

McInerney Holdings plc

Interim Report and Accounts

For the six months to
30 June 2009



Overview

McInerney Holdings plc ("The Group") continued to experience very challenging trading conditions in its key home building markets of the UK and Ireland during the first half of 2009. A number of external factors continued to contribute to the adverse housing market conditions including fragile consumer confidence and poor mortgage availability.

In the UK, while mortgage constraints continued to place downward pressure on house prices, there have been some positive indications of pricing stability and a steady pattern of sales at a low level has emerged. In Ireland, house prices continued to fall throughout the first half, with sales rates since May being particularly weak.

As a result of these difficult market conditions, the Group reports a loss before tax and exceptional items of €12.8m for the first six months of 2009 which compares to a loss before tax and exceptional items of €22.1m for the corresponding period in 2008. The loss from operations for the first six months is primarily attributable to lower volume housing output and lower product prices in Ireland and the UK. This has been influenced in the main by lack of mortgage access for potential house buyers, lenders requiring an increased level of equity deposit to complete house purchases and generally poor consumer sentiment resulting from wider economic conditions. Total unit completions were 342 for the first half compared to 423 in the first half of last year.

Land/Impairment

In early 2009, the Group carried out a review of the carrying value of its assets

in the light of market conditions at that time and an impairment charge of €110m was recorded with the 2008 full year results. A sustained deterioration in market conditions has continued since then, resulting in price and sales volumes being below our expectations at the time of the impairment review. As we do not now foresee any immediate improvement in market conditions, the Group has prudently taken a further impairment charge of €156m. This impairment charge has been calculated on the assumption that current reduced selling prices and sales rates will continue for the duration of our landbank. We have now cumulatively since mid 2008 written down the value of our Irish landbank to an average of €26,000 per plot (-52%) and our UK landbank to an average of £27,000 per plot (-41%). This impairment charge does not constitute an immediate cash loss to the Group. As house prices or volumes improve, the Group would be in a position to recover some or all of the impairment charge.

Credit Facilities

While the Group was in compliance with its trading covenants with its principal bankers at the 30th June 2009, the impairment charges as announced today would have caused the Group to breach tangible net worth covenants when next tested. Accordingly, the Group's lenders continue to be supportive and have agreed to defer the testing of this tangible net worth covenant as part of ongoing banking negotiations.

As the Group is now trading at lower levels than had been anticipated at the start of the year, we are currently in constructive discussions with both our UK and Irish funders in relation to revised loan

facility structures. The objective of these discussions is to provide a stable funding basis for the Group during current trading conditions. The Directors also anticipate an extension will be secured for the UK banking facility maturity date from March 2010 to early/mid 2011. The maturity date of the Irish banking syndicate remains June 2011.

The revised banking arrangements are expected to be completed and announced prior to the 2009 full year results. The Directors believe that there will be a positive outcome to these discussions.

The Group's net debt increased from €219m at year end to €254m at the half year. Of the increase €17m is due to currency fluctuation and €12m is due to previously projected final land payments. The Group has limited forward land purchase commitments and has entered into no new land purchase agreements since 2007.

EGM

As a result of the further impairment charge the Group now has negative equity, i.e. net liabilities. As a consequence, it is necessary to convene an Extraordinary General Meeting of the Company pursuant to Section 40(1) of the Companies (Amendment) Act 1983. This Meeting will be held on the 28th September 2009. We will give an information update on progress at that meeting.

Conclusion

The autumn selling season this year will be particularly significant in providing an indication of the condition of our key housing markets. While the actions of the Irish and UK Governments to increase liquidity and stabilise the banking

system are designed to free up mortgage availability, we await the impact feeding into the market. Financial institutions are requiring an increased level of equity deposit from potential home buyers which is also curtailing demand.

The timing and rate of recovery in the housing market will be dependent on a wider improvement in the economic conditions in Ireland and the UK together with a tangible increase in the supply of mortgages. In the UK there are signs of some market recovery albeit from a low base.

