McInerney Holdings plc
(In Examination under the Companies (Amendment) Act 1990, As Amended)
Interim Report for the six months to 30 June 2010

CHAIRMAN'S STATEMENT

RESULTS

The Group recorded a pre exceptional loss before tax of €10.9m in the six months to 30 June 2010 compared to a pre exceptional loss before tax of €12.8m in the same period in 2009.

An exceptional charge of €5.9m was taken in the period. Of this €4.5m relates to the write off of our investment in Alanda Homes SL, our Spanish freehold apartment development division, which was placed into voluntary administration in May. The balance relates to costs associated with the proposed restructuring of the Group's debts.

No further impairment charge was necessary, reflecting the signs of stabilisation in our main markets.

REVIEW

RESTRUCTURING

The Groups Balance Sheet has negative net assets of €112.6m and the Group is not in compliance with its principal banking covenants. Banking facilities have been rolled on a short term basis and the Group depended on the continued support of its principal lenders for continued trading. As detailed below the principal Irish lenders ceased to be supportive during August.

On 30th March 2010, the Group announced that it was undertaking a review of its strategic alternatives including, inter alia, raising new capital and a restructuring of its current financial commitments. To this end Goldman Sachs International was retained as financial advisor to the Group. A restructuring or new equity raise will involve significant dilution of existing equity holders and there can be no guarantee of success in this process.

Goldman Sachs undertook a review of the Group's legal and financial structure in order to devise a strategy for the restructuring of the Group. This strategy included a process of contacting and selecting potential equity partners following which the Group identified a leading international investor with a firm interest in investing in the Group, provided appropriate revised financing arrangements can be secured. Progress to date in the UK on framing a revised capital and operating structure for that business has been positive.

In Ireland, similar progress has not been made and our syndicate lenders withdrew support from the Irish business. As a direct consequence of this, we petitioned the High Court on 26 August 2010 for the appointment of an Interim Examiner to the Company and to the principal Irish home building and contracting operations, and that appointment was made. A Court Hearing to confirm the appointment of the Examiner is currently scheduled for 7 September 2010. The Directors believe that the protection of the Court is necessary to give the Group time to engage in constructive negotiations with its creditors and the potential new capital provider identified, to facilitate survival of the Group as a going concern. Protection of the Court was sought to protect the Group, its employees, creditors and stakeholders in general.

Following the appointment of an Interim Examiner, it became necessary to suspend dealings in our shares.

Further updates on this process will be provided in due course.

MANAGEMENT

Group Managing Director Barry O'Connor was excused from executive authority on 8th April 2010, having indicated to the Board his intention to potentially purchase the Group's Spanish operations as part of the restructuring process. Enda Cunningham, Group Finance Director, assumed full executive responsibility for the Group's businesses in Ireland, UK and Spain from that date, reporting directly to the Board. Davy Corporate Finance was appointed to handle any potential sale of the Spanish business.

MARKETS

The UK market improved gradually over the past year but further forward progress is expected to be slow. However, our social housing business achieved considerable expansion.

The Irish market is showing signs of levelling off in good locations, albeit prices have fallen further in more secondary locations.

In both markets the Directors believe working capital constraints impeded a higher level of sales being achieved in recent months. Our output in 2010 will, therefore, be lower than earlier expectations.

OUTLOOK

Our focus remains on achieving a stable funding platform for the Group providing the working capital necessary to build and sell homes. The loss of the support of the syndicate lenders in Ireland was unexpected and caused us to seek Court protection for that business. However, progress has been made on the restructuring. Our main markets are no longer suffering decline and segments of both markets have shown signs of improvement. The future of the Group will largely depend on the outcome of the restructuring process, including the success of the Examination process in Ireland and the willingness of lenders to facilitate the raising of new capital. The Directors believe that a restructuring and recapitalisation should ensure the best recovery for all stakeholders.

Ned Sullivan
Chairman

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Interim Management Report

UK
The Group completed 200 housing units in the UK in the first half of 2010 compared to 274 in the same period of 2009. Of these 107 were social homes (2009: 77). The UK recorded an operating loss of €1,258k versus an operating loss of €2,909k in 2009. This improvement relates to increased margins, overhead reduction and land sales achieved during the period, offset by a fall in the number of houses sold.

The Group's average plot cost in the UK is £29k. The average price per housing unit in the period was £128k compared to £109k for the first six months of 2009. McInerney owns or control 2,065 plots, 98% of which have planning. In addition, the Group control 214 plots for social housing. Sales on hand were 456 units (2009: 427 units).

