


**A Building Business**

**Mc Inerney** 



**McInerney Holdings Plc  
Interim Results 2009**

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# Results

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## Introduction

- Further land impairment provisions of €156m contributed to the Group reporting a loss before tax of €171m for the period
- Caused by significant further deterioration in trading conditions, particularly in Ireland
- Land impairment is a non-cash provision
- Net debt of €254m leaves the Group in a position of net liabilities amounting to €81m
- Supportive banks



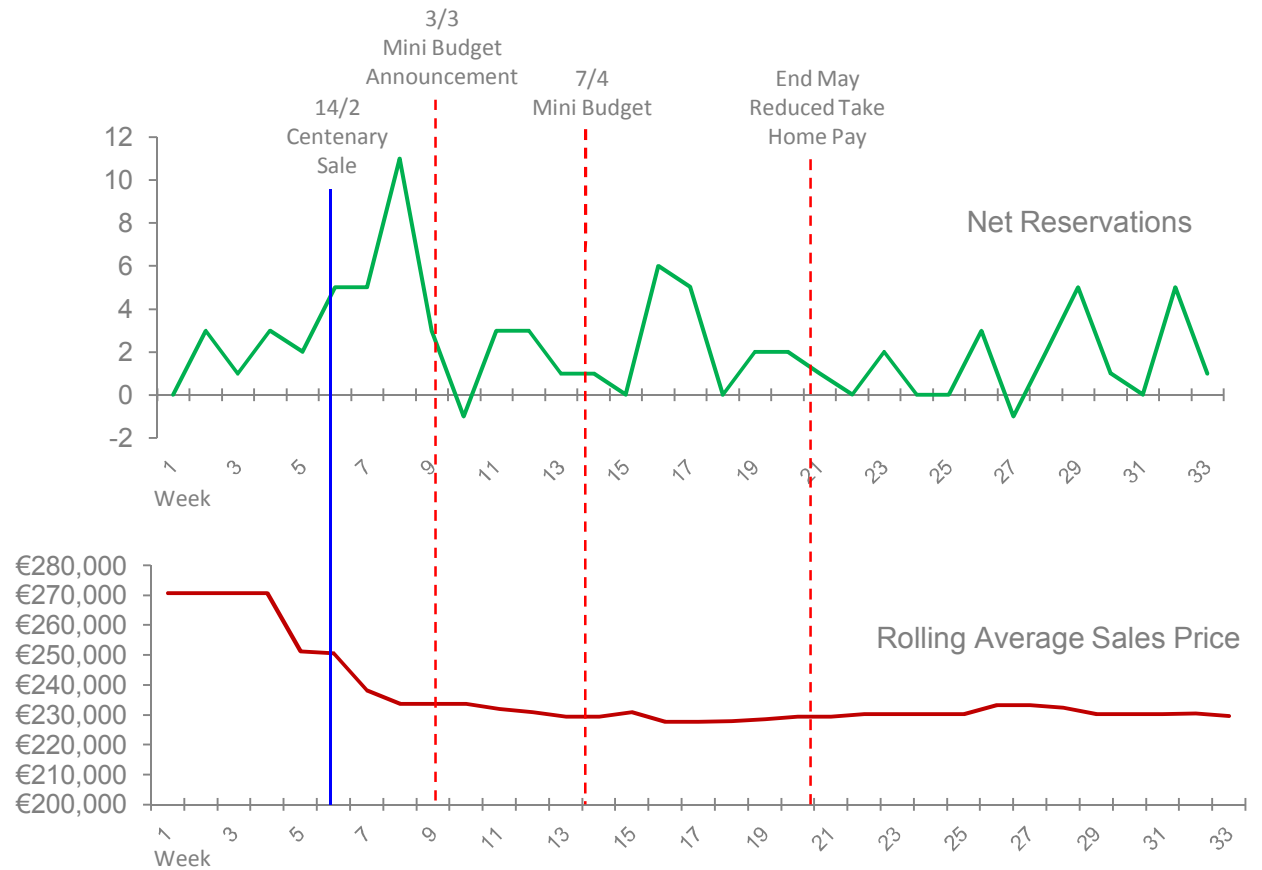
Beacon Wood, Walsall (from £105k)



**Introduction**

- Overall Performance
- Housing
- Operating Loss
- Balance Sheet

**Ireland Sales 2009**



Viewmount, Rathdrum (from €220k)

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**Overall Performance**

	<i>Interim 2008</i> €000	<i>Final 2008</i> €000	<i>Interim 2009</i> €000
Turnover	142,198	300,934	80,821
Operating Loss	(13,534)	(28,019)	(5,303)
Interest	(8,550)	(18,923)	(7,470)
Exceptional Charges:			
Land and Inventory Writedowns	(27,572)	(110,037)	(155,932)
Goodwill Write Off	-	(39,708)	-
Restructuring Costs	(3,964)	(9,806)	(2,207)
Loss Before Tax	(53,620)	(206,493)	(170,912)



Ard Thomain, Mungret (from €250k)

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**Housing**

	<i>Interim 2008</i>	<i>Final 2008</i>	<i>Interim 2009</i>
UK - Units	281	750	274
UK - Operating Loss (€'000)	(7,367)	(9,428)	(2,308)
Ireland - Units	142	296	64
Ireland - Operating (Loss) / Profit (€'000)	578	(2,910)	(2,413)
Housing Total - Units	423	1,046	338
Housing Total - Operating Loss (€'000)	(6,789)	(12,338)	(4,721)



Drumaconn, Athlone (from €240k)

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## Operating Loss

	<i>Interim 2008</i>	<i>Final 2008</i>	<i>Interim 2009</i>
Housing	(6,789)	(12,338)	(4,721)
Land Sales	319	1,691	(85)
Commercial	(684)	(2,583)	(352)
Contracting	(1,495)	(2,405)	3,681
Spain	(1,395)	(5,116)	(369)
Common Costs	(3,490)	(7,268)	(3,457)
<b>Operating Loss</b>	<b>(13,534)</b>	<b>(28,019)</b>	<b>(5,303)</b>



Kensington Gardens, Blackburn (from £146k)



Introduction

Overall Performance

Housing

Operating Loss

**Balance Sheet**

## Balance Sheet

- Post writedowns

	<i>Interim 2008</i>	<i>Final 2008</i>	<i>Interim 2009</i>
Net Debt €'000	267,041	219,577	253,699
Net Assets/Liabilities €'000	254,363	93,765	(80,711)

### Stock Analysis:

Land	306,748	211,654	147,046
WIP	198,726	172,059	112,936
	505,474	383,713	259,982

Trade Creditors	129,508	112,566	96,391
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Hope, Knottingley (from £105k)

Results

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# Actions

Sales

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**Sales**

- Social Housing
- UK Sites
- Ireland Sites
- Summary

**Deposits on Hand (current)**

	2008	2009	Change
UK	612	424	(31%)
Ireland	312	227*	(27%)