The Directors and the Senior Management Team remain singularly focussed on generating sales, managing cash effectively and reducing costs. Our product remains well positioned to benefit from any future market recovery, in its locations, design and pricing points. A full review of product mix and positioning has taken place and where possible the mix and design are being adjusted to improve affordability.

We realise that these are difficult times for our shareholders. The Board has taken strong action in the face of the difficult trading circumstances and is confident that the restructured operating cost base now achieved for the Group will leave it best placed to achieve growth potential when market conditions stabilise and improve, enabling shareholder value to be rebuilt.



Ned Sullivan
Chairman

UK

The Group completed 274 housing units in the UK in the first half of 2009 compared to 281 in the same period of 2008. Of these 77 were social homes (2008: 52). The UK recorded an operating loss of €2,909k versus an operating loss of €7,584k in 2008. Lower selling prices resulted in continued losses despite the reduced cost base.

The Group's average plot cost in UK is £27k. The average price per housing unit in the period was £109k compared to £135k for the first six months of 2008. McInerney owns or controls 2,500 plots, 98% of which have planning. In addition, the Group controls 150 plots for social housing. Land creditors total €2.8m. Sales on hand were 427 units.

Ireland

The Group completed 64 private housing units in Ireland in the first half of 2009 versus 142 in the first half of 2008 and reported an operating profit of €1,784k compared to a loss of €381k in 2008. This improvement was largely due to favourable final account settlements on our contracting business resulting in a profit of €4.2m. The home building business experienced lower volumes and lower prices and recorded a loss of €2.4m.

The Group's average plot cost in Ireland is €26k. The Group's average sales price before VAT was €228k compared to €239k in the same period last year. McInerney owns or controls 5,100 plots. Of these a total of 2,700 have planning permission and roughly 1,200 are long term strategic plots, mainly held in joint venture. Land creditors total €1m. Sales on hand were 230 units of which 180 were Part V social units where completions are expected in 2010 and beyond.

Other Businesses

The Commercial Division which operates in Ireland and the UK, delivered 632 sq. metres of sales in the first half of 2009 versus 344 sq. metres in the first half of 2008. It recorded an operating loss of €352k, as opposed to an operating loss of €684k for the same period last year. While sales demand for commercial units in both Ireland and the UK remains weak, the Division has successfully rented out 14 units. It is anticipated these will convert into sales when liquidity for the business sector recovers.

The Group's current focus in Spain is to enhance our land value through the planning process. The Spanish Division recorded an operating loss of €369k versus an operating loss of €1,395k in 2008. Land creditors total €0.4m.

The Group has established a dedicated management team to assess opportunities in the United Arab Emirates. To date some project management work has been secured. A number of tender prospects are being reviewed.

Working Capital

Cash consumed in operations in the period was €13m compared to €60m in the first half of 2008. The Group's inventory of built homes is higher than expected due to growth in cancellation rates together with an increased interval between exchange of contract and actual completion. This reflects increased stress testing by mortgage providers and also the overall weakness in consumer confidence.

Interest Charges

The interest charge for the first half was lower than for the first half of 2008. This is mainly due to lower European and British base rates.

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 0.90 in the first half of 2009 compared to 0.77 in the first half of 2008. The Balance Sheet exchange rate was 0.85 as compared to 0.95 at end 2008.

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

Debt at the half year was net €254m. This compares to €219m net debt at 31 December 2008. €17m of this increase is due to the impact of exchange rate movements on the Group's sterling debt. A further €12m of the increase is due to the payment of final land commitments during the period. The balance of the increase in debt relates primarily to general trading.

Banking

While the Group was in compliance with its trading covenants with its principal bankers at 30 June 2009, the further impairment charge announced today would have caused a breach of tangible net worth covenants when next tested. The Group's lenders are supportive and have agreed to defer the testing of this tangible net worth covenant as part of ongoing banking negotiations.