Ireland
The Group completed 49 private housing units in Ireland in the first half of 2010 versus 64 in the first half of 2009 and reported an operating loss of €2,757k compared to a profit of €1,784k in 2009. Profit in 2009 benefited from favourable one off final account settlements in our contracting business. In 2010 a loss of €0.5m has been made in this business. The home building business experienced lower volumes and lower prices and recorded a loss of €2.3m. Losses in both divisions were offset by a €2m reduction of overheads costs.

The Group's average plot cost in Ireland is €24k. The Group's average sales price before VAT was €195k compared to €228k in the same period last year. McInerney owns or control 3,746 plots. Of these a total of 2,588 have planning permission. The Group also controls a strategic landbank of over 1,000 plots. Sales on hand were 201 units (2009: 230), of which 163 were Part V social units where completions are expected in 2011 and beyond.

Other Businesses
The Commercial Division which operates in Ireland and the UK, delivered 357 sq. metres of sales in the first half of 2010 versus 632 sq. metres in the first half of 2009. It recorded an operating loss of €293k, as opposed to an operating loss of €352k for the same period last year.

On 3 May 2010 the Group's Spanish freehold apartment development subsidiary, Alanda Homes SL, sought the appointment of a voluntary Administrator. This appointment was confirmed on 27 May 2010. At that date the gross assets and liabilities of the subsidiary amounted to €19.8m and €15.3m respectively. An exceptional loss of €4.5m is recognised as a result of the group's loss of control of the financial and operating policies, and hence its deconsolidation, of the Spanish entity. The Group's current focus in Spain is to enhance the value of our remaining land holding in Sotogrande through the planning process and manage the business's interests in Alanda Club, Marbella. The Spanish Division recorded an operating loss of €57k versus an operating loss of €369k in 2008.

Working Capital
Cash generated by operations in the period was €2.6m compared to cash consumed of €12.8m in the first half of 2009. However the positive cash generated by operations was insufficient to fully service interest on the Group's borrowings. In both Ireland and UK markets we believe we would have achieved higher sales in recent months if the Group had access to adequate working capital facilities.

Interest Charges
The interest charge for the first half of the year was lower than the first half of 2009. This is mainly due

to the effect of interest rate swaps. The finance costs on borrowings in 2010 largely relate to current cost of funds plus the margins set out in the associated loan agreements. However the finance costs on borrowings in 2009 also included a charge for out-of-the-money interest rate swaps.

Exchange Rate
The Group is primarily exposed to sterling foreign exchange risk. The average sterling exchange rate used for translation of the profit and loss account was 0.87 in the first half of 2010 compared to 0.90 in the first half of 2009. The Balance Sheet exchange rate was 0.82 as compared to 0.89 at end 2009.

Dividends
The Directors do not propose to pay an interim dividend in view of the current trading situation of the Group and the reserves position of the Company.

Debt
Net Debt at the half year was net €242m. This compares to €236m net debt at 31 December 2009. €9m of this increase is due to the impact of exchange rate movements on the Group's sterling debt however this is offset by reduction in debt of €10m due to the Alanda Homes administration process. The balance of the increase in debt relates primarily to general trading.

Funding

Banking
Note 12 provides disclosures in relation to the Group's bank loans at 30 June 2010 of €244m 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 as part of the overall restructuring process. All of the Group's loans are classified as current liabilities.

Other
The Group has entered into licence agreements with third parties in the normal course of business to build private housing developments on land owned by those third parties. The Group has exclusive building licences on such sites and pays licence fees per site as sites are developed and sold, or if earlier, on dates set out in the licence agreements. Due to current market conditions the Group is seeking to negotiate extensions with its licence partners. A number of partners have agreed to extensions. However as set out in Note 18 some licence parties have initiated legal proceedings against a Group subsidiary claiming €9m alleged to be overdue. The Group subsidiary will defend this action.

Principal Risks and Uncertainties
The Board assesses the principal risks and uncertainties faced by the Group on an ongoing basis and seeks to ensure that strategies to mitigate the effect of these risks are in place. As noted in the Chairman's Statement, the future of the Group will largely depend on the outcome of the restructuring process, including Examinership in Ireland. As at the date of approval of the Interim Statement other key risks facing the business in the next six months, in the opinion of the Board, include a range of factors that are similar to other development companies and specific to the nature of the housing supply industry. These include maintaining corporate funding facilities, housing market demand, availability of consumer/mortgage finance, consumer confidence, volatility in relation to financial and economic markets, and interest rates/foreign exchange rates.