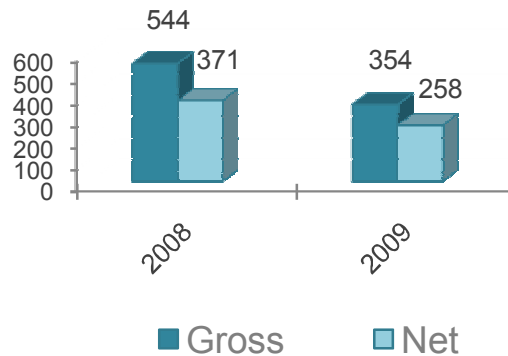
\* incl 177 social units

**Year to Date Sales**

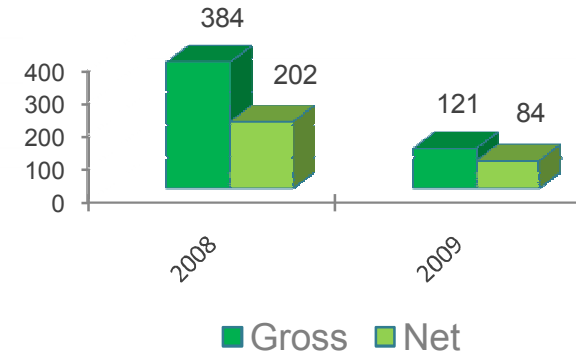


Opus, Morcambe (from £120k)

33-Week Sales UK



33-Week Sales Ireland



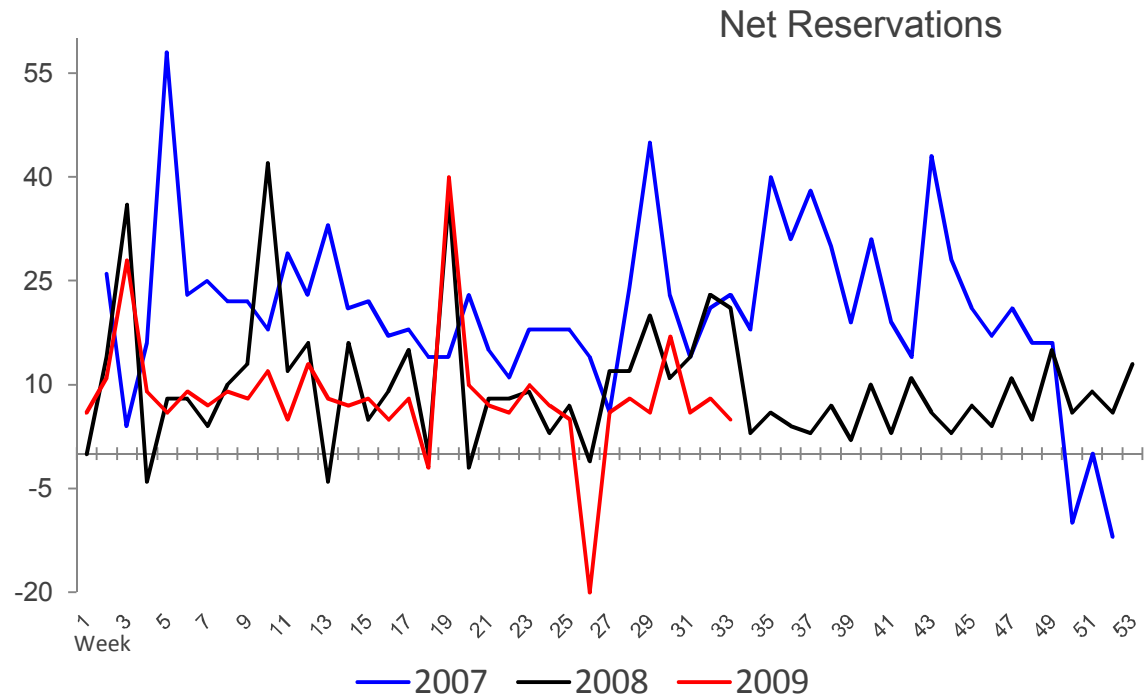
**Sales**

- Social Housing
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- Summary

**UK Private Housing**



William's Wharf, Warrington (from £110k)

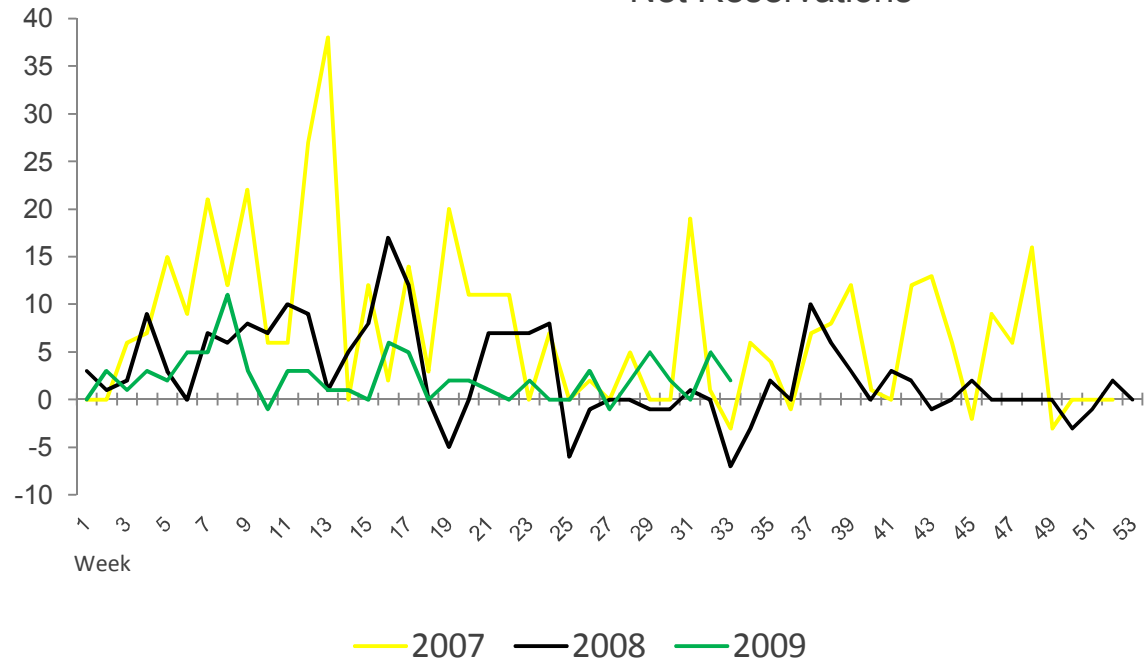


**Sales**

- Social Housing
- UK Sites
- Ireland Sites
- Summary

**Ireland Private Housing**

Net Reservations



Coill Tire, Galway (from €165k)