As the Group is now trading at lower levels than had been anticipated at the start of the year, we are currently in constructive discussions with both our UK and Irish funders in relation to revised loan facility structures. The objective of these discussions is to provide a stable funding basis for the Group during current trading conditions. The Directors also anticipate an extension will be secured for the UK banking facility maturity date to early/mid 2011. The maturity date of the Irish banking syndicate remains June 2011. The revised arrangements are expected to be completed and announced prior to the 2009 full year results. The directors believe that there will be a positive outcome to these discussions.

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 at the date of approval of the Interim Statement 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. The carrying value of assets is reviewed at each Balance Sheet date.

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.

Audited 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 2008 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.

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 2009 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 2009, 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.



Barry O'Connor
Managing Director

On behalf of the Board
28 August 2009

	Note	June 2009 Pre- Exceptional €'000	June 2009 Exceptional €'000	June 2009 Total €'000	June 2008 Pre- Exceptional €'000	June 2008 Exceptional €'000	June 2008 Total €'000
Continuing operations							
Revenue	4	80,821	-	80,821	142,198	-	142,198
Cost of sales		(71,693)	(136,471)	(208,164)	(131,989)	(27,572)	(159,561)
Gross profit/(loss)		9,128	(136,471)	(127,343)	10,209	(27,572)	(17,363)
Administrative expenses		(13,789)	(2,207)	(15,996)	(22,894)	(3,964)	(26,858)
Share of results from joint ventures		(642)	(19,461)	(20,103)	(849)	-	(849)
Loss from operations	4	(5,303)	(158,139)	(163,442)	(13,534)	(31,536)	(45,070)
Investment income		313	-	313	500	-	500
Finance costs		(7,783)	-	(7,783)	(9,050)	-	(9,050)
Loss before tax		(12,773)	(158,139)	(170,912)	(22,084)	(31,536)	(53,620)
Tax	8	(5)	-	(5)	5,524	1,699	7,223
Loss attributable to equity holders of the parent		(12,778)	(158,139)	(170,917)	(16,560)	(29,837)	(46,397)
Loss per share (cent)							
From continuing operations							
Basic	10			(84.77)			(23.15)
Diluted	10			(84.77)			(23.15)

Condensed Consolidated Statement of Comprehensive Income (unaudited)

for the period ended 30 June 2009

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	Note	June 2009 €'000	June 2008 €'000
Actuarial gain/(loss) on defined benefit pension scheme		(786)	791
Exchange difference on translation of foreign operations	15	(3,136)	(7,368)
Fair value movement on interest rate swaps	15	92	2,874
Tax on items taken directly to reserves		98	(99)
Net expense recognised directly in equity		(3,732)	(3,802)
Transfers to income on interest rate swaps	15	-	(89)
Loss for the period		(170,917)	(46,397)
Total recognised income and expense for the period attributable to equity shareholders		(174,649)	(50,288)

Condensed Consolidated Statement of Changes in Equity (unaudited)

for the period ended 30 June 2009

	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 2008	5,036	100,221	(6,437)	211,506	310,326
Total recognised income and expense for the period	-	-	(4,583)	(45,705)	(50,288)
Recognition of share based payments	-	330	-	-	330
Transfer on exercise of share options	-	(52)	-	52	-
Dividends paid	-	-	-	(6,043)	(6,043)
New share issue	5	33	-	-	38
Total movement	5	311	(4,583)	(51,696)	(55,963)
Balance at 30 June 2008	5,041	100,532	(11,020)	159,810	254,363
Balance at 1 January 2009	5,041	99,886	(27,067)	15,905	93,765
Total recognised 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)

