

Interim Report

for the six months to 30 June 2007



Mc Inerney 

The Group reports a profit before tax of €9.2 million for the first six months of 2007 which compares to €11.2 million for the corresponding period in 2006. Private housing profits rose by 97% in the UK and by 15% in Ireland for first six months as compared to the same period in 2006. Profit after tax was €7.9 million as compared to €9.3 million in the corresponding period in 2006. Basic earnings per share were 4.11 cent compared to 5.4 cent for the same period in 2006 (as adjusted for the recent rights issue and share split).

An interim dividend of 3 cent gross will be paid on 26th October 2007 to shareholders on the register on 5th October 2007. This is an increase from 2 cent last year (as adjusted for the recent share split), and represents a rebalancing between the interim and final payments.

Operationally, our UK business is now the largest component of the Group and this growth pattern is expected to continue. This is the consequence of our 2001 strategic plan to diversify earnings, relocate capital to the UK and expand and diversify our operations.

UK

The UK housing operation recorded a significant increase in output in the first half of 2007. We completed 446 homes in the first half of 2007, compared to 268 homes for the same period in 2006. Private housing profits were €3.6 million compared to €1.8 million in the first half of 2006.

Based on current activity, it is expected that the strong momentum in the number of unit completions will continue in the second half of the year.

The Group's expansion plans continue to progress. Our acquisition of Lancing Homes in February has been immediately earnings enhancing and its integration is complete. Our geographic spread across the North and Midlands of England now extends to 74 sites. This broadened operational base, combined with a product focus within the construction sector which continues to show strong demand, is anticipated to support continued revenue and profit growth going forward.

In addition, recent reviews of planning strategy initiated by the Government present the Group with further opportunities. McInerney recently pre-qualified as one of a small number of private developers eligible to bid directly for funds from the National Affordable Housing Programme (2008-2011). It is anticipated this will boost our UK social housing division in future years.

The commercial division completed 1,842 sq metres of industrial units in the outer London area compared to 2,376 sq metres in the first half of 2006. A new site was recently secured at Park Royal.

Ireland

The Group's Irish housing business completed 257 homes in the first half of 2007 compared to 362 homes for the same period in 2006. Private housing profits were €12.2 million as compared to €10.7 million

for the first six months of 2006. The Group anticipates unit completions for the full year to be short of 2006 levels and below target for the year.

The fundamentals of the Irish economy and housing market remain strong although consumer caution became more evident as the period progressed, impacted by the tightening of interest rates. We provide quality, affordable homes and have a significant geographic spread throughout the country. Recent new planning permissions secured provide access to new locations offering good demand for well priced housing product.

We are currently active on 28 sites in Ireland and expect this number to increase next year. Despite a slower pace of demand in the Irish market, we anticipate momentum to return and this, coupled with our favourable planning permissions position, should result in our output increasing in 2008.

The Irish contracting business delivered a good performance and the order book on hand is circa €137 million. It is anticipated that this business will benefit from the Government's capital programme for housing.

The Group's commercial division, Hillview Developments sold 1,591 sq metres of industrial units in the first half of 2007.

Spain

The Spanish market has witnessed a general slowdown. In this context, we are not anticipating growth in the short term.

Our Spanish operation completed 17 homes in the first half of 2007 compared to 30 homes for the same period in 2006.

Outlook

In line with our strategic plan, our operations are now very broadly spread through England and Ireland offering an affordable product.

Strong margins are being achieved in Ireland and this combined with increased UK volume output and other activities will offset the Irish volume shortfall.

Our UK business has now achieved substantial critical mass and will continue to become a greater contributor to Group earnings growth. The Directors expect a strong full year result from the UK housing division.

We are confident of another good result for the full year.