Related Party Transactions
There were no related party transactions that would have materially affected the financial position or performance of the Group in the period. In addition there were no changes in related party transactions from the last Annual Report that could have had a material effect on the financial position or performance of the Group in the first six months.

Events After the Balance Sheet Date
Note 19 sets out all material events since the balance sheet date.

Auditor Review
The half year financial report has not been audited or reviewed by the Auditors of the Group pursuant to the Auditing Practices Board guidance on review of interim financial information. The Independent Auditors' Report on the Group's financial statements for the year ended 31 December 2009 contained an Emphasis of Matter relating to the Group's ability to continue as a going concern and drawing shareholders attention to Note 1 to the financial statements. In Note 1 to these condensed financial statements the Directors again address the issue of going concern.

Forward Looking Statements
Certain comments made in these interim results are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from the expected future events or results referred to in these forward looking statements.

On behalf of the Board

Enda Cunningham
Finance Director

Responsibility Statement
The Directors are responsible for preparing the Interim Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

a. the Group Condensed Financial Statements for the half year ended 30 June 2010 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34 Interim Financial Reporting) adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b. the Interim Management Report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the Group Condensed Financial Statements for the half year ended 30 June 2010, and a description of the principal risks and uncertainties for the remaining six months;
c. the Interim Management Report includes a fair review of related parties' transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board

Enda Cunningham
Finance Director

Condensed Consolidated Income Statement (unaudited)
for the period ended 30 June 2010

	Note	June 2010 Pre - Exceptional €'000	June 2010 Exceptional (note 6) €'000	June 2010 Total €'000	June 2009 Pre - Exceptional €'000	June 2009 Exceptional (note 6) €'000	June 2009 Total €'000
Continuing operations							
Revenue	4	49,984	-	49,984	80,821	-	80,821
Cost of sales		(46,642)	-	(46,642)	(71,693)	(136,471)	(208,164)
Gross profit / (loss)		3,342	-	3,342	9,128	(136,471)	(127,343)
Administrative expenses		(9,234)	(5,887)	(15,121)	(13,789)	(2,207)	(15,996)
Share of results from joint ventures		(558)	-	(558)	(642)	(19,461)	(20,103)
Loss from operations	4	(6,450)	(5,887)	(12,337)	(5,303)	(158,139)	(163,442)
Investment income		184	-	184	313	-	313
Finance costs		(4,683)	-	(4,683)	(7,783)	-	(7,783)
Loss before tax		(10,949)	(5,887)	(16,836)	(12,773)	(158,139)	(170,912)
Tax	8	-	-	-	(5)	-	(5)
Loss attributable to equity holders of the parent		(10,949)	(5,887)	(16,836)	(12,778)	(158,139)	(170,917)
Loss per share (cent)							
From continuing operations							
Basic	9			(8.35)			(84.77)
Diluted	9			(8.35)			(84.77)

Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the period ended 30 June 2010

	Note	June 2010 €'000	June 2009 €'000
Loss for the period		(16,836)	(170,917)
Actuarial Loss on defined benefit pension scheme		(898)	(786)
Exchange difference on translation of foreign operations	14	(2,355)	(3,136)
Fair value movement on interest rate swaps	14	-	92
Tax relating to components of other comprehensive income		112	98
Total comprehensive income and expenses for the period attributable to equity shareholders		(19,977)	(174,649)

Condensed Consolidated Statement of Changes in Equity (unaudited)
for the period ended 30 June 2010

	Share Capital €'000	Capital Reserves €'000	Hedging & Translation Reserve €'000	Retained Earnings €'000	Total (Attributable to Equity Holders of Parent) €'000
Balance at 1 January 2009	5,041	99,886	(27,067)	15,905	93,765
Total comprehensive income and expense for the period	-	-	(3,044)	(171,605)	(174,649)
Recognition of share based payments	-	173	-	-	173
Transfer on exercise of share options	-	(29)	-	29	-
Total movement	-	144	(3,044)	(171,576)	(174,476)
Balance at 30 June 2009	5,041	100,030	(30,111)	(155,671)	(80,711)
Balance at 1 January 2010	5,041	100,120	(21,221)	(176,529)	(92,589)
Total comprehensive income and expense for the period	-	-	(2,355)	(17,622)	(19,977)
Total movement	-	-	(2,355)	(17,622)	(19,977)
Balance at 30 June 2010	5,041	100,120	(23,576)	(194,151)	(112,566)

