Monday, 23rd March 2009

MCINERNEY HOLDINGS PLC

('McInerney' or the 'Group')

Preliminary Announcement of Financial Results

For Year Ended 31 December 2008

Overview

McInerney Holdings plc ("the Group") today reports its results for the year ended 31 December 2008. Market conditions in the UK and Ireland deteriorated progressively during 2008. The current economic environment is the most challenging ever experienced by our industry. The influence of the global downturn resulted in restrictive access to mortgage funds, diminished consumer confidence and a significant slowdown in home buying activities as the year progressed.

As a consequence of the worsening trading conditions throughout the year, the Group recorded an operating loss before tax of €47 million in 2008, as compared to an operating profit of €58 million in 2007.

In addition to the operating loss, the Company has undertaken a further review of the carrying value of its assets. An impairment charge of €27.6 million was taken with the first half results at end August 2008. In our trading update in January 2009, we confirmed that a further material impairment charge would be required with the full year results due to the deterioration in market conditions. This further impairment charge of €82.5 million is now being taken, together with full year restructuring costs of €9.8 million. We have also decided to fully write down the carrying value of the goodwill on our UK acquisitions of €39.7 million. Neither the impairment charge nor the goodwill write off constitute a cash loss to the Group.

In these challenging operating conditions, the Directors focus is on decreasing the Group's cost base, reducing debt and maximising its cash flow. A significant reduction in debt was achieved in the second half of €47.5 million, partly attributable to the weakness of sterling.

In view of our focus on cash generation, no dividend is being proposed for 2008.

Management Actions

The Group's initial entry and expansion in the UK was planned to create a new revenue stream and to counter balance an anticipated national decline in Irish housing output as indicated by demographic forecasts. However, the unprecedented global financial downturn from early 2008 caused UK housing demand to go into an unpredicted decline, contrary to fundamental market economic indicators.

Our response during these challenging times has been to carry out an extensive cost cutting programme resulting in €51m annual savings. All new land purchase commitments ceased in early 2008. An aggressive marketing programme on existing house stock has been initiated. These actions combined with strong management focus and resolve will position the Group well for an eventual recovery in the housing markets.

In our trading update in January, we stated that a new banking structure had been agreed in principle with our UK banks. The new loan facility agreement was signed on 10th March 2009. Our Irish restructured facility was already in place since mid 2008.

Operational Activity

In 2008, the Group completed 1,359 private and contracting residential units in Ireland, the UK and Spain as compared to 2,414 in 2007. The housing markets in the UK and Ireland both deteriorated as the year progressed with a lack of availability of mortgages and poor consumer sentiment underpinning low levels of demand.

The Group completed 750 housing units in the UK in 2008, as compared to 1,400 in 2007. The 2009 selling season in the UK has started on an uptrend. While prices remain depressed, visitor levels are improved and sales conversion rates have increased. Good progress is being made in the social housing business.

In Ireland, the home building division completed 296 houses as compared to 594 in 2007. In Ireland, the Group has launched a strong marketing initiative based on the McInerney brand and its long track record in the market. The reductions in interest rates, price discounting and initial indications of an improvement in mortgage availability are positive. Sales in the first 10 weeks of the year, although on an uptrend, continue to be slow, running behind 2008 levels. Consumer sentiment remains poor. The Irish contracting business completed 306 housing units in 2008.

The Group's commercial division experienced challenging conditions as demand for commercial units in Ireland and the UK declined. It completed 1,223 sq metres as compared to 13,198 in 2007. The Group's Spanish division completed 7 sales in 2008 as compared to 29 units in 2007.

Outlook

Recent Irish and UK Government initiatives to increase liquidity have resulted in individual lenders announcing new first time buyer packages. Combined with historically low interest rates and discounted house prices, this should have a positive impact in the medium term on housing demand. Notwithstanding this, continued negative economic growth forecasts are being predicted for 2009 and the Directors anticipate that this will continue to impact the Group's operating activities.

We realise that this past year has been difficult for our shareholders. Within the current environment, the Directors will remain focused on managing the business effectively while reducing costs, generating cash and reducing debt, to position the Group for market recovery. Our affordable product should provide us with market advantage in any recovery.

