

Eatonfield Group plc
("Eatonfield" or "the Group")

Unaudited Interim Results for the six month period to 31 December 2007

Eatonfield Group plc (AIM:EFD), the commercial property company and house builder, is pleased to announce its unaudited interim results for the six month period to 31 December 2007.

Financial Highlights:

- Revenue up 71% to £5.81m (2006: £3.39m).
- Profit from operations up 415% to £2.29m (2006: £0.45m)
- Profit after tax up 505% to £1,622k (2006: £268k)
- Basic EPS of 7.04p (2006:1.58p)
- Cash generated from operations £5.8m (2006: Cash used in operations £9.9m)

Operational highlights:

- Sufficient sites secured to underpin delivery of market expectations for 2007/8
- Purchase of 87 acre Corus Rail site in West Cumbria completed in the period
- Exchanged contracts to purchase 83 acre Birkwood site in Lanarkshire March 2008
- Restructured Homes Business with new senior management, and a £1.8m write down of inventory
- Land bank of 260 plots with planning permission and 1509 plots being progressed to planning

Rob Lloyd, Chief Executive comments:

"We are pleased to announce the good levels of growth as demonstrated in these results. The state of the market is one in which we traditionally make good returns; and as in prior years we expect the majority of these returns will be evident in the second half of the year. With our experienced management team, strong balance sheet and excellent land bank we remain confident for the future."

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Notes to Editors:

Eatonfield's key strengths lie in its property management knowledge and expertise and its ability to successfully identify and acquire sites at an advantageous price which require change of use or which, due to their current size or usage, do not present obvious development potential.

Chairman's Statement

Results

I am pleased to report the results for the six months ended 31 December 2007, with revenue up 71% and profit from operations up 415% compared to the same period last year. These are the first results we have reported under IFRS.

As in previous years, revenue and profits will be concentrated in the second half of the year and we remain optimistic that the full year's operating profit will be in line with market expectations.

Purchases and Planning

During the period, we acquired the 87 acre Corus Rail site in Workington. The site has tremendously exciting prospects and a planning and remediation strategy is currently being developed. It is expected this will comprise a major mixed use scheme with plans for a retail outlet village, a supermarket, offices, industrial and commercial units, a care home/care village complex with a health clinic, in addition to in excess of 300 residential units. Due to the significant potential capital appreciation of this site and the extended time scale of the development, this site is being held as an investment property. The site has the potential for a gross development value of up to £100m.

In March 2008, we acquired the 83 acre Birkwood site in Lesmahagow. Once regenerated, this will provide a multi-million pound development for both residential housing and care facilities. The development is ideally located, being on a secluded site five minutes from the M74 and some 20 miles south of Glasgow. Eatonfield expects a significant uplift in valuation in the short term and, with the appropriate planning consents, a further considerable capital appreciation. The site has the potential for a gross development value of up to £40m.

Each of these purchases is being financed with a facility from the Group's existing lenders.

We aim to complete the purchase of the 47 acre ex-Carless oil refinery site in Clydebank by the end of the current financial year. We expect this to be a tremendous investment with potential for very attractive capital appreciation over time.

We continue to investigate a pipeline of opportunities in both the commercial and residential sectors, and our lenders remain supportive of our initiatives. Any successful property business needs access to funds and the majority of our lending will mature beyond 2008.

We have continued to acquire residential land for the future and now have a land bank of 260 plots with planning permission and another 1509 plots which we are progressing to planning permission stage. However, in light of the downturn in the house building sector and the effects of volatility in the financial markets we took a decision in October 2007 to reduce the number of sites that we had originally planned to develop in 2007/8. This also allowed us to restructure following the departure of senior managers, reduce overheads and preserve working capital. On this basis, we have written down Homes inventory by £1.8m in the period in the Homes Business. We expect this section to return to profitability in the second half of the year.

General Outlook and Prospects

The property market is in an interesting phase. Commercial property values have fallen, creating opportunities for us to purchase properties that fit our clearly defined corporate development strategy at attractive prices. Demand for appropriate land with the right planning consent remains strong and we believe that there will be some good opportunities for us, especially now we operate in a wider geographical market.