**Sales**

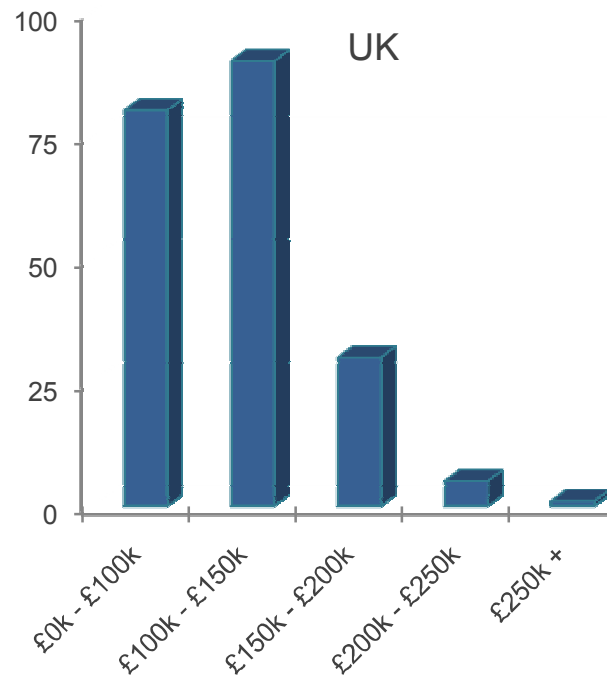
- Social Housing
- UK Sites
- Ireland Sites
- Summary



Maddocks Grange, Wellington (from £119k)

**Private Housing Price Ranges**

- Focused on the affordable starter home market



**Average sales price**  
£120k vs. 2008 £150k



**Average sales price**  
€259k vs. 2008 €272k (VAT incl)

Sales

**Social Housing**

UK Sites

Ireland Sites

Summary

## Social Housing

- Supply / demand imbalance has made social housing a vital part of the UK market
- Housing Associations account for 12% of the total UK market and set to grow significantly
- Government Green Paper in July 2007 proposed an investment of £8bn for affordable housing
- Commitment to build at least 70,000 affordable houses pa by 2010/11 (currently <30,000 pa)
- Progress very slow, affected by downturn also
- Meanwhile Local Authority Housing Lists in UK have grown by 40% in 5 years - now 1.8m households
- McInerney making good progress - expect >15% increase in social housing closings this year
- Even stronger progress in pipeline suggesting further significant growth next year



Palmerstown Street, Derby, Social Housing

Sales

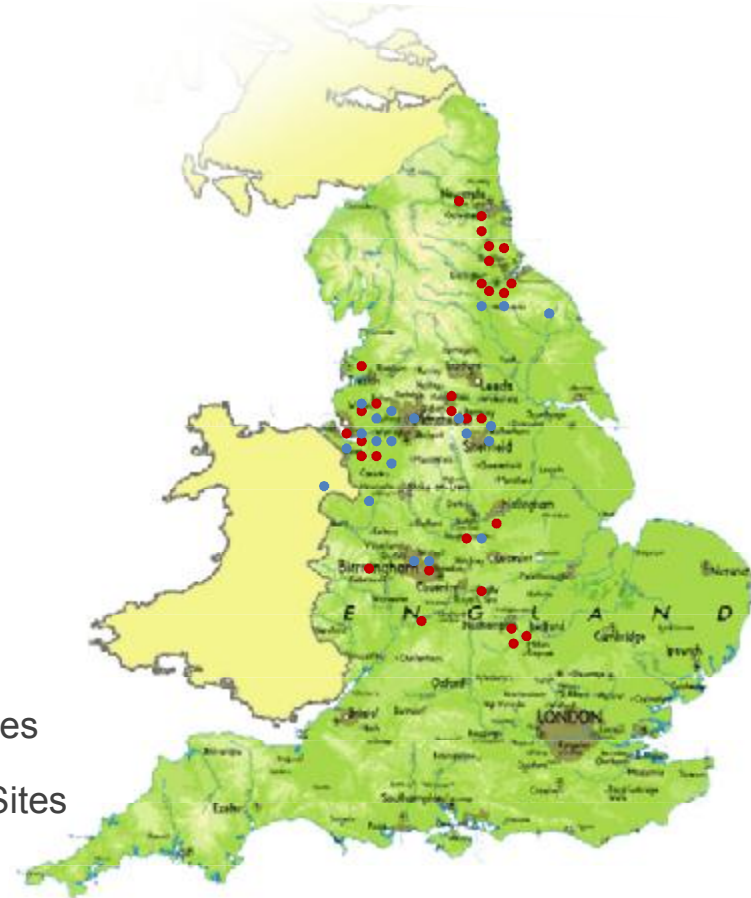
Social Housing

**UK Sites**

Ireland Sites

Summary

## UK Sites



- 30 Active Sites
- 21 Inactive Sites



Iris, Bradford (from £100k)

Sales

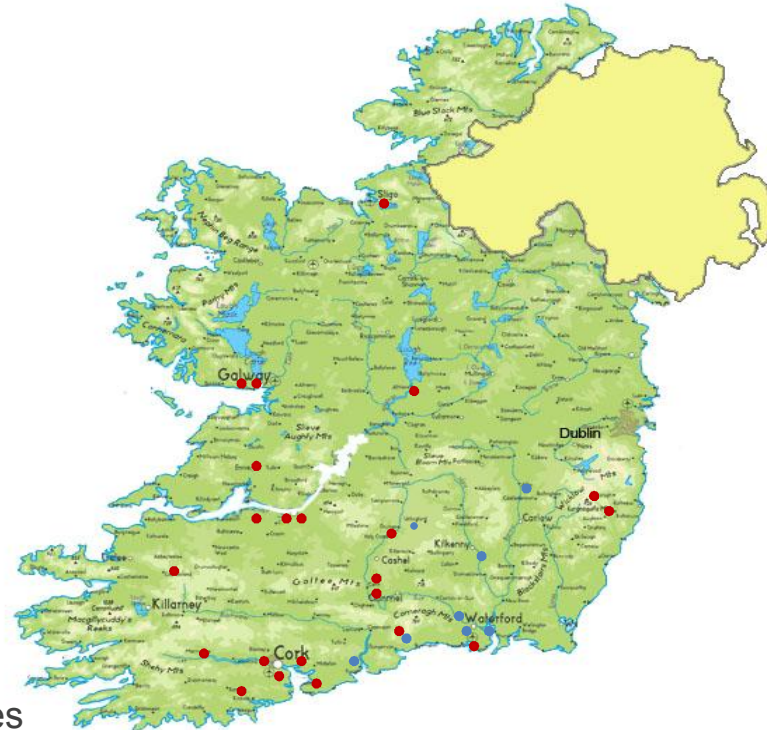
Social Housing

UK Sites

**Ireland Sites**

Summary

## Ireland Sites



- 22 Active Sites
- 8 Inactive Sites



Coill Tire, Galway (from €165k)