Ned Sullivan
Chairman

Consolidated Income Statement

for the period ended 30 June 2007

	Note	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000	31 Dec 2006 Audited €'000
Continuing operations				
Revenue	3	238,223	228,823	630,064
Cost of Sales		(195,677)	(190,386)	(507,484)
Gross Profit		42,546	38,437	122,580
Administrative Expenses		(25,712)	(20,193)	(49,303)
Share of Results from Joint Ventures		546	(74)	1,064
Profit from Operations		17,380	18,170	74,341
Investment Income		516	75	570
Finance Costs		(8,715)	(7,035)	(16,913)
Profit before Tax	3	9,181	11,210	57,998
Tax	6	(1,253)	(1,863)	(9,377)
Profit attributable to Equity Holders of the Parent	13	7,928	9,347	48,621
Earnings Per Share				
From Continuing Operations:				
Basic	8	4.11	5.40	28.04
Diluted	8	4.02	5.19	27.03

Consolidated Statement of Recognised Income & Expense

for the period ended 30 June 2007

	Note	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000	31 Dec 2006 Audited €'000
Actuarial gain on defined benefit pension scheme		986	493	425
Exchange difference on translation of foreign operations	12	303	156	2,467
Fair value movement on interest rate swaps	12	352	1,033	1,466
Tax on items taken directly to reserves	13	(123)	(62)	1,013
Net Income recognised directly in equity		1,518	1,620	5,371
Transfers to income on interest rate swaps	12	(6)	9	95
Profit for the period		7,928	9,347	48,621
Total recognised income and expense for the period attributable to equity shareholders		9,440	10,976	54,087

Consolidated Reconciliation of Changes in Shareholders' Equity

for the period ended 30 June 2007

	Share Capital €'000	Capital Reserves €'000	Hedging & Translation Reserves €'000	Retained Earnings €'000	Total (Attributable to Equity Holders of Parent) €'000
Balance at 1 January 2006	4,145	17,916	(1,524)	134,278	154,815
Total recognised income and expense for the period	-	-	1,198	9,778	10,976
Recognition of share based payments	-	188	-	-	188
Dividends paid	-	-	-	(5,006)	(5,006)
New share issue	27	301	-	-	328
Total movement	27	489	1,198	4,772	6,486
Balance at 30 June 2006	4,172	18,405	(326)	139,050	161,301
Balance at 1 January 2007	4,173	19,874	2,504	174,931	201,482
Total recognised income and expense for the period	-	-	649	8,791	9,440
Recognition of share based payments	-	338	-	-	338
Dividends paid	-	-	-	(6,009)	(6,009)
New share issue	874	84,229	-	-	85,103
Total movement	874	84,567	649	2,782	88,872
Balance at 30 June 2007	5,047	104,441	3,153	177,713	290,354

Consolidated Balance Sheet

as at 30 June 2007

	Note	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000	31 Dec 2006 Audited €'000
Non-Current Assets				
Goodwill		58,601	30,521	49,485
Property, Fixtures & Equipment		12,538	7,622	7,544
Investment Property		-	183	-
Interests in Joint Ventures		4,422	2,457	3,877
Deferred Tax Assets		1,573	161	1,696
		77,134	40,944	62,602
Current Assets				
Inventories		555,032	407,693	442,093
Trade & Other Receivables		78,416	53,927	68,230
Cash & Cash Equivalents		64,707	37,147	84,382
Assets classified as held for Sale	9	856	1,654	1,507
		699,011	500,421	596,212
Total Assets		776,145	541,365	658,814
Current Liabilities				
Trade & Other Payables		169,604	142,374	142,178
Retirement Benefit Obligation		243	487	345
Tax Liabilities		11,247	5,855	19,225
Provisions		2,614	2,124	2,500
Obligations under Finance Leases		374	412	398
Bank Overdrafts & Loans	10	47,137	99,079	42,106
		231,219	250,331	206,752
Net Current Assets		467,792	250,090	389,460
Non-Current Liabilities				
Bank Loans	10	245,855	112,916	238,230
Retirement Benefit Obligation		398	799	1,039
Deferred Tax Liabilities		4,556	2,248	2,296
Provisions		3,086	2,910	4,007
Other Payables		69	10,384	4,531
Obligations under Finance Leases		608	476	477
		254,572	129,733	250,580
Total Liabilities		485,791	380,064	457,332
Net Assets		290,354	161,301	201,482
EQUITY				
Share Capital	11	5,047	4,172	4,173
Capital Conversion Reserve Fund		62	62	62
Share Premium Account	11	101,713	17,481	17,484
Equity Reserve		2,666	862	2,328
Hedging & Translation Reserves	12	3,153	(326)	2,504
Retained Earnings	13	177,713	139,050	174,931
		290,354	161,301	201,482
Total Equity & Liabilities		776,145	541,365	658,814