The housing market remains challenging with the reported slowdown in sales and it is too early to predict how the sector will perform in 2008. Our focus remains on building and selling quality eco friendly homes and we are well positioned to take advantage of the upturn we anticipate in this market. The granting of planning permission in the coming months on a number of residential sites that we currently own, or have under option, will provide the opportunity for us to choose to develop or sell them on to realise an acceptable level of profit.

Clearly some base rate reductions in 2008 could provide an uplift to the market in general. Our ability to add value to our assets means that, in the current climate, we expect to continue to generate profits through both trading and revaluations.

We have a number of planning applications in the pipeline and remain confident of a good performance in the second half of the year enabling the Group to meet market expectations, and are optimistic of our prospects for 2008 and beyond.

Sir Leslie Young
Chairman
31 March 2008

Eatonfield Group plc
Consolidated income statement

	6 Months ended 31-Dec-07 Unaudited £000	6 Months ended 31-Dec-06 Unaudited £000 *	Year ended 30-Jun- 07 Unaudited £000 *
REVENUE	5,812	3,395	18,629
Direct costs	(5,805)	(1,962)	(11,272)
Inventory write down	(2,019)	-	-
Trading (loss)/ profit	(2,012)	1,433	7,357
Investment property revaluation gains/(losses)	5,420	(5)	(5)
Administration expenses	(1,116)	(983)	(1,974)
PROFIT FROM OPERATIONS	2,292	445	5,378
(Loss)/profit on disposal of plant and equipment	(9)	-	(7)
Share of result from joint venture	-	-	(7)
Interest receivable	11	33	103
Interest payable and similar charges	(41)	(168)	(144)
PROFIT BEFORE TAXATION	2,253	310	5,323
Income tax expense	(631)	(42)	(1,694)
PROFIT FOR THE PERIOD	1,622	268	3,629
Profit per share - basic (pence)	7.04	1.58	18.19
Profit per share - diluted (pence)	7.02	1.58	18.13

The results for the period are derived from continuing activities.

* Restated to reflect the adoption of IFRS as per note 4.

There was no recognised income or expenditure other than the profit for the period/year. Accordingly no Statement of Recognised Income and Expenditure has been prepared.

Eatonfield Group plc**Consolidated Balance Sheet**

As at 31 December 2007

	31-Dec-07	31-Dec-06	30-Jun-07
	Unaudited	Unaudited	Unaudited
	£000	£000 *	£000 *
ASSETS			
NON CURRENT ASSETS			
Goodwill	72	72	72
Property, plant and equipment	1,110	886	1,071
Investment properties	8,492	204	200
<i>Investment in joint ventures</i>			
Share of gross assets	974	610	663
Share of gross liabilities	(973)	(610)	(670)
	<u>9,675</u>	<u>1,162</u>	<u>1,336</u>
CURRENT ASSETS			
Inventories	29,783	24,262	26,582
Amounts owed by joint ventures	22	-	-
Trade and other receivables	5,815	4,943	18,747
Cash	2,170	6,114	1,046
	<u>37,790</u>	<u>35,319</u>	<u>46,375</u>
TOTAL ASSETS	<u><u>47,465</u></u>	<u><u>36,481</u></u>	<u><u>47,711</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	2,306	2,300	2,300
Share premium	8,219	8,182	8,182
Merger reserve	(1,499)	(1,499)	(1,499)
Share based payment reserve	9	12	14
Profit and loss account	6,431	1,793	5,154
TOTAL EQUITY	<u>15,466</u>	<u>10,788</u>	<u>14,151</u>
NON CURRENT LIABILITIES			
Other liabilities	17	17	17
Provision for deferred tax	1,517	-	-
Obligations under finance leases	83	47	27
Loans and borrowings	18,600	19,302	13,388
	<u>20,217</u>	<u>19,366</u>	<u>13,432</u>
CURRENT LIABILITIES			
Amounts due to bankers and short term loans	9,141	4,631	15,834
Taxation	1,086	1,240	1,973
Trade payables	680	361	793
Other payables	845	64	1,491
Obligations under finance leases	30	31	37
	<u>11,782</u>	<u>6,327</u>	<u>20,128</u>
TOTAL LIABILITIES	<u>31,999</u>	<u>25,693</u>	<u>33,560</u>
TOTAL EQUITY AND LIABILITIES	<u><u>47,465</u></u>	<u><u>36,481</u></u>	<u><u>47,711</u></u>

* Restated to reflect the adoption of IFRS as per note 4.