Results    Actions    **Sales**    Cost    Impairment    Banking    Markets    Summary

Sales

Social Housing

UK Sites

Ireland Sites

**Summary**

## Summary

- Sales environment continues to be very difficult
- Sentiment and mortgage availability key factors
- 52 active sites
- Strong product offering
- Good progress in social housing
- Well positioned to avail of any market improvement



Bloomfield, Limerick (from €250k)

Results      Actions      Sales      Cost      Impairment      Banking      Markets      Summary

**Staff Numbers**

**Staff Numbers**

Summary

	<i>Per 2007 Annual Report</i>	<i>Reduction</i>	<i>Current Headcount</i>
UK	527	(337) 64%	190
Ireland	429	(324) 76%	105
Plc	17	(7) 41%	10
Spain	23	(14) 61%	9
Shared Services Centre	-	25 n/a	25
	<b>996</b>	<b>(657) 66%</b>	<b>339</b>
Cost €'000	75,141	(52,134) 69%	23,007



Rusheen Ard, Sligo (from €125k)

Results

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Staff Numbers

## Summary

## Summary

- Annual savings of over €50m
- Now feeding through P&L
- Further overhead savings ongoing
- Significant build cost savings now being achieved
- Build cost savings will impact margin as stock clears



Derrymore Ennis (from €210k)

**Impairment**

- Landbank
- Land Commitments
- Summary

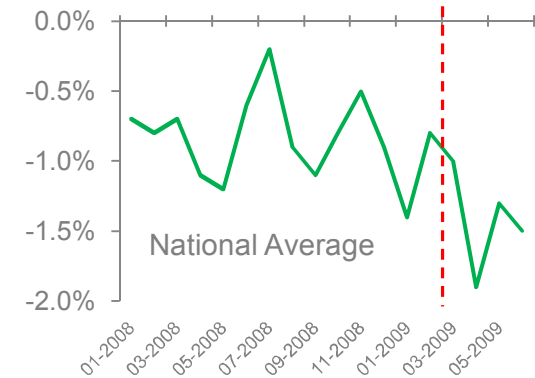
**Impairment**

- Further impairment of €156m necessitated by continuing decline in market
- Market decline in Ireland has accelerated since March 2009



Cluain Ard, Cobh (from €170k)

% Monthly Decline in House Prices



Source: Permanent tsb/ESRI

- Effect on McInerney sales shown on page 4
- Impairment calculation assumes no market recovery over life of landbank

Results      Actions      Sales      Cost      **Impairment**      Banking      Markets      Summary

**Impairment**

	<b>Impairment</b>				
	<i>Original Carrying Value</i>	<i>Impairment</i>		<i>Revised Carrying Value</i>	
	€m	€m		€m	
Landbank					
Land Commitments					
Summary					
	UK	185.5	70.6	<b>38%</b>	114.9
	Ireland	206.0	114.8	<b>56%</b>	91.2
	Hillview	31.3	13.9	<b>44%</b>	17.4
	Spain	53.2	16.7	<b>31%</b>	36.5
		<b>476.0</b>	<b>216.0</b>	<b>45%</b>	<b>260.0</b>



Kensington Gardens, Blackburn (from £146k)

Our Share of Joint Ventures

	Ireland	37.6	27.2	<b>72%</b>	10.4
	Hillview	7.1	2.4	<b>34%</b>	4.7
		<b>44.7</b>	<b>29.6</b>	<b>66%</b>	<b>15.1</b>

Additional impairment charge of €20m included as provision against future licence commitments

Impairment

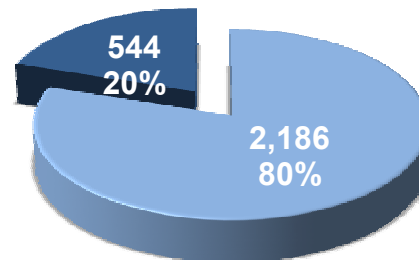
**Landbank**

Land Commitments

Summary

### UK Landbank

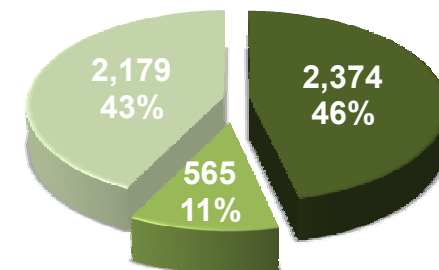
Total            2,730 Plots  
 Additional    1,751 Plots - options



Owned    Structured

### Irish Landbank

Total            3,956 Plots  
 Additional    1,162 Plots - strategic



Owned    Structured    Joint Venture



Belgrave Heights, Darwen (from £160k)

Average Plot Cost (excl strategic & options)	UK	Ireland
Pre-Impairment	£46k	€54k
<b>Post-Impairment</b>	<b>£27k</b>	<b>€26k</b>

Impairment

Landbank

**Land Commitments**

Summary

## Land Commitments

	<i>Commitment €m</i>
UK	2.8
Ireland	1.1
Hillview	-
Spain	0.4
	<hr/> 4.3



Viewmount, Rathdrum (from €220k)

- €4.3m land commitments have been fully accrued
- Licensed land could technically become committed - €73m

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Landbank

Land Commitments

**Summary**

## Summary

- Significant impairment - UK 38%, Ireland 56%
- Impairment assumes no market recovery during life of landbank
- Low plot cost going forward



Meadowlands, Macroom (from €200k)

**Net Debt Increase**

Banking Update

Loan Facilities

Summary

**Net Debt Increase**

	€m
June 2008 Debt	267
December 2008 Debt	220
F/X	17
Land	12
Off Balance Sheet / Creditors	5
June 2009 Debt	<u>254</u>



Pippin Nook, Bacup (from £155k)

Net Debt Increase

**Banking Update**

Loan Facilities

Summary

## Banking Update

- Complied with June trading covenants in Ireland and UK
- Impairment required covenant renegotiation

UK:            Test deferred to link with requirement for  
                  March 2010 maturity extension and  
                  facility structure review

Ireland:        Test deferred to link with facility structure review



Whitton View, Rothbury (from £195k)

Results

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Net Debt Increase

Banking Update

**Loan Facilities**

Summary

## Loan Facilities UK

- Maturity date of March 2010
- All payments under facility up to date
- Revised trading forecasts will require covenant and facility structure renegotiation
- Cancelling £10m of committed facility
- Discussions scheduled to commence October 2009
- **Banks supportive**



Greenfields, Kip Stanely, Stanley (from £235k)