Ned Sullivan
Chairman

ENDS

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Consolidated Income Statement for the year ending 31 December 2008

	Note	2008 Pre - Exceptional €'000	2008 Exceptional (Note 3) €'000	2008 Total €'000	2007 €'000
Continuing operations					
Revenue	2	300,934	-	300,934	632,789
Cost of sales		(283,825)	(99,885)	(383,710)	(501,460)
Gross profit / (loss)		17,109	(99,885)	(82,776)	131,329
Administrative expenses		(42,665)	(49,514)	(92,179)	(56,375)
Share of results from joint ventures		(2,463)	(10,152)	(12,615)	1,112
(Loss) / profit from operations	2	(28,019)	(159,551)	(187,570)	76,066
Investment income		1,296	-	1,296	1,450
Finance costs		(20,219)	-	(20,219)	(19,423)
(Loss) / profit before tax		(46,942)	(159,551)	(206,493)	58,093
Tax		7,482	9,786	17,268	(10,183)
(Loss) / profit attributable to equity holders of the parent		(39,460)	(149,765)	(189,225)	47,910

	2008	2007
(Loss) / earnings per share		
From continuing operations		
Basic	(94.38)	23.94
Diluted	(94.38)	23.33

Consolidated Balance Sheet as at 31 December 2008

	Note	2008 €'000	2007 €'000
Non-Current Assets			
Goodwill		-	51,811
Property, fixtures & equipment		6,723	12,584
Interests in joint ventures		6,523	7,015
Deferred tax assets		3,409	1,015
		16,655	72,425
Current Assets			
Inventories		383,713	520,320
Trade & other receivables		45,115	121,506
Cash & cash equivalents		26,228	80,459
Assets classified as held for sale		504	504
		455,560	722,789
Total Assets		472,215	795,214
Current Liabilities			
Trade & other payables		112,566	160,266
Retirement benefit obligation		535	420
Tax liabilities		5,005	9,646
Provisions		8,678	3,665
Obligations under finance leases		282	365
Bank loans & overdrafts	4	140,330	59,343
		267,396	233,705
Net Current Assets		188,164	489,084
Non-Current Liabilities			
Bank loans	4	105,475	241,266
Retirement benefit obligation		985	614
Deferred tax liabilities		152	4,685
Provisions		3,123	3,551
Other payables		1,033	460
Obligations under finance leases		286	607
		111,054	251,183
Total Liabilities		378,450	484,888
Net Assets		93,765	310,326
Equity			
Share capital		5,041	5,036
Capital conversion reserve fund		62	62
Share premium account		101,071	101,039
Other reserves		(1,247)	(880)
Hedging & translation reserves		(27,067)	(6,437)
Retained earnings		15,905	211,506
		93,765	310,326
Total Equity and Liabilities		472,215	795,214

Consolidated Cash Flow Statement for the year ending 31 December 2008

	Note	2008 €'000	2007 €'000
(Loss) / profit from operations		(187,570)	76,066
Adjustments for:			
Non cash exceptional items		140,619	-
Depreciation		2,222	2,556
Share of results from joint ventures		12,615	(1,112)
Provision for fair value of share based payments		23	525
(Profit) / loss on disposal of tangible assets		21	(580)
Pension service costs		399	502
Increase in provisions		4,585	709
Operating cash flows before movements in working capital		(27,086)	78,666
Increase in inventories		(13,856)	(57,504)
Decrease / (increase) in receivables		63,255	(57,534)
Decrease in payables		(48,846)	(9,677)
Cash used in operations		(26,533)	(46,049)
Taxation paid		(242)	(8,451)
Interest paid		(18,504)	(19,019)
Net cash used in operating activities		(45,279)	(73,519)
Investing activities			
Interest received		831	982
Loans advanced to joint ventures		59	(798)
Loans repaid by joint ventures		3,443	4,865
Proceeds on disposal of property, fixtures & equipment		1,296	1,371
Purchases of property, fixtures & equipment		(293)	(8,404)
Employer contributions to pension scheme		(517)	(420)
Acquisition of subsidiaries		(1,499)	(28,188)
Net cash from / (used in) investing activities		3,320	(30,592)
Financing activities			
Dividends paid		(6,044)	(12,064)
Share capital subscribed		37	84,418
Repayments of borrowings		(58,719)	(107,717)
Repayments of obligations under finance leases		(512)	(484)
New bank loans raised		47,941	139,113
Increase / (Decrease) in bank overdrafts		2,451	(2,125)
Net cash (used in) / from financing activities		(14,846)	101,141
Net decrease in cash & cash equivalents		(56,805)	(2,970)
Cash & cash equivalents at beginning of period		80,459	84,382
Effect of foreign exchange rate changes		2,574	(953)
Cash & cash equivalents at end of period			
Bank balances and cash		26,228	80,459