Condensed Consolidated Balance Sheet (unaudited)
as at 30 June 2010

	Note	June 2010 €'000	December 2009 €'000
Non-Current Assets			
Property, fixtures & equipment		5,344	5,383
Interests in joint ventures		1,145	1,199
Deferred tax assets		5,192	4,708
		11,681	11,290
Current Assets			
Inventories	10	214,722	228,504
Trade & other receivables		19,677	16,126
Cash & cash equivalents		2,030	5,261
		236,429	249,891
Total Assets		248,110	261,181
Current Liabilities			
Trade & other payables		90,169	81,427
Retirement benefit obligation		214	376
Tax liabilities		1,816	2,000
Provisions	11	6,495	10,550
Obligations under finance leases		117	152
Bank loans & overdrafts	12	243,979	241,725
		342,790	336,230
Net Current Liabilities		(106,361)	(86,339)
Non-Current Liabilities			
Bank loans	12	-	-
Retirement benefit obligation		2,976	1,916
Deferred tax liabilities		48	49
Provisions	11	14,054	14,761
Other payables		779	743
Obligations under finance leases		29	71
		17,886	17,540
Total Liabilities		360,676	353,770
Net Liabilities		(112,566)	(92,589)
EQUITY			
Share capital	13	5,041	5,041
Capital conversion reserve fund		62	62
Share premium account	13	101,071	101,071
Other reserves		(1,013)	(1,013)
Hedging & translation reserves	14	(23,576)	(21,221)
Retained losses	15	(194,151)	(176,529)
		(112,566)	(92,589)
Total Equity and Liabilities		248,110	261,181

Condensed Consolidated Cash Flow Statement (unaudited)
for the period ended 30 June 2010

	Note	June 2010 €'000	June 2009 €'000
Loss from operations	4	(12,337)	(163,442)
Adjustments for:			
Non cash exceptional items		4,526	156,432
Depreciation		393	736
Share of results from joint ventures		558	642
Provision for fair value of share based payments		-	173
Profit on disposal of tangible assets		18	68
Pension service costs		159	144
Change in provisions		(164)	(1,734)
Operating cash flows before movements in working capital		(6,847)	(6,981)
Decrease in inventories		2,101	13,343
(Increase) / Decrease in receivables		(2,871)	4,430
Increase / (Decrease) in payables		10,207	(23,619)
Cash generated by / (used in) operations		2,590	(12,827)
Taxation (paid) / refunded		(2)	6,564
Interest paid		(4,385)	(6,961)
Net cash used in operating activities		(1,797)	(13,224)
Investing activities			
Interest received		1	169
Loans advanced to joint ventures		(1,950)	(1,326)
Proceeds on disposal of property, fixtures & equipment		10	63
Purchases of property, fixtures & equipment		-	(12)
Employer contributions to pension scheme		(42)	(177)
Acquisition of subsidiary		-	86
Net cash from / (used in) investing activities		(1,981)	(1,197)
Financing activities			
Repayments of borrowings		(3,549)	(21,586)
Repayments of obligations under finance leases		(101)	(177)
New bank loans raised		5,623	21,318
Decrease in bank overdrafts		(3)	(986)
Net cash used in financing activities		1,970	(1,431)
Net decrease in cash & cash equivalents		(1,808)	(15,852)
Cash & cash equivalents at start of period		5,261	26,228
Effect of foreign exchange rate changes		(1,423)	(923)
Cash & cash equivalents at end of period		2,030	9,453

Notes to the Interim Report (unaudited)
for the period ended 30 June 2010

1 Going Concern

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

The Chairman's Statement and the Interim Management Report refer to the appointment of an Interim Examiner to the company and various Irish subsidiaries on 26 August 2010. It also refers to the 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. The operating performance was further exacerbated by the Group's lack of access to adequate levels of working capital finance. As a result, the Group incurred trading losses before exceptional items of €11m and losses after exceptional items of €17m for the period ended 30 June 2010. The Group had net liabilities of €113m at 30 June 2010. The loss of capital was substantially due to an unrealised impairment charge against the carrying value of land and work in progress.

In 2008 and 2009 the Group impaired the value of its land and work in progress by €267m based on the continuation of current market conditions, particularly price and demand, for the duration of the development of the landbank. The key underlying assumptions were reviewed again at the 30 June 2010 balance sheet date and no further impairment was considered necessary.

Note 12 provides disclosures in relation to the Group's bank loans at 30 June 2010 of €244m. As a result of the trading performance and impairment charges, the Group is in breach of various covenants set out in its banking agreements. All of the Group's loans are classified as current liabilities.

The Group, in consultation with its financial advisor Goldman Sachs International, has identified a leading international investor with a firm interest in investing in the Group, provided appropriate revised financing arrangements can be secured. Progress to date in the UK on framing a revised capital and operating structure for that business has been positive.