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Banking Update

**Loan Facilities**

Summary

## Loan Facilities Ireland

- Maturity date remains June 2011
- All payments under facility up to date
- Revised trading forecasts will require covenant and facility structure renegotiation
- Cancelling €30m of committed facility
- Constructive discussions ongoing
- **Banks supportive**



Cluain Ard, Cobh (from €170k)

Net Debt Increase

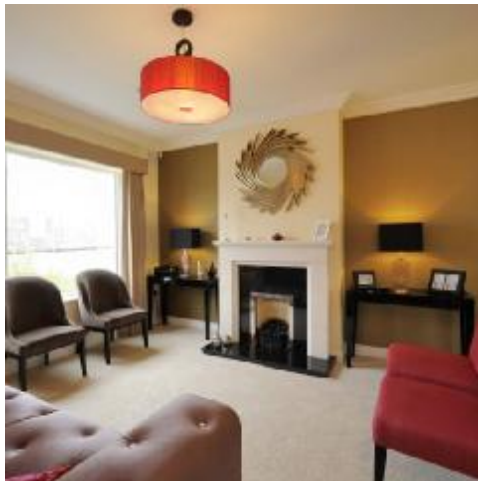
Banking Update

Loan Facilities

### Summary

## Summary

- Business run for cash
- Supportive banks
- Expect new Irish syndicate facility agreement by November
- Expect revised UK facility and maturity extension post year end



Ard Thomain, Mungret (from €250k)

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**UK**

Ireland

## UK - Mortgage Supply

- Scale and speed of downturn has been extraordinary

Recorded Monthly Sales - England & Wales



Source: UK Land Registry



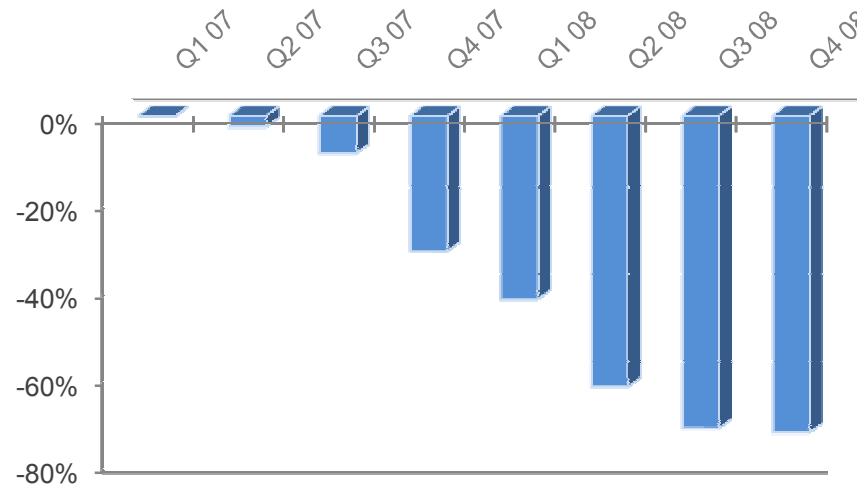
Hedgerows, Redditch (from £130k)

**UK**

Ireland

### Mortgage Supply

- Mortgage rationing
  - mortgage funding less than  $\frac{1}{3}$  2007 peak
  - typical loan to value ratios for first time buyers at 75% v. 90% or higher in 2007



% reduction in number of mortgage approvals for home purchase from Q1 07

Source: Bank of England (seasonally adjusted)



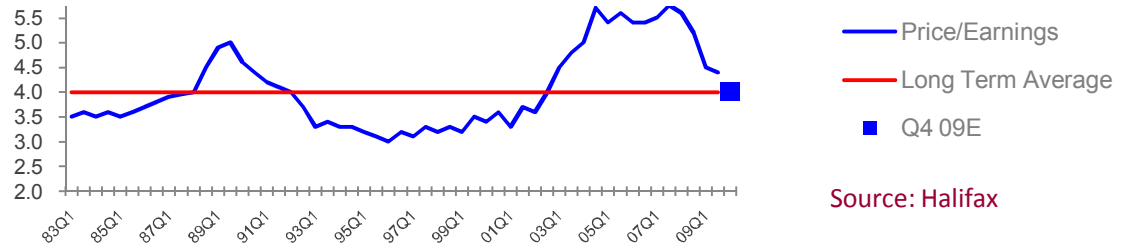
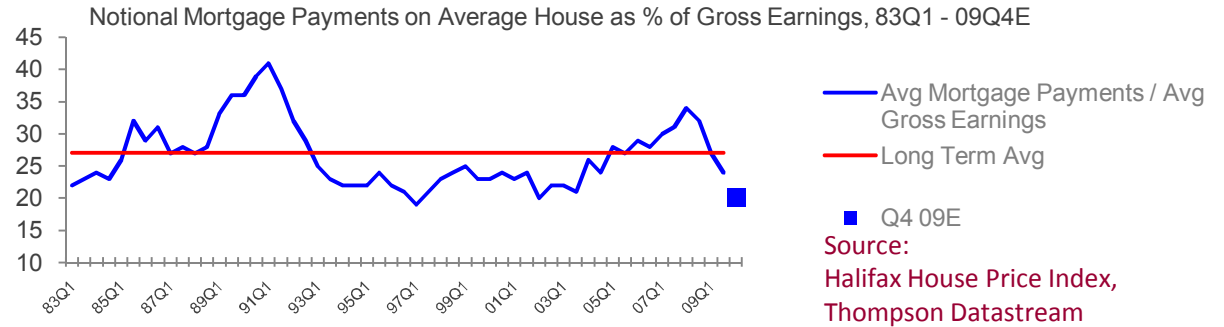
Hope, Knottingley (from £105k)

**UK**

Ireland

**UK - Affordability**

- Affordability has improved significantly
- Improvement due to house price falls and low interest rates



- However, tighter lending criteria and much larger deposit requirements have made it harder for First-Time Buyers to enter the market



Iris, Bradford (from £100k)

**UK**

Ireland

## UK - Housing Shortage

- June 2007 Government Green Paper on housing commissioned NHPAU to advise on level of housing provision necessary
- On 30 July 2009 NHPAU updated advice increasing its bottom range figure for housing provision by 3% and top range by 5% despite the current recession

### NHPAU Recommendation

- Annual Housing requirement 2008 - 2031 - England  
Range    237,800 - 290,500 extra homes pa
- The estimate of new housing provision for 2009 is 70,000 units



Whitton View, Rothbury (from £195k)