Eatonfield Group plc Consolidated Cash Flow For the period to 31 December 2007	6 Months ended 31-Dec-07 Unaudited £000	6 Months ended 31-Dec-06 Unaudited £000 *	Year ended 30-Jun -07 Unaudited £000 *
Profit before taxation	2,253	310	5,323
Adjustments to reconcile profit before taxation to cash generated from/(used in) operating activities			
Finance (income)/costs	30	135	41
Loss/(profit) on disposal of property, plant and equipment	9	-	7
Share of joint venture operating result	-	-	7
Share based compensation	(6)	11	14
Depreciation	50	35	76
Investment property revaluation (gains)/losses	(5,420)	5	5
Increase in inventories	(3,201)	(11,934)	(14,467)
Decrease/(increase) in trade and other receivables	12,884	2,166	(11,637)
(Decrease)/increase in trade and other payables	(754)	(460)	1,640
Interest received	11	33	103
Interest paid	(41)	(168)	(144)
Cash generated from/(used in) operations	5,815	(9,867)	(19,032)
Taxation	11	(76)	(1,113)
Cash generated from/(used in) operating activities	5,826	(9,943)	(20,145)
Investing activities			
Acquisition of investment properties	(2,870)	-	
Acquisition of property, plant and equipment	(24)	-	
Proceeds from the disposal of property, plant and equipment	5	220	
Acquisition of subsidiary undertakings	-	-	
Cash used in investing activities	(2,889)	220	78
Financing			
Equity dividends paid	(346)	(150)	(150)
Net proceeds from issue of ordinary shares	43	8,982	8,982
Net movement in short term borrowings	(6,626)	(11,051)	153
Net movement in long term borrowings	5,145	17,615	11,700
Repayment of finance leases	(29)	(17)	(30)
Cash (used in)/from financing	(1,813)	15,379	20,655
Increase in cash and cash equivalents	1,124	5,656	588
Opening cash and cash equivalents	1,046	458	458
Closing cash and cash equivalents	2,170	6,114	1,046

* Restated to reflect the adoption of IFRS as per note 4.

Eatonfield Group plc
Consolidated Statement of Changes in Equity
As at 31 December 2007

	Issued capital £000	Share premium £000	Merger reserve £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2006	1,500	-	(1,499)	-	1,675	1,676
Profit for the period	-	-	-	-	268	268
Dividend paid	-	-	-	-	(150)	(150)
Issue of shares	800	8,182	-	-	-	8,982
Cost of share based payments	-	-	-	12	-	12
Balance as at 31 December 2006	2,300	8,182	(1,499)	12	1,793	10,788
Profit for the period	-	-	-	-	3,361	3,361
Cost of share based payments	-	-	-	2	-	2
As at 1 July 2007	2,300	8,182	(1,499)	14	5,154	14,151
Profit for the period	-	-	-	-	1,622	1,622
Dividend paid	-	-	-	-	(345)	(345)
Issue of shares	6	37	-	-	-	43
Cost of share based payments	-	-	-	(5)	-	(5)
Balance at 31 December 2007	2,306	8,219	(1,499)	9	6,431	15,466

Notes to the Interim Financial Statements

1. Accounting policies and basis of preparation

The Group's previous financial statements have been prepared under UK Generally Accepted Accounting Principles (UK GAAP). For the financial year ended 30 June 2008, the Group will prepare its annual consolidated financial statements in accordance with IFRS as adopted by the European Union (EU) and implemented in the UK.

The Group's date of transition to IFRS was 1 July 2006 at which date the Group prepared its opening IFRS balance sheet. The financial information for the 6 months ended 31 December 2007 is unaudited and has been prepared in accordance with the Group's accounting policies based on IFRS standards that are expected to apply for the financial year 2008. The financial information for the 6 months ended 31 December 2006 is also unaudited and has been restated under IFRS. The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups, in the preparation of these interim financial statements.