In Ireland similar progress has not been made and our syndicate lenders withdrew support from the Irish business. As a direct consequence of this we petitioned the High Court on 26 August 2010 for the appointment of an Interim Examiner to the Company and to the principal Irish home building and contracting operations, and that appointment was made. A Court Hearing to confirm the appointment of the Examiner is currently scheduled for 7 September 2010. The Directors believe that the protection of the Court is necessary to give the Group time to engage in constructive negotiations with its creditors and the potential new capital provider identified, to facilitate survival of the Group as a going concern. Protection of the Court was sought to protect the Group, its employees, creditors and stakeholders in general.

The outcome of the restructuring process in the UK and of the Examinership process in Ireland, represents a material uncertainty that casts 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.

The directors believe that the Group will continue to survive as a going concern on the basis of the progress to date of the UK restructuring process and the appointment of an Interim Examiner in Ireland. Accordingly the Directors consider it appropriate to prepare the financial statements on a going concern basis.

2. Basis of Preparation

The Interim Report has been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Irish Financial Services Regulatory Authority and IAS 34, Interim Financial Reporting, as adopted by the European Union.

The condensed financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The Group condensed financial information included for the year ended 31 December 2009 represents extracts from the audited financial statements for the year ended 31 December 2009. The auditors' report on those financial statements was not qualified but did contain an emphasis of matter paragraph concerning Note 1 – Going Concern. These financial statements will be filed with the Registrar of Companies.

3. Significant Accounting Policies

The accounting policies and methods of computation adopted in the Interim Report are consistent with those used in the Annual Report for the year ended 31 December 2009.

The following new relevant standards, amendments to standards or interpretations are mandatory for the first time for accounting periods ending on or after 1 January 2010 but have no material impact on the Group's condensed financial statements:

IFRS	Annual Improvements for 2010
IFRS 1 (amendment)	First – time adoption of International Reporting Standards
IFRS 3 (revised)	Business Combinations
IAS 24 (revised)	Related Party Disclosures
IAS 27 (amendment)	Consolidated and Separate Financial Statements
IAS 32 (amendment)	Financial Instruments: Presentation
IFRIC 14 (amendment)	Limit on Defined Benefit Assets

4. Segment Information

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	June 2010 €'000	June 2009 €'000
Ireland:		
Housing	9,306	14,611
Developed sites & land	70	159
Construction contracts	1,165	25,415
Commercial	47	18
Commercial land	-	43
	10,588	40,246
UK:		
Housing	29,740	33,575
Developed sites & land	1,981	220
Construction contracts	5,427	4,159
Commercial	913	1,190
	38,061	39,144
Spain:		
Club management	885	1,164
Leisure freehold	693	959
	1,578	2,123
Group revenue (including joint ventures)	50,227	81,513
Eliminations	(243)	(692)
Group revenue (excluding joint ventures)	49,984	80,821

SEGMENT RESULTS	June 2010 €'000	June 2009 €'000
Ireland:		
Housing	(2,301)	(2,413)
Developed sites & land	18	35
Construction contracts	(474)	4,162
Commercial	(127)	(135)
Commercial land	-	(38)
	(2,884)	1,611
UK:		
Housing	(1,252)	(2,308)
Developed sites & land	127	(120)
Construction contracts	(133)	(481)
Commercial	(166)	(179)
	(1,424)	(3,088)
Spain:		
Club management	89	640
Leisure freehold	(146)	(1,009)
	(57)	(369)
Total segment results	(4,365)	(1,846)
Common costs	(2,085)	(3,457)
Exceptional costs	(5,887)	(158,139)
Loss from operations	(12,337)	(163,442)

Balance Sheet	June 2010 Assets €'000	June 2010 Liabilities €'000	June 2010 Net Assets €'000	December 2009 Assets €'000	December 2009 Liabilities €'000	December 2009 Net Assets €'000
Ireland:						
Housing	96,344	(61,513)	34,831	96,760	(58,317)	38,443
Commercial	5,112	(3.291)	1,821	4,864	(2,960)	1,904
	101,456	(64,804)	36,652	101,624	(61,277)	40,347
UK:						
Housing	108,420	(42,479)	65,941	99,062	(37,511)	61,551
Commercial	13,984	(741)	13,243	13,610	(678)	12,932
	122,404	(43,220)	79,184	112,672	(38,189)	74,483
Spain:						
Club management	6,807	(1,071)	5,736	6,313	(535)	5,778
Leisure freehold	9.833	(1,972)	7,861	30,158	(7,426)	22,732
	16,640	(3,043)	13,597	36,471	(7,961)	28,510
Total operating assets / (liabilities)	240,500	(111,067)	129,433	250,767	(107,427)	143,340
Total cash / (bank borrowings)	2,030	(243,979)	(241,949)	5,261	(241,725)	(236,464)
Unallocated assets / (liabilities)	5,582	(5,632)	(50)	5,153	(4,618)	535
	248,112	(360,678)	(112,566)	261,181	(353,770)	(92,589)