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 Directors' Report refers to the challenging operating environment experienced during 2008, with market and general economic conditions in the UK and Ireland deteriorating progressively. The influence of the global downturn resulted in restricted access to mortgage funds, diminished consumer confidence and a significant slowdown in home buying activities as the year progressed. As a result, the Group has made trading losses before exceptional items of €47m, has written down the value of goodwill by €40m and certain land and work in progress by €110m in 2008. In addition, the Group incurred costs of €10m in relation to the restructuring of the group's operations. The Group had net assets of €94m at 31 December 2008.

As at 31 December 2008, the Group had bank loans of €246m from its Irish and UK lenders. On 10 March 2009, the Group concluded an agreement with its UK syndicate of banks to extend the maturity dates of the UK facilities to 31 March 2010. The Irish facilities continue to have maturity dates in 2011.

During 2008, the Group forecasted potential breaches of certain banking covenants and successfully renegotiated those covenants. In order to match the business's focus on cash generation, certain revised covenants are now based on cash generation and sales rather than earnings. Prior to the year-end, deferral of measurement of certain covenants was agreed with the Group's lenders to allow for renegotiation in the context of a further review of impairment of assets. Subsequent to the year-end, revised covenants taking account of the impairment of assets as at 31 December 2008 have been agreed.

Based on current market conditions, and the Group's current forecasts, compliance with these revised covenants is expected for the foreseeable future. However in the event of the Irish and UK building sectors deteriorating beyond that assumed in the Group's current forecasts then the Group may breach these covenants. In particular the covenants require the Group, to have a minimum specified tangible net assets value as measured periodically during the year and at 31 December 2009.

If any covenant breaches were to occur then the lenders may be able to request early repayment of all outstanding borrowings. The Directors have concluded that these circumstances represent a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable 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 company were unable to continue as a going concern.

However the Directors are satisfied that constructive discussions with the relevant lenders are ongoing and that covenant revisions, if required, will be agreed enabling the Group to continue as a going concern and therefore 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	2008 External Sales €'000	2008 Inter-Segment Sales €'000	2008 Total Revenue €'000	2007 External Sales €'000	2007 Inter-Segment Sales €'000	2007 Total Revenue €'000
Ireland:						
Housing	72,712	-	72,712	154,350	-	154,350
Developed sites and land	1,906	-	1,906	34,643	-	34,643
Construction contracts	89,748	-	89,748	92,778	4,116	96,894
Commercial	140	-	140	13,952	-	13,952
Commercial land	120	-	120	3,160	-	3,160
	164,626	-	164,626	298,883	4,116	302,999
UK:						
Housing	122,279	-	122,279	285,351	-	285,351
Developed sites and land	1,051	-	1,051	13,990	-	13,990
Construction contracts	6,214	-	6,214	17,949	-	17,949
Commercial	2,463	-	2,463	9,769	-	9,769
	132,007	-	132,007	327,059	-	327,059
Spain:						
Club management	3,133	-	3,133	2,796	-	2,796
Leisure freehold	5,080	-	5,080	14,055	-	14,055
	8,213	-	8,213	16,851	-	16,851
Eliminations	(3,912)	-	(3,912)	(10,004)	(4,116)	(14,120)
Total revenue	300,934	-	300,934	632,789	-	632,789

Inter-segment sales are tendered for on an arm's length basis to ensure cost efficiencies. The contract sum is agreed at cost plus a commercial margin.