The presentation of financial information under IFRS is governed by IFRS 1 'First-time Adoption of IFRS', because they are part of the period covered by the Group's first IFRS financial statement for the year ended 30 June 2008. In some cases this will require the presentation of an item in a different position, or the use of a different description in the financial statements to that adopted in the UK GAAP financial statements. These reclassifications have been described in the explanatory notes.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial statements for the period ended 31 December 2007, 30 June 2007 and 31 December 2006 is set out in note 4.

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but has been reviewed by the auditors in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 30 June 2007, prepared under UK GAAP have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The principal accounting policies adopted in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all period presented.

The principle effects identified on adoption of IFRS are discussed below:

IFRS 3 'Business Combinations', IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets' resulted in a change to the accounting policy for Goodwill. Until 30 June 2006, goodwill was:

- Amortised on a straight line basis over a period of up to 10 years from the year of acquisition and;
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3 and IAS 36:

- The Group ceased amortisation of goodwill from 1 July 2006;
- Accumulated amortisation as at 30 June 2007 has been eliminated with a corresponding increase in the carrying value of goodwill of £72,000;
- From 1 July 2006 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

IAS 40 'Accounting for Investment Properties' has resulted in a change to accounting for surpluses on revaluation of certain properties.

- Until 30 June 2006 these properties were revalued at the balance sheet date and the surplus or deficit on revaluation taken to reserves, unless the deficit was below original cost or the reversal on an individual property was expected to be permanent, in which case it was recognised in the profit and loss for the year.
- From 1 July 2006 onwards, under IFRS at each reporting date the investment properties are re-valued to their fair values based on a professional valuation. Gains or losses arising from changes in fair value of investment properties are included in the income statement for the period in which they arise.

IAS 23 'Borrowing Costs' has resulted in a change to accounting for the capitalisation of interest.

- Until 30 June 2006 an estimate of borrowing costs until date of legal completion was accrued.
- From 1 July 2006 onwards interest cost is capitalised as follows:
 - o In respect of both house sales and commercial property sales until the date the item is available for sale.
 - o any subsequent interest is charged to the income statement in the period it occurs

IAS 12 "Taxation" has resulted in a change to accounting for deferred taxation.

- Until 30 June 2006 provision was made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However no provision is made where, on the basis of all the available evidence at the balance sheet date, it is more likely or not that the taxable gain will be rolled over into replacement assets and charged tax only where the replacement assets are sold.

From 1 July 2006 IAS 12 requires full provision to be made for the deferred tax on revaluation gains or losses of investment properties at the tax rate estimated at the point of realisation. A tax charge therefore arises in the Consolidated income statement if a revaluation surplus occurs, the corresponding entry being a deferred tax liability in the balance sheet. Under IAS 12 the provision for deferred tax will take no account of indexation allowances afforded under UK taxation law, the tax provided is not a calculation of potential capital gains tax liability.

Basis of consolidation

The consolidated interim financial statements comprise the accounts of Eatonfield Group Plc and its subsidiary undertakings Eatonfield Developments Limited, Kingfisher Real Estate Limited, Eatonfield Asset Management Limited, Eatonfield Homes Limited and Eatonfield Group Limited up to 31 December 2007.

Revenue

Revenue is recognised on house sales at the date of legal completion. Revenue is recognised on land and commercial property sales from the date of both parties having signed an unconditional contract, and the buyer has confirmed it has funds to complete the transaction. Interest cost is capitalised to that date and any subsequent interest is charged to the income statement in the period it occurs.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill on acquisition of subsidiaries is separately disclosed.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of these cash generating units represents the Group's investment by primary reporting segment.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on the acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Property, plant and equipment

All fixed assets are initially recorded at cost. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Freehold property	-	4% straight line from the first year of ownership
Equipment	-	25% - 33% straight line
Fixtures and fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance

Residual value and estimating remaining lives are reviewed annually.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior

years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment properties

Investment properties, being freehold and leasehold properties held for capital appreciation and/or to earn rental income, are carried at fair value following initial recognition at the present value of the consideration payable. To establish fair value, investment properties are independently valued on an open market basis. Any surplus or deficit arising is recognised in the income statement for the period.