5. Operations in Interim Period

Past experience shows that the majority of trading activity occurs in the second half of the year. However, given the risks and uncertainties identified for the Group, it is difficult to predict whether this trend will continue to apply in 2010.

6. Exceptional Costs

	June 2010 €'000	June 2009 €'000
Land and inventory impairments		
UK	-	37,774
Ireland	-	110,903
Spain	-	4,138
Commercial Division	-	3,117
	-	155,932
Other exceptional costs		
Restructuring charge		
UK	972	684
Ireland	389	1,466
Spain	-	57
Alanda Homes Administration	4,526	-
	5,887	2,207

In 2008 and 2009 the Group impaired the value of its land and work in progress by €267m based on the continuation of current market conditions, particularly price and demand, for the duration of the development of the landbank. The key underlying assumptions were reviewed again at the balance sheet date and no further impairment is considered necessary.

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

On 3 May 2010 the Group's Spanish freehold apartment development subsidiary, Alanda Homes SL, sought the appointment of a voluntary Administrator. This appointment was confirmed on 27 May 2010. At that date the gross assets and liabilities of the subsidiary amounted to €19.8m and €15.3m respectively. An exceptional loss of €4.5m is recognised as a result of the group's loss of control of the financial and operating policies of the Spanish entity.

7. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies management are required to make certain judgments that have an effect on the amounts recognised in the financial statements.

These include but are not limited to the following:

Valuation of work in progress and land

Inventories are carried at the lower of cost and net realisable value. Net realisable value for each site in the Group's land bank represents the excess of estimated future revenue in the ordinary course of business, over all estimated costs to completion including unavoidable overheads.

Valuations of site work in progress are carried out at regular intervals by the Group's quantity surveying and marketing departments. This process involves estimating costs to complete and anticipated revenues and therefore involves considerable judgement. The revenue estimates are based on current market conditions. Should there be a further significant deterioration in the Group's main markets then additional write downs of land and work in progress may be required.

Margin recognition

In calculating the cost of sale for completed units, it is usually necessary to include in such calculations the cost to complete the whole project. The margin, therefore, recognised on a project that is not yet complete is dependent on the accuracy of the calculation of the cost to complete the project in total. The Directors are satisfied that all such calculations have been carried out on a reasonable and accurate basis, and that the margins recognised are reasonable.

Deferred tax asset

Recognition of this asset is limited to the tax that would otherwise be payable on estimated future taxable profits but which now can be sheltered by the asset. Management estimate that adequate future taxable profits will arise in the foreseeable future to justify the carrying value of the deferred tax asset.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Net Realisable Value of Land and Inventory

In 2008 and 2009 the Group impaired the value of its land and work in progress by €267m based on the continuation of current market conditions, particularly price and demand, for the duration of the development of the landbank. The key underlying assumptions were reviewed again at the balance sheet date and no further impairment is considered necessary. Should there be a further significant reduction in demand for housing in Ireland or the UK, then further write downs of land and work in progress may be required.

Maintenance Provisions

The maintenance provision represents management's best estimate of the Group's liability under 12 month guarantees given to purchasers for repair and maintenance work on housing units. The provision also encompasses the Group's liability for maintenance work required on communal site facilities prior to handover to local authorities. The provision is estimated based on past experience. The Directors are satisfied that, based on this experience, the maintenance provision is sufficient to cover all foreseeable costs of any maintenance work required.

8. Tax

	June 2010 €'000	June 2009 €'000
Current tax credit / (charge)		
Irish tax	-	13
Foreign tax	-	(20)
	-	(7)
Deferred tax		
Current year	-	2
	-	(5)

9. Loss Per Share

From continuing operations

The calculation of basic and diluted loss per share is based on the following data:

	June 2010 €'000	June 2009 €'000
Loss		
Loss for the purposes of basic and diluted earnings per share being net loss attributable to equity holders of the parent	(16,836)	(170,917)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	201,634,180	201,634,180
Effect of dilutive potential ordinary shares:		
Share options	2,262,876	3,681,639
Weighted average number of ordinary shares for the purposes of diluted loss per share	203,897,056	205,315,819

Basic and diluted loss per share are the same, as the effect of the ordinary share options is anti-dilutive and therefore excluded.