	Note	June 2009 €'000	December 2008 €'000
Non-Current Assets			
Property, fixtures & equipment		5,963	6,723
Interests in joint ventures		5,772	6,523
Deferred tax assets		3,737	3,409
		15,472	16,655
Current Assets			
Inventories	11	259,982	383,713
Trade & other receivables		29,129	45,115
Cash & cash equivalents		9,453	26,228
Assets classified as held for sale		504	504
		299,068	455,560
Total Assets		314,540	472,215
Current Liabilities			
Trade & other payables		96,391	112,566
Retirement benefit obligation		320	535
Tax liabilities		2,238	5,005
Provisions	12	13,322	8,678
Obligations under finance leases		283	282
Bank loans & overdrafts	13	150,015	140,330
		262,569	267,396
Net Current Assets		36,499	188,164
Non-Current Liabilities			
Bank loans	13	113,137	105,475
Retirement benefit obligation		1,986	985
Deferred tax liabilities		151	152
Provisions	12	16,471	3,123
Other payables		798	1,033
Obligations under finance leases		139	286
		132,682	111,054
Total Liabilities		395,251	378,450
Net (Liabilities)/Assets		(80,711)	93,765
EQUITY			
Share capital	14	5,041	5,041
Capital conversion reserve fund		62	62
Share premium account	14	101,071	101,071
Other reserves		(1,103)	(1,247)
Hedging & translation reserves	15	(30,111)	(27,067)
Retained (losses)/earnings	16	(155,671)	15,905
		(80,711)	93,765
Total Equity and Liabilities		314,540	472,215

Condensed Consolidated Cash Flow Statement (unaudited)

for the period ended 30 June 2009

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	Note	June 2009 €'000	June 2008 €'000
Loss from operations	4	(163,442)	(45,070)
Adjustments for:			
Non cash exceptional items		156,432	25,952
Depreciation		736	1,149
Share of results from joint ventures		642	849
Provision for fair value of share based payments		173	330
Profit on disposal of tangible assets		68	-
Pension service costs		144	544
Change in provisions		(1,734)	(808)
Operating cash flows before movements in working capital		(6,981)	(17,054)
Decrease/(Increase) in inventories		13,343	(30,493)
Decrease in receivables		4,430	26,787
Decrease in payables		(23,619)	(27,938)
Cash used in operations		(12,827)	(48,698)
Taxation refunded/(paid)		6,564	(1,981)
Interest paid		(6,961)	(9,363)
Net cash used in operating activities		(13,224)	(60,042)
Investing activities			
Interest received		169	500
Loans advanced to joint ventures		(1,885)	(28)
Loans repaid by joint ventures		559	4,794
Proceeds on disposal of property, fixtures & equipment		63	172
Purchases of property, fixtures & equipment		(12)	(274)
Employer contributions to pension scheme		(177)	(307)
Acquisition of subsidiary		86	(1,225)
Net cash from/(used in) investing activities		(1,197)	3,632
Financing activities			
Dividends paid		-	(6,043)
Share capital subscribed		-	36
Repayments of borrowings		(21,586)	(37,303)
Repayments of obligations under finance leases		(177)	(282)
New bank loans raised		21,318	38,788
Decrease in bank overdrafts		(986)	-
Net cash used in financing activities		(1,431)	(4,804)
Net decrease in cash & cash equivalents		(15,852)	(61,214)
Cash & cash equivalents at start of period		26,228	80,459
Effect of foreign exchange rate changes		(923)	(777)
Cash & cash equivalents at end of period		9,453	18,468

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 challenging business environment currently being experienced by the Group. The housing markets and general economic conditions in the UK and Ireland deteriorated progressively during 2008 and 2009. Trading conditions in our key markets of Ireland and the UK continue to be challenging as consumer confidence is low, access to mortgage funds remains restricted and the international financial climate is uncertain. As a result, the Group incurred trading losses before exceptional items of €12.8m for the period ended 30 June 2009.

The Group reviewed the carrying value of its land and work in progress as at 30 June 2009 in the context of the continued deterioration in trading conditions. This review resulted in a further exceptional write down of €156m in the value of land and work in progress based on the continuation of current market conditions for the duration of the development of our landbank. Consequently the Group's balance sheet at 30 June 2009 reports net liabilities of €81m. As the loss of capital is due to a non-cash impairment charge against the carrying value of land and work in progress at a point in time, the Directors believe that the resulting net liability position does not prevent the adoption of the going concern basis in the preparation of these financial statements.