Once classified as an investment property, a property remains in this category until development with a view to sale is authorised, at which point the asset is transferred to stock at its current valuation.

Where an investment property is being redeveloped for continued use as an investment property, the property remains within investment property and any movement in valuation is recognised in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs include, where appropriate, attributable overheads and financing. The cost of properties in the course of development includes attributable loan interest and other outgoings having regard to the development potential of the property. Interest is calculated on the development expenditure by reference to specific borrowings. A property ceases to be treated as a development on practical completion.

Leasing commitments

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax

assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Employee benefits

The pension costs charged in the financial statements represent the contribution payable by the Group during the year.

Share-based compensation

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves over the remaining vesting period.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Financial instruments

The Group's principal financial instruments comprise bank loans, finance lease agreements and a bank overdraft facility.

Financial liability

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits on call with banks and other short-term highly liquid investments with original maturities of three months or less and, bank overdrafts. Bank overdrafts are disclosed within borrowings in current liabilities on the balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft where a right of set off exists.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which represents the fair value of the consideration received, net of any issue costs associated with other borrowings. Borrowings are subsequently stated at amortised cost.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derecognition of financial instruments

The derecognition of financial instruments takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party.

2. Segmental Reporting

Revenue, profit before taxation and net assets were all derived from the Group's principal activity of property development. All operations are carried out in the United Kingdom.

3. Profit per ordinary share

	6 Months ended 31-Dec-07 Unaudited £000	6 Months ended 31-Dec-06 Unaudited £000 *	Year ended 30-Jun- 07 Unaudited £000 *
Profit for the period	1,622	268	3,629
Weighted average number of shares for basic earnings per share	23,038,936	16,923,497	19,945,055
Dilutive potential ordinary shares:			
Employee share options	61,301	31,775	75,115
For fully diluted earnings per share	23,100,237	16,955,272	20,020,170
Basic profit per ordinary share (p)	7.04	1.58	18.19
Fully diluted profit per ordinary share (p)	7.02	1.58	18.13

4. Explanation of the transition to IFRS

For all periods up to and including the year ended 30 June 2007 the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP).

In preparing these interim financial statements, the Group has started from an opening balance sheet as at 1 July 2006, the Group's date of transition to IFRS, and applied those changes in accounting policies and other restatements required by IFRS.

IFRS 1 allows first time adopters certain exemptions from the general requirements to retrospectively apply IFRS as effective for the year ended 30 June 2006. The optional exemptions taken by the Group are as follows:

(a) Business combinations exemption

Business combinations prior to 30 June 2006, the Group's date of transition to IFRS have not been restated to comply with IFRS 3 'Business Combinations'. Consequently goodwill arising on business combinations before transition date remains at its previous UK GAAP carrying value as at the date of transition.

(b) Share based payment transactions

Only share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 July 2006 are recognised in the financial statements.

Eatonfield Group Plc has applied the following mandatory exemptions from retrospective application:

(a) Estimates exemption

Estimates under IFRS at 30 June 2006 should be consistent with estimates made for the same date under previous UK GAAP, unless there is evidence that those estimates were in error.

- (b) Assets held for sale and discontinued operations exception
Management applies IFRS 5 prospectively from 1 July 2007.
Any assets held for sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 July 2007.
- (c) Derecognition of financial assets and liabilities exception
Financial assets and liabilities derecognised before 30 June 2006 are not re-recognised under IFRS.