Consolidated Cash Flow Statement

for the period ended 30 June 2007

	Note	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000	31 Dec 2006 Audited €'000
Profit from Operations	3	17,380	18,170	74,341
Adjustments for:				
Depreciation		1,271	1,081	2,340
Share of Results from Joint Ventures		(546)	74	(1,064)
Provision for Fair Value of Share based Payments		338	188	591
Profit on disposal of Tangible Assets		-	(6)	10
Pension Service Costs		239	180	420
Increase in provisions		(807)	-	1,006
Operating Cash Flows before movements in Working Capital		17,875	19,687	77,644
Increase in Inventories		(78,790)	(72,214)	(66,948)
(Increase) / Decrease in Receivables		(6,735)	2,091	(7,595)
Increase in payables		4,774	10,786	5,423
Cash Generated by Operations		(62,876)	(39,650)	8,524
Taxation Paid		(1,452)	(4,794)	(12,148)
Interest Paid		(8,742)	(7,704)	(16,056)
Net cash from operating activities		(73,070)	(52,148)	(19,680)
Investing activities				
Interest Received		423	49	187
Dividends Received from Joint Ventures		-	1,976	1,976
Loans advanced to Joint Ventures		(3,287)	(3,439)	(5,030)
Loans repaid from Joint Ventures		-	345	351
Proceeds on disposal of Property, Fixtures & Equipment		87	148	250
Purchases of Property, Fixtures & Equipment		(5,785)	(1,940)	(3,157)
Employer Contributions to Pension Scheme		(273)	(243)	(346)
Acquisition of Subsidiary		(25,047)	(3,508)	(38,133)
Net cash used in investing activities		(33,882)	(6,612)	(43,902)
Financing activities				
Dividends Paid		(6,009)	(5,006)	(8,343)
Share Capital Subscribed		85,103	328	332
Repayments of Borrowings		(112,106)	(50,728)	(106,929)
Repayments of Obligations under Finance Leases		(341)	(291)	(630)
New Bank Loans Raised		122,440	88,862	198,789
(Decrease)/Increase in Bank Overdrafts		(2,125)	822	1,047
Net cash from financing activities		86,962	33,987	84,266
Net (decrease)/increase in cash & cash equivalents		(19,990)	(24,773)	20,684
Cash & cash equivalents at start of period		84,382	62,056	62,056
Effect of Foreign Exchange Rate Changes		315	(136)	1,642
Cash & cash equivalents at end of period		64,707	37,147	84,382

Notes to the Interim Report

for the period ended 30 June 2007

1. General Information

The financial statements for the six months ended 30 June 2007 and 30 June 2006 are unaudited. Comparative extracts from the financial statements for the year ended 31 December 2006 formed part of the audited financial statements for that year.

2. Accounting Policies

The Interim Report comprises consolidated condensed financial statements for the six months ended 30 June 2007. The Interim Report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS). The accounting policies and methods of computation used in the interim financial statements are consistent with those used in the Group Annual Report and Accounts 2006, which is available on the Group website, www.mcinerney.ie.

3. Segment Information

The Group operates in three markets, Ireland, UK and Spain. The principal activities of the Group are Private Housing Development, Contracting, Commercial Development and Leisure. The Leisure activities are divided into Club Management and Freehold sales. Land sales also form an activity of each business segment. These divisions are the basis on which the Group reports its primary segment information.