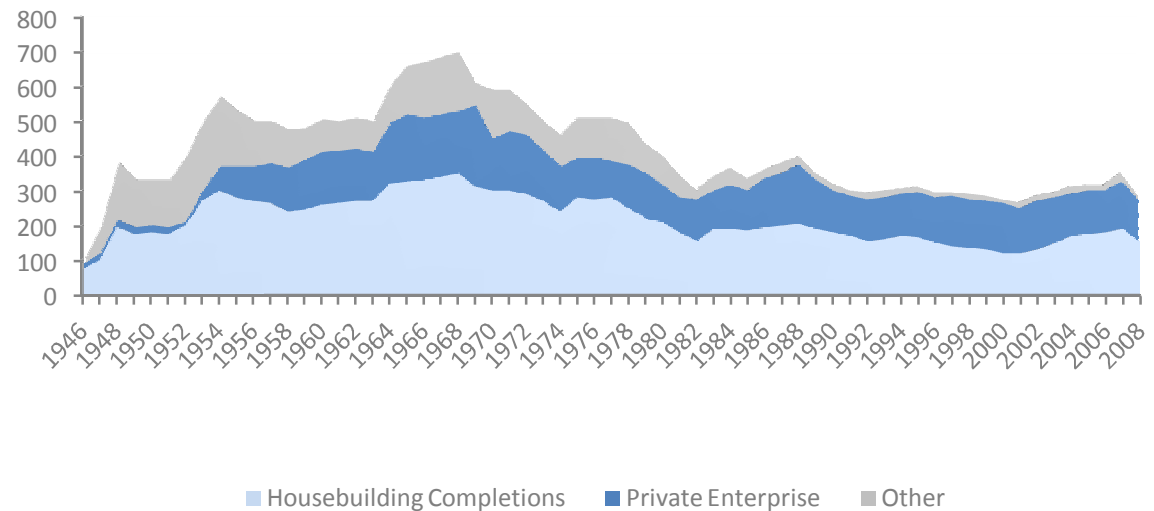
**UK**

Ireland

**UK - Housing Shortage (contd.)**

- Market fundamentally undersupplied
- No recent volume bubble in UK housing

England - Annual Housing Completions ('000)



Source: DCLG



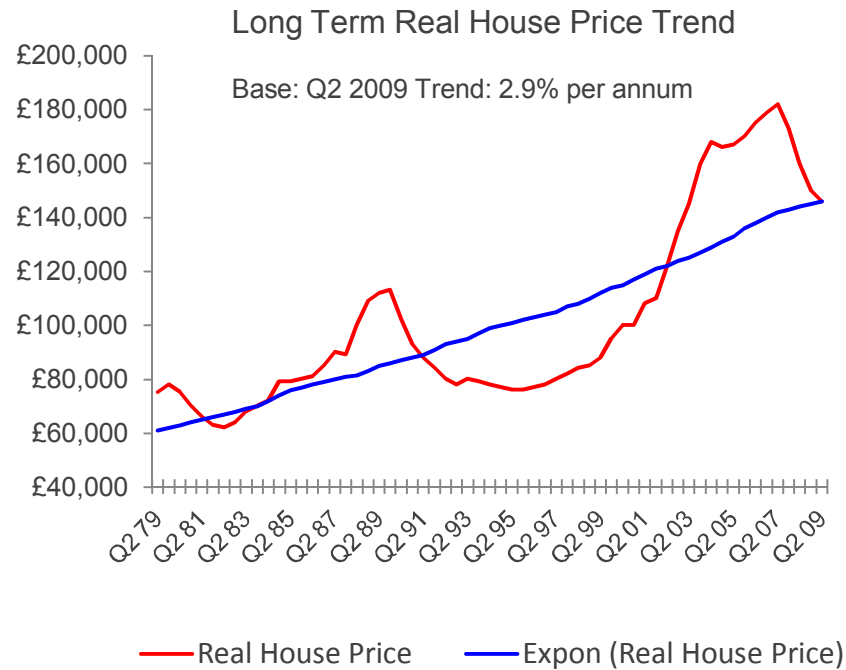
Hedgerows, Redditch (from £130k)

**UK**

Ireland

**UK - Housing Shortage (contd.)**

- Constraint has been affordability



Source: The Nationwide Monthly House Price Index



Briar's Wood, Warrington (from £165k)

**UK**

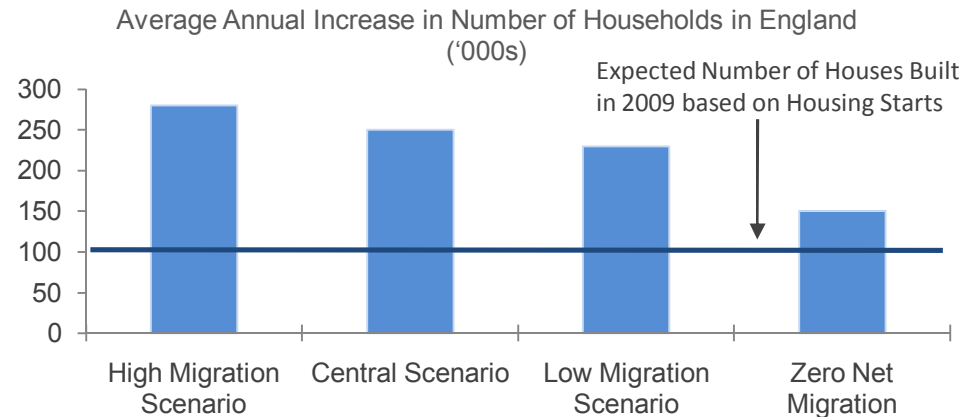
Ireland

## UK - Housing Shortage (contd.)

- Housing supply in market determined by:
  - Short Term:      Consumer confidence  
                         Labour market turnover  
                         Affordability
  - Long Term:      Household formation
  
- Fundamental undersupply



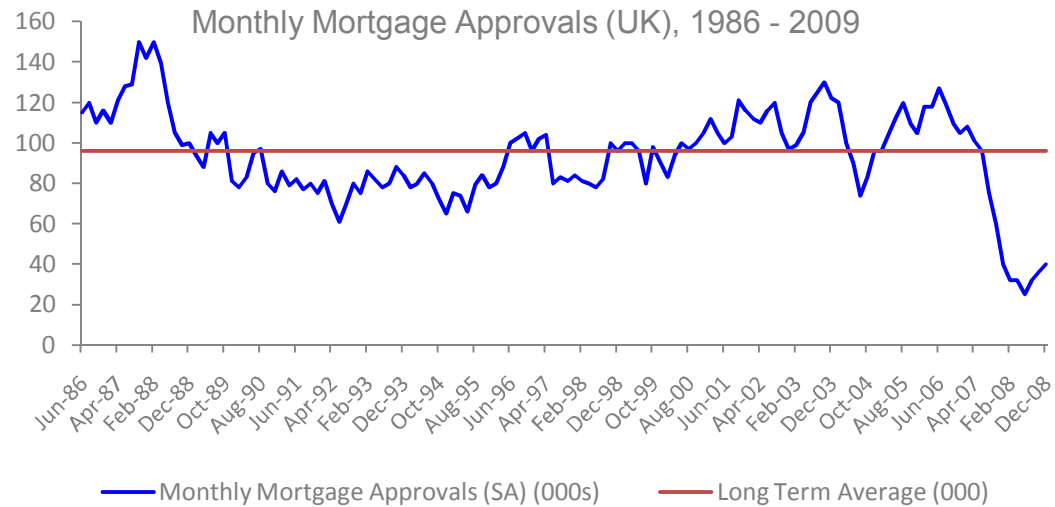
Kensington Gardens, Blackburn (from £146k)



Source: DCLG 2006-based household projections. Nationwide

## UK - Current Market

- Pent up demand re-entered the market when clear banking system had stabilised and “Armageddon” avoided
- Resulting rise in transactions not dramatic due to mortgage restraints ...