Reconciliations between IFRS and UK GAAP

The following reconciliations provide details of the impact of the transition on:

- (a) profit for the 6 months ended 31 December 2006 and year ended 30 June 2007
(b) equity at 31 December 2006 and 30 June 2007
(c) income statement for the 6 months ended 31 December 2006 and year ended 30 June 2007
(d) balance sheets as at 31 December 2006, 30 June 2007, 1 July 2006

Reconciliation of profit for the 6 months ended 31 December 2006 and year ended 30 June 2007

	6 Months ended 31-Dec-06 Unaudited £000	Year ended 30-Jun-07 Unaudited £000
Profit after tax under UK GAAP	266	3,409
Effect of IAS 23	(53)	161
Amortisation of goodwill	4	8
Realisation of revaluation deficit	(5)	(5)
Provision for deferred taxation	56	56
Profit after tax under IFRS	<u>268</u>	<u>3,629</u>

Reconciliation of equity as at 31 December 2006 and 30 June 2007

	31-Dec-06 Unaudited £000	30-Jun-07 Unaudited £000
Total equity under UK GAAP	10,784	13,931
Effect of IAS 23	-	214
Amortisation of goodwill	4	8
Realisation of revaluation deficit	-	(2)
Total equity under IFRS	<u>10,788</u>	<u>14,151</u>

Reconciliation of income statement for the 6 months ended 31 December 2006

	UK GAAP	IAS 23 Note 1	IFRS 3 Note 2	IAS 40 Note 3	IAS 12 Note 4	IFRS
	£000	£000	£000	£000	£000	£000
REVENUE	3,395	-	-	-	-	3,395
Direct costs	(1,889)	(73)	-	-	-	(1,962)
Trading profit	1,506	(73)	-	-	-	1,433
Investment property revaluation loss	-	-	-	(5)	-	(5)
Administration expenses	(987)	-	4	-	-	(983)
PROFIT FROM OPERATIONS	519	(73)	4	(5)	-	445
Interest receivable	33	-	-	-	-	33
Interest payable and similar charges	(168)	-	-	-	-	(168)
Profit on sale of fixed assets	-	-	-	-	-	-
PROFIT BEFORE TAXATION	384	(73)	4	(5)	-	310
Income tax expense	(118)	20	-	-	56	(42)
PROFIT FOR THE PERIOD	266	(53)	4	(5)	56	268

Reconciliation of income statement for the year ended 30 June 2007

	UK GAAP	IAS 23 Note 1	IFRS 3 Note 2	IAS 40 Note 3	IAS 12 Note 4	IFRS
	£000	£000	£000	£000	£000	£000
REVENUE	18,629	-	-	-	-	18,629
Direct costs	(11,502)	230	-	-	-	(11,272)
Trading profit	7,127	230	-	-	-	7,357
Investment property revaluation loss	-	-	-	(5)	-	(5)
Administration expenses	(1,982)	-	8	-	-	(1,974)
PROFIT FROM OPERATIONS	5,145	230	8	(5)	-	5,378
Loss on disposal of property, plant and equipment	(7)	-	-	-	-	(7)
Share of result from joint venture	(7)	-	-	-	-	(7)
Interest receivable	103	-	-	-	-	103
Interest payable and similar charges	(144)	-	-	-	-	(144)
PROFIT BEFORE TAXATION	5,090	230	8	(5)	-	5,323
Income tax expense	(1,681)	(69)	-	-	56	(1,694)
PROFIT FOR THE PERIOD	3,409	161	8	(5)	56	3,629

Reconciliation of balance sheet as at 31 December 2006

	UK GAAP £000	IAS 23 Note 1 £000	IFRS 3 Note 2 £000	IAS 40 Note 3 £000	IAS 12 Note 4 £000	IFRS £000
ASSETS						
NON CURRENT ASSETS						
Goodwill	68	-	4	-	-	72
Property, Plant and equipment	1,090	-	-	(204)	-	886
Investment properties	-	-	-	204	-	204
<i>Investment in joint ventures</i>						
Share of gross assets	610	-	-	-	-	610
Share of gross liabilities	(610)	-	-	-	-	(610)
	<u>1,158</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
CURRENT ASSETS						
Inventories	24,262	-	-	-	-	24,262
Amounts owed by joint ventures	-	-	-	-	-	-
Trade and other receivables	4,943	-	-	-	-	4,943
Cash and cash equivalents	6,114	-	-	-	-	6,114
	<u>35,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,319</u>
TOTAL ASSETS	<u><u>36,477</u></u>	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>36,481</u></u>
EQUITY AND LIABILITIES						
EQUITY						
Issued capital	2,300	-	-	-	-	2,300
Share premium account	8,182	-	-	-	-	8,182
Merger reserve	(1,499)	-	-	-	-	(1,499)
Share based payment reserve	12	-	-	-	-	12
Profit and loss account	1,789	-	4	-	-	1,793
TOTAL EQUITY	<u>10,784</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>10,788</u>
NON CURRENT LIABILITIES						
Provisions	17	-	-	-	-	17
Finance lease obligations	47	-	-	-	-	47
Loans and borrowings	19,302	-	-	-	-	19,302
	<u>19,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,366</u>
CURRENT LIABILITIES						
Amounts due to bankers and short term loans	4,631	-	-	-	-	4,631
Taxation	1,240	-	-	-	-	1,240
Trade payables	361	-	-	-	-	361
Other payables	64	-	-	-	-	64
Finance lease obligations	31	-	-	-	-	31
	<u>6,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,327</u>
TOTAL LIABILITIES	<u>25,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,693</u>
TOTAL EQUITY AND LIABILITIES	<u><u>36,477</u></u>	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>36,481</u></u>

