which are classified as repayable within 1 year:

- €111.1m relates to the Group's borrowings under its Irish revolving credit and term loan facilities. Credit committee approval has been granted to convert these facilities into a single term loan with a maturity of March 2011;
- €87.5m relates to the Group's UK revolving credit facility. This facility has a maturity date of 31 March 2010 which has been extended by one month after the balance sheet date. Negotiations are in progress to restructure and further extend facilities to provide funding for a number of years into the future.
- €27.6m relates to non-recourse project loans; and
- €15.5m relates to bilateral loans from an Irish bank which are secured against various assets such as properties and development land.

The security for borrowings under the Group's revolving credit facilities is restricted to the associated operating divisions. The security for borrowings under non-recourse project loans and bilateral loans is restricted to the underlying assets financed by the borrowings.

5 Approval of Preliminary Announcement

The financial information contained in this preliminary announcement is not the statutory financial statements of the company, drawn up in accordance with the Companies Acts 1963 to 2009, which is required to be annexed to the company's Annual Return to the Companies Registration Office in Ireland. The directors approved the financial statements in respect of the financial year ended 31 December 2009 on 29 March 2010. A copy of the financial statements in respect of the financial year ended 31 December 2009 will be annexed to the Company's annual return for 2010. A copy of the financial statements of the Company in respect of the year ended 31 December 2008 has been annexed to the Company's annual return for 2009 to the Companies Registration Office.

The auditors of the company have made a report without any qualification on their audit of the statutory accounts of the company in respect of the year ended 31 December 2009. Without qualifying their opinion they draw attention to Note 1 to the financial statements, fully reproduced as Note 1 in this preliminary announcement, as follows:

Emphasis of Matter – Going Concern
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Group incurred losses after exceptional items of €192m for the year ended 31 December 2009 and had net liabilities of €93m at that date. The Group is in breach of various covenants set out in its banking agreements and all of its loans are classified as current liabilities. Credit Committee approval has been obtained from the Group's Irish principal lenders for revised loan facility structures and interim funding arrangements have been put in place by the lenders

pending completion of the drafting of the relevant agreements and compliance with various conditions precedent. Discussions with the Group's UK principal lenders and other lenders are ongoing. The Group's ability to continue as a going concern is dependent on the continued support of its lenders. These conditions together with the other matters set out in Note 1 indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the Group was unable to continue as a going concern.

The preliminary announcement was approved by the Board of Directors and authorised for issue on 29 March 2010. This preliminary announcement has been agreed with the auditors.