Segment Results	2008 Group Subsidiaries €'000	2008 Joint Ventures €'000	2008 Total Segment €'000	2007 Group Subsidiaries €'000	2007 Joint Ventures €'000	2007 Total Segment €'000
Ireland:						
Housing	(930)	(1,980)	(2,910)	34,040	(787)	33,253
Developed sites and land	1,733	-	1,733	20,282	-	20,282
Construction contracts	(2,071)	-	(2,071)	65	-	65
Commercial	(1,284)	(256)	(1,540)	1,510	595	2,105
Commercial land	430	-	430	498	832	1,330
	(2,122)	(2,236)	(4,358)	56,395	640	57,035
UK:						
Housing	(9,428)	-	(9,428)	23,680	-	23,680
Developed sites and land	(472)	-	(472)	1,550	-	1,550
Construction contracts	(334)	-	(334)	1,134	-	1,134
Commercial	(816)	(227)	(1,043)	172	472	644
	(11,050)	(227)	(11,277)	26,536	472	27,008
Spain:						
Club management	2,266	-	2,266	486	-	486
Leisure freehold	(7,382)	-	(7,382)	125	-	125
	(5,116)	-	(5,116)	611	-	611
Total segment results pre exceptional costs	(18,288)	(2,463)	(20,751)	83,542	1,112	84,654

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

	2008 Group Subsidiaries €'000	2008 Joint Ventures €'000	2008 Total Segment €'000	2007 Group Subsidiaries €'000	2007 Joint Ventures €'000	2007 Total Segment €'000
Housing	(10,358)	(1,980)	(12,338)	57,720	(787)	56,933
Developed sites and land	1,691	-	1,691	22,330	832	23,162
Construction contracts	(2,405)	-	(2,405)	1,199	-	1,199
Commercial	(2,100)	(483)	(2,583)	1,682	1,067	2,749
Club management	2,266	-	2,266	486	-	486
Leisure freehold	(7,382)	-	(7,382)	125	-	125
	(18,288)	(2,463)	(20,751)	83,542	1,112	84,654
Common costs			(7,268)			(8,588)
Exceptional costs			(159,551)			-
(Loss) / Profit from operations			(187,570)			76,066
Investment income			1,296			1,450
Finance costs			(20,219)			(19,423)
(Loss) / Profit before tax			(206,493)			58,093
Tax			17,268			(10,183)
(Loss) / Profit after tax			(189,225)			47,910

Exceptional costs are analysed by division in note 3.

Balance Sheet	2008 Assets €'000	2008 Liabilities €'000	2008 Net Assets €'000	2007 Assets €'000	2007 Liabilities €'000	2007 Net Assets €'000
Ireland:						
Housing	224,998	(79,962)	145,036	269,458	(96,519)	172,939
Commercial	7,198	(2,635)	4,563	13,981	(1,490)	12,491
	232,196	(82,597)	149,599	283,439	(98,009)	185,430
UK:						
Housing	150,239	(30,237)	120,002	333,139	(66,492)	266,647
Commercial	14,623	(154)	14,469	22,740	(386)	22,354
	164,862	(30,391)	134,471	355,879	(66,878)	289,001
Spain:						
Club management	7,732	(432)	7,300	8,415	(680)	7,735
Leisure freehold	35,743	(8,478)	27,265	54,607	(13,910)	40,697
	43,475	(8,910)	34,565	63,022	(14,590)	48,432
Total operating assets / (liabilities)	440,533	(121,898)	318,635	702,340	(179,477)	522,863
Total cash / (bank borrowings)	26,228	(245,805)	(219,577)	80,459	(300,609)	(220,150)
Unallocated assets / (liabilities)	5,454	(10,747)	(5,293)	12,415	(4,802)	7,613
	472,215	(378,450)	93,765	795,214	(484,888)	310,326

3 Exceptional Costs

	2008 €'000	2007 €'000
Land and inventory impairments		
UK	41,552	-
Ireland	42,336	-
Spain	12,592	-
Commercial division	13,557	-
	110,037	-
Other exceptional items		
Restructuring charge		-
UK	5,509	-
Ireland	3,690	-
Spain	-	-
Commercial division	607	-
Goodwill impairment	39,708	-
	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 €10.2m for Group's share of joint venture land impairment. A full review of inventories has been performed and write downs have been made where cost exceeds net realisable value. Estimated selling 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 sterling revolving credit facility.

The Group has tested its goodwill for impairment at the balance sheet date. The impairment has been 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 next three years. As a result the goodwill has been fully impaired.