Grace, Bradford (from £142k)

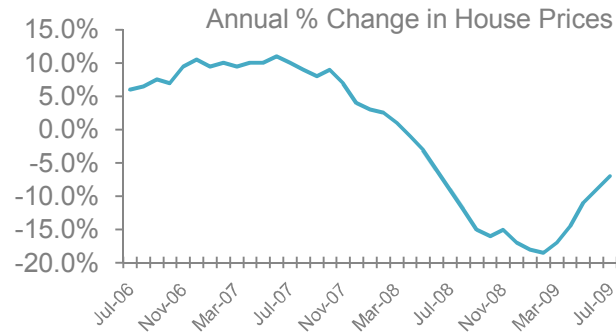
Source: Bank of England

**UK**

Ireland

## UK - Current Market (contd.)

... but enough, aided by low interest rates, to boost prices ...

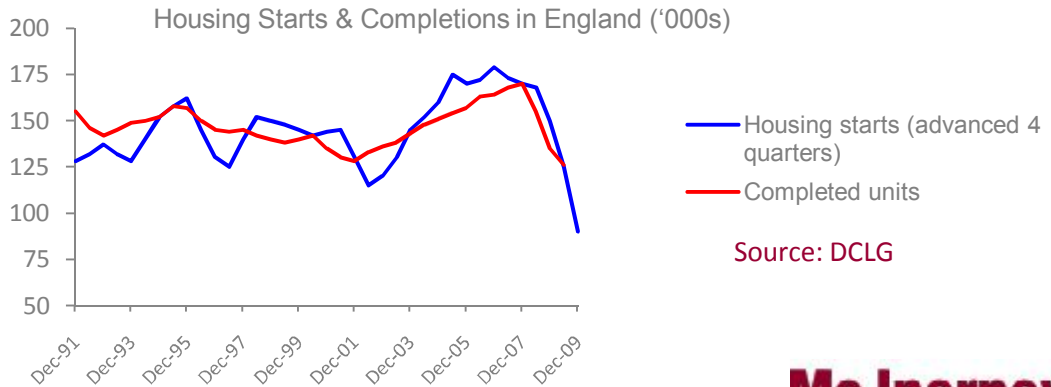


Source:  
The Nationwide Monthly  
House Price Index



Heritage, Mirfield (from £80k)

... because of very low levels of supply in market



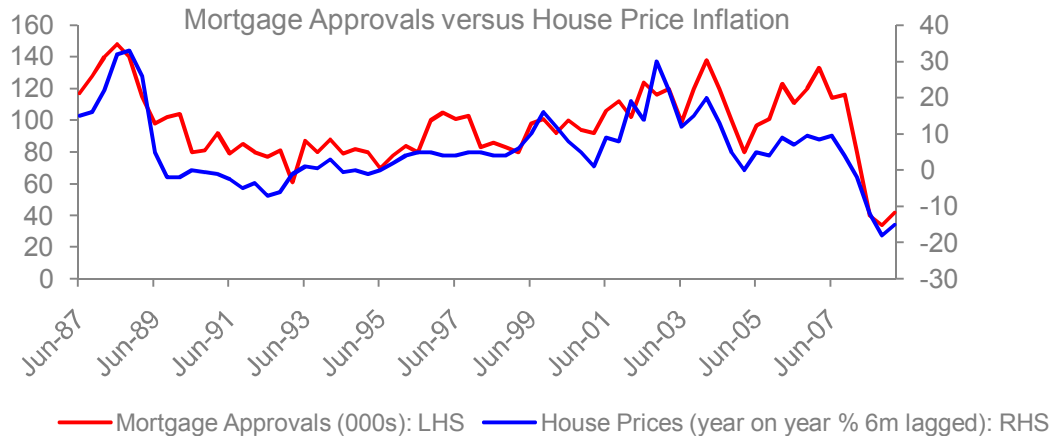
Source: DCLG

**UK**

Ireland

**UK - Conclusion**

- Short term drags on market remain
  - Mortgage rationing
  - Unemployment
  - Falling rents
- Mixed signals in market
- Very strong correlation between house price inflation and mortgage approvals



Source: Bank of England, Halifax

- 55-60k monthly mortgage approvals traditionally needed for price stability
- Fundamentals will re-assert themselves



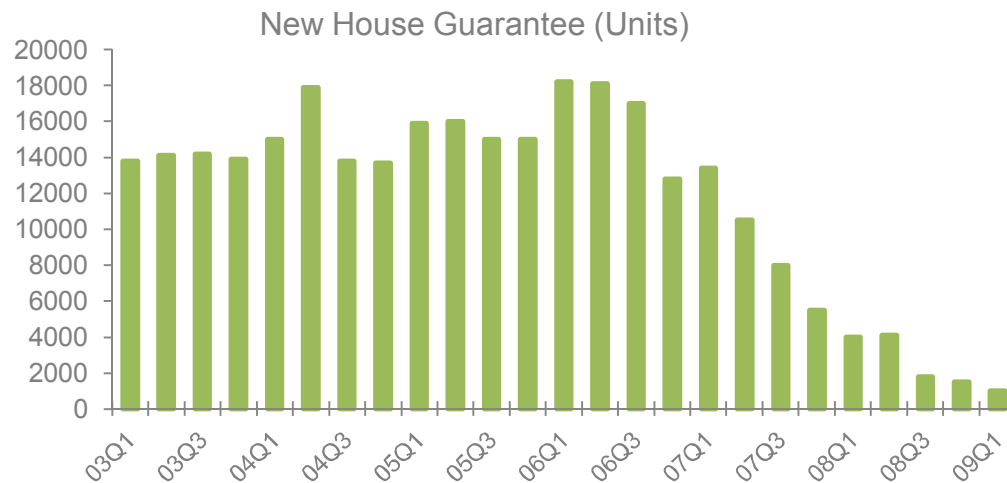
Maddocks Grange, Wellington (from £119k)

UK

**Ireland**

## Ireland - Stock Overhang

- House guarantee registrations running at a seasonally adjusted rate of just 3,500 units per annum



Source: DoE

- However stock overhang continues to grow as developers finish out work in progress