Reconciliation of balance sheet as at 30 June 2007

	UK GAAP £000	IAS 23 Note 1 £000	IFRS 3 Note 2 £000	IAS 40 Note 3 £000	IAS 12 Note 4 £000	IFRS £000
ASSETS						
NON CURRENT ASSETS						
Goodwill	64	-	8	-	-	72
Property, Plant and equipment	1,271	-	-	(200)	-	1,071
Investment properties	-	-	-	200	-	200
<i>Investment in joint ventures</i>						
Share of gross assets	663	-	-	-	-	663
Share of gross liabilities	(670)	-	-	-	-	(670)
	<u>1,328</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>1,336</u>
CURRENT ASSETS						
Inventories	26,582	-	-	-	-	26,582
Amounts owed by joint ventures	-	-	-	-	-	-
Trade and other receivables	18,747	-	-	-	-	18,747
Cash and cash equivalents	1,046	-	-	-	-	1,046
	<u>46,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,375</u>
TOTAL ASSETS	<u>47,703</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>47,711</u>
EQUITY AND LIABILITIES						
EQUITY						
Issued capital	2,300	-	-	-	-	2,300
Share premium account	8,182	-	-	-	-	8,182
Merger reserve	(1,499)	-	-	-	-	(1,499)
Share based payment reserve	14	-	-	-	-	14
Profit and loss account	4,934	214	8	(2)	-	5,154
TOTAL EQUITY	<u>13,931</u>	<u>214</u>	<u>8</u>	<u>(2)</u>	<u>-</u>	<u>14,151</u>
NON CURRENT LIABILITIES						
Provisions	17	-	-	-	-	17
Finance lease obligations	27	-	-	-	-	27
Loans and borrowings	13,388	-	-	-	-	13,388
	<u>13,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,432</u>
CURRENT LIABILITIES						
Amounts due to bankers and short term loans	15,834	-	-	-	-	15,834
Taxation	1,883	90	-	-	-	1,973
Trade payables	793	-	-	-	-	793
Other payables	1,792	(304)	-	2	-	1,490
Finance lease obligations	38	-	-	-	-	38
	<u>20,340</u>	<u>(214)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>20,128</u>
TOTAL LIABILITIES	<u>33,772</u>	<u>(214)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>33,560</u>
TOTAL EQUITY AND LIABILITIES	<u>47,703</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>47,711</u>

Reconciliation of balance sheet as at 1 July 2006 (date of transition to IFRS)