REVENUE	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Ireland:		
Private Housing	70,351	83,697
Developed Sites & Land	814	1,580
Construction Contracts	44,719	51,367
Commercial	2,910	7,556
Commercial Land	2,437	-
	121,231	144,200
UK:		
Private Housing	88,247	56,405
Developed Sites & Land	9,001	5,396
Construction Contracts	10,540	4,971
Commercial	4,381	4,116
	112,169	70,888
Spain:		
Club Management	1,209	1,363
Leisure Freehold	10,011	14,569
	11,220	15,932
Group Revenue (including joint ventures)	244,620	231,020
Eliminations	(6,397)	(2,197)
Group Revenue (excluding joint ventures)	238,223	228,823

Notes to the Interim Report

for the period ended 30 June 2007

SEGMENT RESULTS

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Ireland:		
Private Housing	12,249	10,677
Developed Sites & Land	377	729
Construction Contracts	889	831
Commercial	367	2,117
Commercial Land	473	-
	14,355	14,354
UK:		
Private Housing	3,579	1,819
Developed Sites & Land	677	2,615
Construction Contracts	1,248	276
Commercial	432	278
	5,936	4,988
Spain:		
Club Management	288	479
Leisure Freehold	521	1,785
	809	2,264
Total Segment Results	21,100	21,606
Common Costs	(3,720)	(3,436)
Profit from Operations	17,380	18,170
Investment Income	516	75
Finance Costs	(8,715)	(7,035)
Profit Before Tax	9,181	11,210
Tax	(1,253)	(1,863)
Profit After Tax	7,928	9,347

4. Operations in Interim Period

Past experience shows that the majority of profit is earned in the second half of the year. In the financial year 2006, 19% of profit before tax was earned in the first half period to 30 June 2006.

5. Changes in Estimate

There were no significant changes in estimate during the period.

Notes to the Interim Report

for the period ended 30 June 2007

6. Tax

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Current Tax:		
Irish Tax	1,058	1,034
Foreign Tax	477	727
	1,535	1,761
Deferred Tax:		
Current Year	(282)	102
	1,253	1,863

Corporation tax for the interim period is charged at 13.6% (2006: 16.7%), representing a weighted average of the corporation tax expected to be incurred for the full financial year.

7. Dividends

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Amounts recognised as distributions to equity holders during the period		
Charge to Profit & Loss		
Final Dividend of 3.6c per share for the year ended 31 December 2006 (2005: 3c per share) paid in period	6,009	5,006
Proposed Dividend		
Proposed interim dividend for the year ended 31 December 2007 of 3c per share (2006: 2c per share)	6,056	3,337

The proposed interim dividend was approved by the Board on 24 September 2007 and has not been included as a liability in these financial statements.

Comparative figures for dividend per share have been adjusted following the share split.

Notes to the Interim Report

for the period ended 30 June 2007

8. Earnings Per Share

From continuing operations

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

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	7,928	9,347
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	192,769,649	173,231,103
Effect of dilutive potential ordinary shares: Share options	4,676,610	6,851,095
Weighted average number of ordinary shares for the purposes of diluted earnings per share	197,446,259	180,082,198

9. Non-Current Assets Classified as held for Sale

Non-current assets held for sale comprise investment properties in Spain and in Ireland.

The Spanish property consisted of 30 apartments when it was originally designated as held for sale in 2005. The units are being sold on an individual basis and 27 have been sold to date. Disposal proceeds have exceeded the carrying value of the asset and indications are that this will continue to be the case.

The Directors expect the Irish property to realise in excess of its current carrying value upon its ultimate disposal.

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Investment property held for sale	856	1,654

The net proceeds on the disposal of the apartment units in the period amounted to €1,161,000 and have been included in Leisure Freehold revenue in segmental reporting (see note 3).

Notes to the Interim Report

for the period ended 30 June 2007

10. Bank Overdrafts and Loans

Analysis of movement on debt:

	30 June 2007 Unaudited €'000	30 June 2006 Unaudited €'000
Balance at 1 January	280,336	173,048
Repayments of Borrowings	(112,106)	(50,728)
New Bank Loans Raised	126,887	88,862
(Decrease) / Increase in Bank Overdrafts	(2,125)	822
Foreign Currency Movements	-	(9)
Balance at 30 June	292,992	211,995

Analysis closing debt:

Amounts falling due within one year:

Bank Overdrafts	-	1,900
Bank Loans repayable otherwise than by instalments	44,683	97,179
Bank Loans repayable by instalments	2,454	-
	47,137	99,079

Amounts falling due after more than one year:

Bank Loans repayable otherwise than by instalments		
Within two to five years	197,845	100,591
Bank Loans repayable by instalments		
Within two to five years	-	6,233
After more than five years	48,010	6,092
	245,855	112,916
	292,992	211,995

11. Share Capital

	Share Capital Unaudited €'000	Share Premium Unaudited €'000	Total Unaudited €'000
Balance as at 1 January 2007	4,173	17,484	21,657
Rights issue	834	83,360	84,194
Exercise of share options	40	869	909
Balance as at 30 June 2007	5,047	101,713	106,760

Notes to the Interim Report

for the period ended 30 June 2007

12. Hedging & Translation Reserve

	Hedging Reserve Unaudited €'000	Translation Reserve Unaudited €'000	Total Unaudited €'000
At 1 January 2006	(1,013)	(511)	(1,524)
Exchange difference arising on translation of overseas operations	-	156	156
Movement in fair value of interest rate swaps	1,033	-	1,033
Transfer to income	9	-	9
At 30 June 2006	29	(355)	(326)
At 1 January 2007	548	1,956	2,504
Exchange difference arising on translation of overseas operations	-	303	303
Movement in fair value of interest rate swaps	352	-	352
Transfer to income	(6)	-	(6)
At 30 June 2007	894	2,259	3,153

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 the United Kingdom are taken to the translation reserve.

13. Retained Earnings

	Unaudited €'000
At 1 January 2006	134,278
Actuarial gains on defined benefit pension scheme	493
Tax on items taken directly to equity	(62)
Profit for the year attributable to equity holders of the parent	9,347
Dividends paid	(5,006)
At 30 June 2006	139,050
At 1 January 2007	174,931
Actuarial gains on defined benefit pension scheme	986
Tax on items taken directly to equity	(123)
Profit for the year attributable to equity holders of the parent	7,928
Dividends paid	(6,009)
At 30 June 2007	177,713

Notes to the Interim Report

for the period ended 30 June 2007

14. 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.

15. Events after the Balance Sheet Date

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

Details of the interim dividend are given in note 7.

16. Related Party Transactions

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

Transactions between the Group and its Joint Ventures:

	30 June 2007	30 June 2006
	Unaudited	Unaudited
	€'000	€'000
Build Contracts	-	-
Amounts owed by Joint Ventures	18,333	13,402
Amounts owed to Joint Ventures	4,185	4,173

During the period 16 residential units & 1 commercial unit were purchased by staff at a gross consideration of €3,682,002. There were no outstanding balances in respect of these transactions at the period end.

Notes to the Interim Report

for the period ended 30 June 2007

17. Acquisition of Subsidiary Undertaking

In February 2007 the Group acquired the entire issued share capital of Lancing Homes Limited, for a consideration of €24.2m cash payable on completion of the transaction.

Professional fees and other expenses relating to the business combination amounted to €815,000.

The acquisition has been accounted for using the purchase method of accounting.

The fair value adjustments and the goodwill arising on the transaction are summarised below.

	Book value at acquisition €'000	Fair value adjustments €'000	Fair value to the Group €'000
Tangible Assets	29	-	29
Work in progress	18,139	15,359	33,498
Other Current Assets	164	-	164
Trade & other creditors	(8,779)	-	(8,779)
Bank loans & overdrafts	(4,447)	-	(4,447)
Deferred tax	-	(4,607)	(4,607)
Net Assets acquired	<u>5,106</u>	<u>10,752</u>	15,858
Goodwill			9,189
Total consideration satisfied by cash			<u>25,047</u>
Satisfied by:			
Cash payment			25,047
Cash & cash equivalents acquired			-
Net cash outflow on acquisition			<u>25,047</u>

Lancing contributed profits of €0.6m in the period since the acquisition took place.

The revenue and net profit of the Group for the period, stated as though the acquisition date was 1 January 2007, is not materially different from the amounts reported in the Income Statement.

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