10. Inventories

	June 2010 €'000	December 2009 €'000
Development land at cost	127,640	133,123
Work-in-progress:		
Irish housing	26,838	29,989
UK housing	43,203	39,599
Leisure developments	5,240	14,189
Commercial	11,801	11,604
	214,722	228,504

The Directors consider all inventory to be current in nature. The operational cycle is such that the majority of inventory may not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this is subject to a number of issues such as consumer demand and planning permission processes.

In 2008 and 2009 the Group impaired the value of its 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. The impairment resulted in write downs totaling €228m from inventories and €39m relating to provisions for obligations under licence agreements and loans due from joint venture entities. The key underlying assumptions were reviewed again at the balance sheet date and no further impairment was considered necessary.

Included in the above inventories are commercial properties with a carrying value of €2.6m which are let on short term leases where the tenant has an option to buy at a fixed price. The average remaining option period is 12 months.

All inventories have been pledged as security for certain of the Group's bank borrowings.

11. Provisions

	June 2010 €'000	December 2009 €'000
Maintenance provision	5,773	6,523
Other provisions	14,776	18,788
	20,549	25,311
Analysed as:		
Current liabilities	6,495	10,550
Non-current liabilities	14,054	14,761
	20,549	25,311

Maintenance provision

This represents management's best estimate of the Group's liability under 12 month guarantees given to purchasers for repair and maintenance work on housing units. The provision also encompasses the Group's liability for maintenance work required on communal site facilities prior to handover to local authorities. Whilst the timing and amount of payments are uncertain, the provision is estimated based on past experience and the Directors expect it to be utilised within 5 years.

Other provisions
These relate to provisions for obligations under licence agreements and restructuring costs. Whilst the timing and amount of payments are uncertain, the provision is estimated based on past experience and the Directors expect it to be utilised within 10 years.

Provisions at December 2009 also included an amount to cover estimated costs arising from a legal case taken against the Group's Spanish development division. This provision is no longer recognised following the deconsolidation of this company from the Group's consolidated financial statements.

12. Bank Overdrafts and Loans

	June 2010 €'000	December 2009 €'000
Analysis of movement on debt:		
Balance at 1 January	241,725	245,805
Repayments of borrowings	(3,549)	(38,157)
New bank loans raised	6,554	26,230
(Decrease) / Increase in bank overdrafts	(3)	(2,442)
Alanda Homes Administration	(9,718)	-
Foreign currency translation movements	8,970	10,289
Closing balance	243,979	241,725
Analysis of closing debt:		
Amounts falling due within one year		
Bank loans repayable otherwise than by instalments	243,979	241,725
Bank loans repayable by instalments	-	-
	243,979	241,725
Amounts falling due after more than one year		
Bank loans repayable otherwise than by instalments		
Within two to five years	-	-
After more than five years	-	-
Bank loans repayable by instalments		
Within two to five years	-	-
	-	-
	243,979	241,725

Historically the Group has funded itself through a mixture of committed facilities and project finance. The committed facilities were usually maintained on a revolving basis with a range of relationship banks. The project finance facilities were used where it was 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. All of the Group's loans are classified as current liabilities.

The principal Irish lenders withdrew support from the Irish business during August. As a direct consequence of this we petitioned the High Court on 26 August 2010 for the appointment of an Interim Examiner to the Company and to the principal Irish home building and contracting operations, and that appointment was made. A Court Hearing to confirm the appointment of the Examiner is currently scheduled for 7 September 2010. The Directors believe that the protection of the Court is necessary to give the Group time to engage in constructive negotiations with its creditors and the potential new capital provider identified, to facilitate survival of the Group as a going concern.

The Group's UK revolving credit facility had a maturity date of 31 March 2010. This facility has been extended each month by one month.

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

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.

13. Share Capital

	Share Capital €'000	Share Premium €'000	Total €'000
Balance as at 1 January 2010	5,041	101,071	106,112
Balance as at 30 June 2010	5,041	101,071	106,112

14. Hedging & Translation Reserves

	Hedging Reserve €'000	Translation Reserve €'000	Total €'000
At 1 January 2009	(5,715)	(21,352)	(27,067)
Exchange difference arising on translation of overseas operations	-	(3,136)	(3,136)
Movement in fair value of interest rate swaps	92	-	92
At 30 June 2009	(5,623)	(24,488)	(30,111)
At 1 January 2010	-	(21,221)	(21,221)
Exchange difference arising on translation of overseas operations	-	(2,355)	(2,355)
At 30 June 2010	-	(23,576)	(23,576)

Due to covenant breaches of loan facilities of the Group's debt in 2009, the originally forecasted repayment profile for the hedged debt was no longer expected to occur and hedge accounting was discontinued. As the original repayments profile was no longer expected to occur, the cumulative fair value of interest rate swaps at 31 December 2009 was reclassified from other reserves to the income statements.