The further impairment charge of €156m would have resulted in a breach of tangible net worth banking covenants when next tested. However, the Group's UK and Irish lenders have agreed to defer measurement of these covenants in the context of ongoing banking negotiations. At 30 June 2009, the Group was in compliance with its other banking covenants. The Group is trading in an environment of considerable uncertainty. Based on current market conditions, and current forecasts, the Group's subsidiaries are likely to be non-compliant with certain banking covenants on certain measurement dates during 2009 and 2010. If any such covenant breaches were to occur then the lenders may be able to request early repayment of all outstanding borrowings. To date the Group has successfully renegotiated covenants with its lenders whenever breaches have been forecast or have occurred and has successfully renegotiated extensions of facilities.

On 10 March 2009, the Group concluded an agreement with its UK lenders to extend the maturity dates of the UK facilities to 31 March 2010. The Group's UK division continues to generate positive cashflow. The Directors expect further maturity extension negotiations to be successfully concluded early in 2010. The Irish facilities continue to have maturity dates in 2011.

The Group is in ongoing constructive discussions with both its UK and Irish funders in relation to revised covenants and facility structures. The outcome of these discussions and the possibility of a further or prolonged significant deterioration in our key housing markets of Ireland and the UK beyond that assumed in our forecasts, represent material uncertainties 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 condensed financial statements do not include any adjustments that would be necessary if the Group were unable to continue as a going concern.

Based on the progress of discussions to date with the Group's principal lenders, the Directors are satisfied that the required covenant, facility structure and maturity revisions will be agreed, enabling the Group to continue as a going concern. Therefore the Directors consider it appropriate to prepare the condensed 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 condensed financial information included for the year ended 31 December 2008 represents extracts from the audited financial statements for the year ended 31 December 2008. 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 are being 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 2008.

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 2009 but have no material impact on the Group's financial statements:

IAS 1(2007) – Presentation of financial statements

IFRS 8 – Operating Segments

IAS 23 – (Amended) Borrowing Costs

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 the activity of each business.

REVENUE	June 2009 €'000	June 2008 €'000
Ireland:		
Housing	14,611	33,979
Developed sites & land	159	–
Construction contracts	25,415	51,757
Commercial	18	59
Commercial land	43	–
	40,246	85,795

REVENUE (continued)	June 2009	June 2008
	€'000	€'000
UK:		
Housing	33,575	49,026
Developed sites & land	220	542
Construction contracts	4,159	4,627
Commercial	1,190	903
	<u>39,144</u>	<u>55,098</u>
Spain:		
Club management	1,164	1,188
Leisure freehold	959	1,716
	<u>2,123</u>	<u>2,904</u>
Group revenue (including joint ventures)	81,513	143,797
Eliminations	(692)	(1,599)
Group revenue (excluding joint ventures)	<u>80,821</u>	<u>142,198</u>
SEGMENT RESULTS		
	June 2009	June 2008
	€'000	€'000
Ireland:		
Housing	(2,413)	578
Developed sites & land	35	–
Construction contracts	4,162	(959)
Commercial	(135)	(538)
Commercial land	(38)	–
	<u>1,611</u>	<u>(919)</u>
UK:		
Housing	(2,308)	(7,367)
Developed sites & land	(120)	319
Construction contracts	(481)	(536)
Commercial	(179)	(146)
	<u>(3,088)</u>	<u>(7,730)</u>
Spain:		
Club management	640	468
Leisure freehold	(1,009)	(1,863)
	<u>(369)</u>	<u>(1,395)</u>
Total segment results	(1,846)	(10,044)
Common costs	(3,457)	(3,490)
Exceptional costs	(158,139)	(31,536)
Loss from operations	<u>(163,442)</u>	<u>(45,070)</u>

5. Operations in Interim Period

Past experience shows that the majority of trading activity occurs in the second half of the year. However with the current fragile housing market it is difficult to predict whether this trend will continue to apply in 2009.