4 Bank Overdraft and Loans

	2008 €'000	2007 €'000
Bank loans	243,354	300,609
Bank overdrafts	2,451	-
	245,805	300,609

The borrowings are repayable as follows:	2008 €'000	2007 €'000
On demand or within one year	140,330	59,343
In the second year	7,217	140,033
In the third year	85,690	6,000
In the fourth year	6,000	86,705
In the fifth year	932	6,000
After five years	5,636	2,528
Gross Debt	245,805	300,609
Less : Amounts due for settlement within 12 months	(140,330)	(59,343)
Non-current liabilities		
Amounts due for settlement after 12 months	105,475	241,266

The Group uses borrowings, cash resources and loan facility undrawn balances to finance its operations. Credit lines are maintained by a combination of committed revolving facilities, stand-by facilities, and stand alone project finance as appropriate.

Of the borrowings of €140.3m which are classified as repayable within 1 year, €94.6m relates to the Group's UK revolving credit facility whose maturity was extended to 31 March 2010 after the balance sheet date, and €29m relates to non-recourse project loans which only become due for repayment when the associated assets are sold. Therefore, while technically repayable on demand, no material refinancing risk attaches to these loans in 2009.

The Group has revised its banking covenant structures with its Irish and UK lenders. In order to match the business's focus on cash generation, the covenants are now based on cash generation and sales rather than earnings. Based on current market conditions and projected trading for the Group, compliance with covenants is expected for the foreseeable future.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2008, in respect of which all conditions precedent had been met at that date were as follows:

	€'000
Expiring in one year or less	892
Expiring in more than one year but not more than two years	-
Expiring in more than two years	29,790

The Group's committed facilities are secured on a loan to value basis on sections of the Group's landbank and development works. Deterioration in the valuation of the asset base of the Group could result in the reduction in, or loss of, the headroom in the facilities or in a breach of loan to value covenants.

The Group has 5 principal categories of bank loan:

(a) **Irish House Building Division:** A syndicated revolving credit and term loan facility secured on the assets of the Irish house building division. The committed facility as at 31 December 2008 was €113m. The facility is committed to June 2011. Interest is charged on the basis of EURIBOR plus agreed margins.

The facility is available for draw down up to a maximum loan to value of 70%. Value, for the purpose of this calculation, is determined annually. The security is not scheduled to be revalued again until after 31 March 2010.

(b) **UK House Building Division:** A syndicated revolving credit facility secured on the assets of the UK house building division. The committed facility as at 31 December 2008 was £110m. Since the year end the facility has been renegotiated. The new facility limit is £100m and it is committed until 31 March 2010. Interest is charged on the basis of LIBOR plus agreed margins.

The facility is available for draw down up to a maximum loan to cost of 70%. An extension of this facility beyond March 2010 will need to be negotiated during 2009.

(c) **Commercial Division:** Project loans secured on each commercial development. The facilities are uncommitted and repayable from the sales proceeds of each project. A separate facility is negotiated for each project.

(d) **Spanish Leisure Development Division:** Project loans are secured on each leisure development. The facilities are uncommitted and are repayable from the sales proceeds of each project. Facilities available to fund existing projects total €16m. Of these, €3.5m is secured against the leisure rental properties in Spain.

(e) **Term Loans:** Term loans denominated in sterling and euro totalling €55m, secured against Group assets. These loans have been used to fund the acquisition of businesses in the UK and a site at Sotogrande, Spain. The loans are repayable in instalments over the period to 2013.

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 2006, 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 2008 on 20 March 2009. A copy of the financial statements in respect of the financial year ended 31 December 2008 will be annexed to the Company's annual return for 2009. A copy of the financial statements of the Company in respect of the year ended 31 December 2007 has been annexed to the Company's annual return for 2008 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 2008. 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 your attention to Note 1 to the financial statements. Note 1 indicates that, based on present market conditions and the Group's current forecasts,

compliance with its banking covenants is expected for the foreseeable future. If market conditions deteriorate beyond those assumed in the Group's current forecasts then it may breach certain of these covenants. Discussions between the Group and its relevant lenders are ongoing and the Directors are satisfied that revisions of covenants, if any are required, will be agreed. Breach of covenants and failure to agree revised covenants may result in the Group's bank debt becoming repayable on demand. This issue indicates 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 company were unable to continue as a going concern.

The preliminary announcement was approved by the Board of Directors and authorised for issue on 20 March 2009. This preliminary announcement has been agreed with the auditors.