Foreign exchange differences on translation of the Group's net investment in its UK subsidiaries are taken to the translation reserve.

15. Retained Earnings

	€'000
At 1 January 2009	15,905

Actuarial losses on defined benefit pension scheme	(786)
Tax on items taken directly to equity	98
Transfer from equity reserve on exercise of options	29
Loss for the period attributable to equity holders of the parent	(170,917)
At 30 June 2009	(155,671)
At 1 January 2010	(176,529)
Actuarial losses on defined benefit pension scheme	(898)
Tax on items taken directly to equity	112
Loss for the period attributable to equity holders of the parent	(16,836)
At 30 June 2010	(194,151)

16. Contingent Liabilities

As set out in Note 18 certain licence parties have initiated legal proceedings against a Group subsidiary claiming €9m alleged to be overdue. The Group subsidiary will defend this action and the directors do not believe the full amount will be paid.

There are no other contingencies or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) against the Company or any of its subsidiaries which may have, or have had during the financial period, a significant effect on the financial position of the Group.

17. Related Party Transactions

There are no related party transactions between the Company and its subsidiaries other than inter-company dividends. Details of transactions between the Group and other related parties are disclosed below.

Transactions between the Group and its joint ventures:

	June 2010	December 2009
	€'000	€'000
Amounts owed by joint ventures	540	548
Amounts owed to joint ventures	-	-

The movements on the above balances arise from loan repayments, impairment provisions and trading transactions.

The amounts outstanding are unsecured and are due to be settled in cash. Two Group companies have provided separate joint and several guarantees to two joint venture companies for €9.2 million. Interest only guarantees are provided on joint venture borrowings.

Transactions with staff:

There were no purchases of residential units by members of staff during the period.

In July 2009 the Company engaged the services of Mr T Drumm, a former director, under a consultancy agreement for a 3 year period with a fixed annual payment of €150,000. No payments have been made to date under this agreement.

Other related party transactions:

In 1999, a loan of €749,000 was advanced by the Group to Alanda Club, Marbella ('the Club'). During

2009 a further net €6,218 was advanced to the club bringing the balance to €755,218.This loan remains outstanding at the period end. The Group owns a stock of membership weeks at the Club, and also manages the resort on behalf of the Club. In addition, the Group owns 100 redeemable preference shares in the Club.

18. Land Commitments

The Group has entered into licence agreements with third parties in the normal course of business to build private housing developments on land owned by those third parties. The Group has exclusive building licences on such sites and pays licence fees per site as sites are developed and sold, or if earlier, on dates set out in the licence agreements. The estimated total amount payable over time under such agreements at the balance sheet date was €66.8m (December 2009: €69.4m). Certain developments have encountered trading difficulties and the Group is therefore seeking to negotiate extensions with its licence partners. Failure to achieve an acceptable solution with licence partners could, in certain circumstances, result in the Group's principal operating subsidiaries being required to prepay certain licence fees and take ownership of the relevant land. A number of partners have agreed to extensions. However certain licence parties have initiated legal proceedings against a Group subsidiary claiming €9m alleged to be overdue. The Group subsidiary will defend this action.

19. Events After the Balance Sheet Date

The Group, in consultation with its financial advisor Goldman Sachs International, have identified a leading international investor with a firm interest in investing in the Group, provided appropriate revised financing arrangements can be secured. Progress to date in the UK on framing a revised capital and operating structure for that business has been positive.

In Ireland similar progress has not been made and our syndicate lenders withdrew support from the Irish business. As a direct consequence of this we petitioned the High Court on 26 August 2010 for the appointment of an Interim Examiner to the Company and to the principal Irish home building and contracting operations, and that appointment was made. A Court Hearing to confirm the appointment of the Examiner is currently scheduled for 7 September 2010. The Directors believe that the protection of the Court is necessary to give the Group time to engage in constructive negotiations with its creditors and the potential new capital provider identified, to facilitate survival of the Group as a going concern. Protection of the Court was sought to protect the Group, its employees, creditors and stakeholders in general.

Following the appointment of an Interim Examiner it became necessary to suspend dealings in our shares.