	UK GAAP £000	IAS 23 Note 1 £000	IFRS 3 Note 2 £000	IAS 40 Note 3 £000	IAS 12 Note 4 £000	IFRS £000
ASSETS						
NON CURRENT ASSETS						
Goodwill	72	-	-	-	-	72
Property, Plant and equipment	1,564	-	-	(424)	-	1,140
Investment properties		-	-	424	-	424
<i>Investment in joint ventures</i>						
Share of gross assets	-	-	-	-	-	-
Share of gross liabilities	-	-	-	-	-	-
	<u>1,636</u>	-	-	-	-	<u>1,636</u>
CURRENT ASSETS						
Inventories	12,115	-	-	-	-	12,115
Amounts owed by joint ventures	-	-	-	-	-	-
Trade and other receivables	7,109	-	-	-	-	7,109
Cash and cash equivalents	458	-	-	-	-	458
	<u>19,682</u>	-	-	-	-	<u>19,682</u>
TOTAL ASSETS	<u><u>21,318</u></u>	-	-	-	-	<u><u>21,318</u></u>
EQUITY AND LIABILITIES						
EQUITY						
Issued capital	1,500	-	-	-	-	1,500
Share premium account	-	-	-	-	-	-
Revaluation reserve	183	-	-	(183)	-	-
Merger reserve	(1,499)	-	-	-	-	(1,499)
Profit and loss account	1,495	53	-	183	(56)	1,675
TOTAL EQUITY	<u>1,679</u>	<u>53</u>	-	-	<u>(56)</u>	<u>1,676</u>
NON CURRENT LIABILITIES						
Provisions	17	-	-	-	-	17
Provision for deferred tax	-	-	-	-	56	56
Finance lease obligations	64	-	-	-	-	64
Loans and borrowings	1,688	-	-	-	-	1,688
	<u>1,769</u>	-	-	-	<u>56</u>	<u>1,825</u>
CURRENT LIABILITIES						
Amounts due to bankers and short term loans	15,683	-	-	-	-	15,683
Taxation	1,343	-	-	-	-	1,343
Trade payables	343	-	-	-	-	343
Other payables	472	(53)	-	-	-	419
Finance lease obligations	29	-	-	-	-	29
	<u>17,870</u>	<u>(53)</u>	-	-	-	<u>17,817</u>
TOTAL LIABILITIES	<u>19,639</u>	<u>(53)</u>	-	-	<u>56</u>	<u>19,642</u>
TOTAL EQUITY AND LIABILITIES	<u><u>21,318</u></u>	-	-	-	-	<u><u>21,318</u></u>

Note 1 – IAS 23

Interest cost is capitalised as follows:

In respect of both house sales and commercial property sales until the date the item is available for sale. Any subsequent interest is charged to the income statement in the period it occurs.

Note 2 – IFRS 3

Amortisation on goodwill provided under UK GAAP is required to be written back to profit or revenue reserves brought forward in the case of previous years' amortisation.

Note 3 – IAS 40

Investment properties are required to be valued at current market value, with any revaluation surplus taken to the income statement.

Note 4 – IAS 12

Deferred taxation is required to be provided for on any revaluation surplus.

5. Movement in net debt

	1-Jul-07 £000	Cash Flow £000	Non-Cash Movements £000	31-Dec-07 £000
Cash at Bank	1,046	1,124	-	2,170
Debts due within one year	(15,834)	6,656	37	(9,141)
Debts due after one year	(13,388)	(5,175)	(37)	(18,600)
Finance leases	(64)	29	(78)	(113)
	<u>(29,286)</u>	<u>1,510</u>	<u>(78)</u>	<u>(27,854)</u>
	<u>(28,240)</u>	<u>2,634</u>	<u>(78)</u>	<u>(25,684)</u>

6. Reconciliation of net cash flow to movement in net debt

	6 Months 31-Dec-07 Unaudited £000	6 Months 31-Dec-06 Unaudited £000 *	Year ended 30-Jun-07 Unaudited £000 *
Increase in cash and cash equivalents in the period	1,124	5,656	588
Net cash outflow from debt financing	1,510	(6,547)	(11,822)
Change in net debt resulting from cashflows	2,634	(891)	(11,234)
New finance leases	(78)	-	-
Change in net debt	2,556	(891)	(11,234)
Net debt at start of period	(28,240)	(17,006)	(17,006)
Net debt at end of period	<u>(25,684)</u>	<u>(17,897)</u>	<u>(28,240)</u>

* Restated to reflect the adoption of IFRS.

7. The Board of Directors approved the interim report on 18th March 2008.

INDEPENDENT REVIEW REPORT TO EATONFIELD GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of meeting the requirements of the AIM Rules for Companies and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The half-yearly financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the half-yearly financial report in accordance with the AIM Rules for Companies.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the European Union, and the AIM Rules for Companies.

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18 March 2008