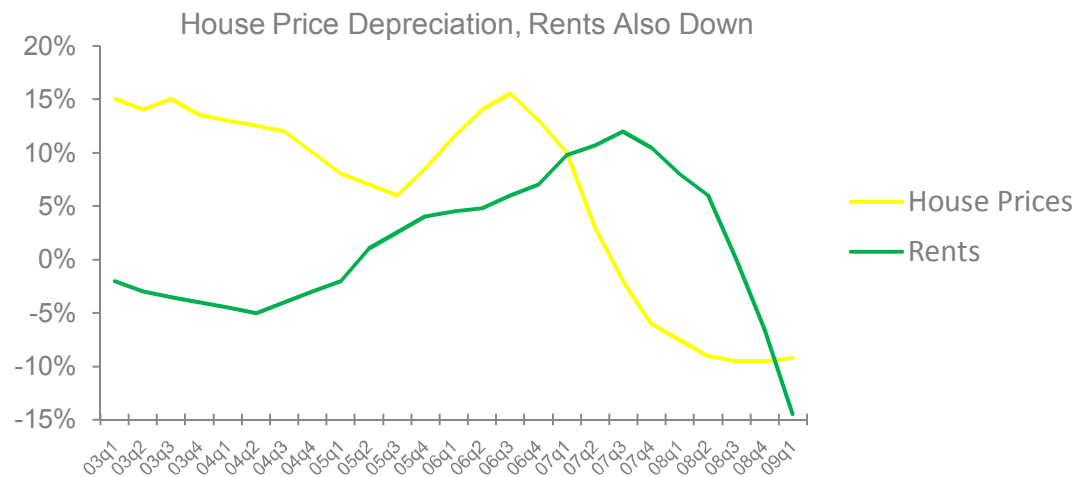
Fionn Laoi, Ballincollig (from €240k)

UK

**Ireland**

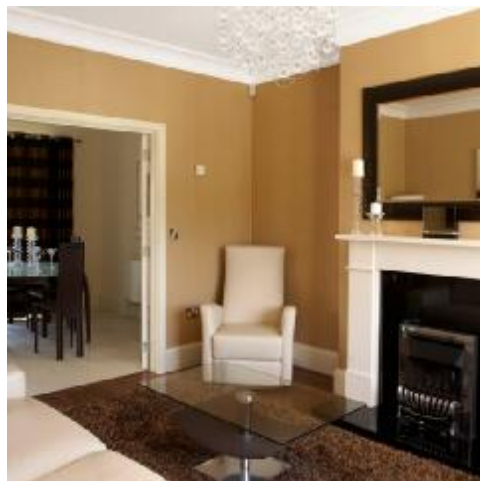
## Ireland - Stock Overhang (contd.)

- Absence of formal data means impossible to calculate stock overhang precisely
- Fact that rents still falling suggest supply overhang is substantial



Source: CSO & Permanent tsb / ESRI House Price Index

- However, overhang is a localised / product issue



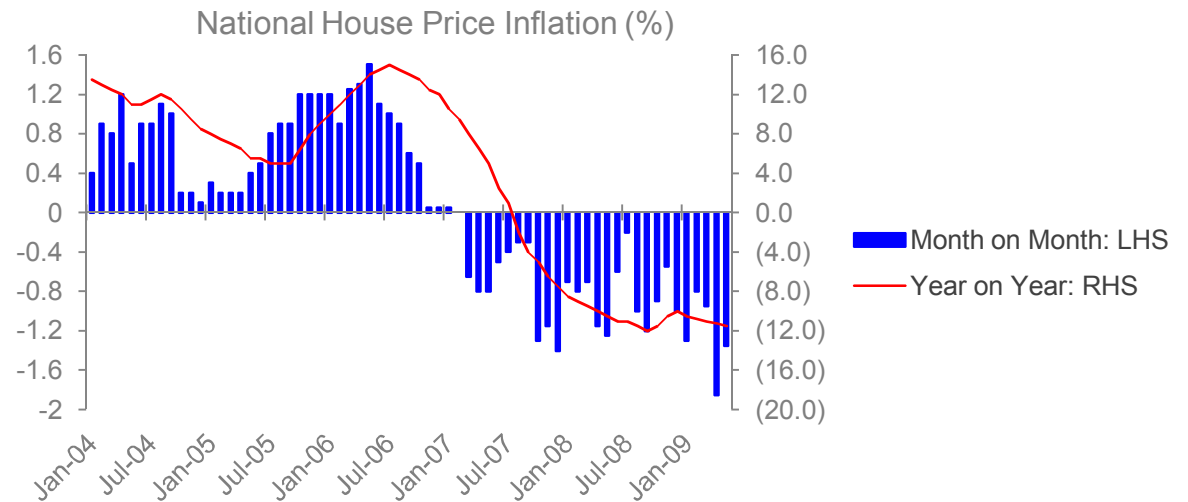
The Paddocks, Waterford (from €155k)

UK

**Ireland**

## Ireland - House Prices

- Permanent tsb / ESRI index reflects a 21% decline in house prices from their peak



Source: Permanent tsb / ESRI

- Daft.ie and MyHome.ie report falls from peak of 23% and 18.5% respectively
- All data understates the true marketplace fall of c. 30%+



Fionn Laoi, Ballincollig (from €240k)

UK

**Ireland**

## Ireland - Affordability

- Permanent tsb / ESRI, AIB, EBS, DKM all agree affordability for first time buyers now back to 1996/1997 levels
- First time buyer working couple paying below 15% of net income on mortgage (over 26% in 2006)
- Monthly mortgage payments for average first time buyer have fallen by up to 36.5% in last 12 months
- Average price for a house outside Dublin now just €211,965 per ESRI, and just €200,193 nationally for a first time buyer
- Since July 2008 the average standard variable rate has fallen from 5.86% to 3.00%



Bun na Coille, Moycullen (from €290k)

UK

**Ireland**

## Ireland - Outlook

- Stock overhang, economic uncertainty, unemployment and tax increases all weigh down the market
- Household formation demographics support a housing market of 40,000 units per annum
- Supply reduction, demographics and affordability will eventually assert themselves but will be a slow trend



The Paddocks, Waterford (from €155k)

Results

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Positioning  
Summary



## Positioning

### Summary

## Positioning

- No significant stock issues - only build when sold
- Product matched to natural demand - steady sales flow
- Multiple sites and locations - no concentration of risk
- No city centre apartment schemes, tax-based schemes, etc.
- Strategic land holdings provide growth opportunities on market improvement - re plans, social housing opportunities
- Significant reductions in cost base
- Under control



Hope, Knottingley (from £105k)

Positioning

**Summary**

## Summary

- Loss of capital due to book impairment exercise - not cash based
- Cash generative
- Supportive funding structure
- Operationally well placed for recovery



Bloomfield, Limerick (from €250k)