6. Exceptional Costs

	June 2009 €'000	June 2008 €'000
Land and inventory impairments		
UK	37,774	18,871
Ireland	110,903	8,201
Spain	4,138	–
Commercial Division	3,117	500
	155,932	27,572
Other exceptional costs		
Restructuring charge		
UK	684	2,347
Ireland	1,466	1,617
Spain	57	–
Commercial Division	–	–
	2,207	3,964

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 €19.5m for Group's share of joint venture land impairment and a provision of €19.4m for impaired licence land commitments. 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.

7. Changes in Estimates and Judgements

In the process of applying the Group's accounting policies management are required to make certain judgements 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.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The Directors are satisfied that the significant risks and rewards of ownership have been transferred in all cases and that recognition of the revenue in the current year is appropriate.

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.

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

For the period ended 30 June 2009 a full review of inventories has been performed and write downs have been made where cost exceeds net realisable value. As noted above, 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. These site reviews have resulted in write downs totalling €156m. Should there be a further significant reduction in demand for housing in Ireland, the UK or Spain 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 2009 €'000	June 2008 €'000
Current tax credit/(charge)		
Irish tax	13	645
Foreign tax	(20)	2,956
Deferred tax		
Current year	(7)	3,601
	2	3,622
	(5)	7,223

9. Dividends

	June 2009 €'000	June 2008 €'000
Amounts recognised as distributions to Equity Holders during the period		
Charge to Income Statement		
Final dividend of nil per share for the year ended		
31 December 2008 (2007: 3c per share) paid in period	-	6,043
Proposed dividend		
Proposed interim dividend for the year ended		
31 December 2009 of nil per share (2008: nil per share)	-	-

10. Loss Per Share

From continuing operations

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

	June 2009 €'000	June 2008 €'000
Loss		
Loss for the purposes of basic and diluted earnings per share being net loss attributable to equity holders of the parent	(170,917)	(46,397)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	201,634,180	200,381,146
Effect of dilutive potential ordinary shares:		
Share options	3,681,639	4,140,439
Weighted average number of ordinary shares for the purposes of diluted loss per share	205,315,819	204,521,585

11. Inventories

	June 2009 €'000	December 2008 €'000
Development land	147,046	211,654
Work-in-progress:		
Irish housing	30,732	78,382
UK housing	50,847	62,136
Leisure developments	19,141	19,443
Commercial	12,216	12,098
	259,982	383,713

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.

For the period ended 30 June 2009 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. These site reviews have resulted in write downs totaling €127.9m (2008: €100.9m) from inventories.

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

12. Provisions

	June 2009 €'000	December 2008 €'000
Maintenance provision	5,808	7,091
Other provisions	23,985	4,710
	29,793	11,801
Analysed as:		
Current liabilities	13,322	8,678
Non-current liabilities	16,471	3,123
	29,793	11,801

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 impaired licence land commitments, restructuring costs and to costs arising from a legal case taken against one of the Group's divisions following a dispute with a neighbouring developer concerning an alleged boundary infringement.

13. Bank Overdrafts and Loans

	June 2009 €'000	December 2008 €'000
Analysis of movement on debt:		
Balance at 1 January	245,805	300,609
Repayments of borrowings	(21,586)	(58,719)
New bank loans raised	22,040	49,367
(Decrease)/Increase in bank overdrafts	(986)	2,451
Foreign currency translation movements	17,879	(47,903)
Closing balance	263,152	245,805
Analysis of closing debt:		
Amounts falling due within one year		
Bank loans repayable otherwise than by instalments	144,015	134,330
Bank loans repayable by instalments	6,000	6,000
	150,015	140,330

13. Bank Overdrafts and Loans (continued)

	June 2009 €'000	December 2008 €'000
Amounts falling due after more than one year		
Bank loans repayable otherwise than by instalments		
Within two to five years	85,747	80,907
After more than five years	5,521	5,636
Bank loans repayable by instalments		
Within two to five years	21,869	18,932
	113,137	105,475
	263,152	245,805

While the Group was in compliance with its trading covenants with its principal bankers at 30 June 2009, the further impairment charge [see note 6] would have caused a breach of tangible net worth covenants when next tested. The Group's lenders are supportive and have agreed to defer the testing of this tangible net worth covenant as part of ongoing banking negotiations.

As the Group is now trading at lower levels than had been anticipated at the start of the year, we are currently in constructive discussions with both our UK and Irish funders in relation to revised loan facility structures. The objective of these discussions is to provide a stable funding basis for the Group during current trading conditions. The Directors also anticipate a further extension will be secured for the UK banking facility maturity date to early/mid 2011. The maturity date of the Irish banking syndicate remains June 2011. The revised arrangements are expected to be completed and announced prior to the 2009 full year results. The directors believe that there will be a positive outcome to these discussions.

14. Share Capital

	Share Capital €'000	Share Premium €'000	Total €'000
Balance as at 1 January 2009	5,041	101,071	106,112
Balance as at 30 June 2009	5,041	101,071	106,112

15. Hedging & Translation Reserves

	Hedging Reserve €'000	Translation Reserve €'000	Total €'000
At 1 January 2008	(705)	(5,732)	(6,437)
Exchange difference arising on translation of overseas operations	–	(7,368)	(7,368)
Movement in fair value of interest rate swaps	2,874	–	2,874
Transfer to income	(89)	–	(89)
At 30 June 2008	2,080	(13,100)	(11,020)
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)

The fair value of interest rate swaps is taken to the hedging reserve. There are no other amounts included in this balance. Foreign exchange differences on translation of the Group's net investment in its UK subsidiaries are taken to the translation reserve.

16. Retained Earnings

	€'000
At 1 January 2008	211,506
Actuarial gains on defined benefit pension scheme	791
Tax on items taken directly to equity	(99)
Transfer from equity reserve on exercise of options	52
Loss for the period attributable to equity holders of the parent	(46,397)
Dividends paid	(6,043)
At 30 June 2008	159,810
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 (Deficit)	(155,671)

17. Contingent Liabilities

There are no 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.

18. 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 2009 €'000	December 2008 €'000
Amounts owed by joint ventures	–	6,102
Amounts owed to joint ventures	(8,369)	(7,470)

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

The amounts outstanding are unsecured and will be settled in cash. Two Group companies have provided separate joint and several guarantees to two joint venture companies for €8.9 million. Interest only guarantees are provided on joint venture borrowings.

Transactions with staff:

During the period 2 residential units were purchased by members of staff at a gross consideration of €262,144. There were no outstanding balances in respect of these transactions at the period end.

Other related party transactions:

In 1999, a loan of €749,000 was advanced by the Group to Alanda Club, Marbella ('the Club'). During the period €129,914 has been repaid, leaving an outstanding balance at the period end of €619,086. 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.

19. Land Commitments

In addition to amounts included in trade payables, the Group is committed to the following land payments:

	June 2009 €'000	December 2008 €'000
Land contracted for	–	5,062
Licence commitments	73,050	73,727
	73,050	78,789

Land contracted for

These commitments are in respect of land for which purchase contracts have been signed but not all contractual preconditions have been satisfied. Therefore, title has not yet passed and as a result there are payments outstanding to which the Group may be committed.

Licence agreements

The Group has entered into licence agreements with third parties in the normal course of business to build private housing developments. The Group has exclusive building licences on such sites. The estimated total amount payable over time under such agreements at the balance sheet date was €73.1m (December 2008: €73.7m). In certain circumstances the Group could be required to prepay these amounts. An impairment provision has been made to the extent that any licence commitments are considered onerous (see note 12).

20. Events After the Balance Sheet Date

There have been no significant events since the balance sheet date.

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