

# Eatonfield Group plc

("Eatonfield" or "the Group")

## Preliminary Announcement of the Results for the Year ended 30 June 2009

Eatonfield Group plc, the commercial property company, is pleased to announce its results for the year ended 30 June 2009.

### Financial summary

- **Loss for the year £4,352,555 (2008: £2,880,514 profit)**
- **Net debt £30,511,234 (2008: £30,371,927)**
- **Successful placing in October raising £6.9 million net of expenses**
- **Application to acquire Paignton site accepted and bank funding approved**
- **Significant progress on flagship projects**

### Eatonfield Group plc

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### About Eatonfield Group plc

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

## **CHAIRMAN'S STATEMENT**

### **Introduction**

After the most difficult year in your Company's short history, I am delighted to be able to report that the recent placing, approved by shareholders on 19 November 2009, raised £6.9 million net of expenses, providing us with funds for site development, working capital and debt reduction.

Whilst the property market remains difficult, we continue to believe that the major projects in our portfolio will, in the fullness of time, create significant shareholder value.

### **Financial results**

The loss for the year amounted to £4,352,555 (2008: £2,880,514 profit); net debt at the year end amounted to £30,511,234 (2008: £30,372,127).

### **Overview**

It was apparent at the end of 2008 that the Company was starting to run short of working capital. An immediate review of costs was undertaken and, as a result, a significant reduction in employee headcount was made in the spring of 2009 along with other cost cutting measures.

In October 2009, we undertook a placing at a discounted price of 5p per share, with the aim of raising a minimum of £5.5 million before costs. I am pleased to be able to advise shareholders that this issue was oversubscribed and raised slightly in excess of £6.9 million net of expenses. The terms of the placing were approved by shareholders on 19 November. Rob Lloyd, the Company's Chief Executive Officer, underpinned the issue with a cash subscription of £800,000. During the course of the year, he also confirmed the waiver of his profit sharing arrangement, on the Corus, Birkwood and Driffield sites, agreed by shareholders in October last year, in return for subscription rights over new equity to the value of £1.4 million. This consideration was supported by an independent report prepared specifically for the Company for this purpose by PKF (UK) LLP. Mr Lloyd also agreed to the conversion of his director's loan account in the amount of £1.63 million. Together with senior members of staff, I have also subscribed in the placing.

The combination of the two elements of cash raised and debt for equity conversion have significantly improved the shape of the Group's balance sheet and materially increased its net assets. As a consequence of the placing, Mr Lloyd's holding has been diluted down from 47.7% to 36.6%. The placing has also added a significant number of new institutional and private shareholders and their support is warmly welcomed.

### **Residential properties**

In 2008, the Company recognised the approach of a substantial downturn in the residential property market and, as a consequence, cut its new-build target from 300 new units down to 70. The effect of this decision has meant that we have minimised our costs and exposure in this area. We now have 14 completed units remaining and these are currently being marketed. Despite these measures, selling prices have been significantly lower than in previous years and in some cases we have undertaken sales on a shared equity basis. The major problem that has faced your Company and indeed our immediate peers, throughout the year under review, has been the unwillingness of lenders to provide funds to potential buyers.

As a result, your Board has determined that a re-entry into residential house building on a speculative basis is inappropriate at the present time due to the high risks involved. For the foreseeable future, we shall limit our involvement to the construction of affordable housing in partnership with Registered Social Landlords. This sector, by its very nature, has a guaranteed end user and exit. With this in mind, we are currently applying for Preferred Developer Status with the Homes and Communities Agency. We are currently working with Pembroke Housing Association on the construction of 31 affordable homes at Letterston in South Wales, 12 at Hook in Haverfordwest and also on 4 units in Cardigan where we are working with Tai Cantref.

### **Investment properties**

At the present time, we own only a small number of investment properties, amongst them our Corus flagship project at Workington and the Menzies Distribution centre in Sheffield. Your Board will, however, seek to take advantage of further opportunities with co-investment partners.

### **Major projects**

Despite the difficult market conditions, the Company has made significant progress in respect of its flagship projects outlined below. The Company remains committed to unlocking significant value from its portfolio of brownfield land at a time when many volume house builders are beginning to restock land banks. Our efforts with regard to planning and subsequent sell premiums remain focused on the demands of commercial property developers.

### **Corus**

On 31 March 2009, we obtained a resolution to grant planning consent for a mixed use development, subject only to a section 106 agreement, on our 77 acre flagship site at Workington in Cumbria. Our ability to reach this point within 16 months of acquiring the site is a tribute to our in-house planning team and, in particular, to our

Development Director, Ian Arnott, without whose dedicated efforts this would not have been possible. Still considered to be an investment property, the Corus site has yet to go through a number of further stages, including remediation and the construction of appropriate infrastructure, before development can commence.

We are also pleased to have secured a 50% interest in an option over a further 265 acres of land to the north of our existing site. With our joint venture partners, we have the right to acquire this land at its present, pre-planning value, at any time before 31 December 2010.

### **Birkwood**

We have also been able to secure a resolution to grant planning permission on our 83 acre former NHS hospital site at Lesmahagow, some 25 miles south of Glasgow. The consent, on this parkland site with its Grade B listed building, will be for 165 dwellings and a hotel. Interest is already being shown by a number of property developers in the building and we are hopeful that this will lead to a completion sometime in 2010. Disposal of the rest of the site will be dependent upon a recovery of interest in residential development but we shall be actively marketing the site to a number of potentially interested parties.

### **Paignton**

On 3 December 2009, we received notification from the administrator of Modus (Paignton) Limited that our offer to acquire the 24 acre Bookham Technology Park had been accepted and also that our application for funding from Bank of Ireland had been approved. Bank of Ireland has set a deadline of 28th February 2010 for exchange of contracts and has issued outline terms and conditions of funding. These have yet to be agreed in full by the Company and, in addition, completion will be dependent upon the identification of one or more co-investment partners.

### **Banks**

Our banks have supported us through this very difficult period and on behalf of the Company, I would like to thank them for continuing to do so.

### **Going concern**

The Directors have prepared the financial statements on a going concern basis. The ability of the Company and the Group to continue as a going concern is dependent upon the continuing support of its banks.

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Group and the Company are going concerns. The Group has support from its banks on its overdrafts and project loans until at least 30 September 2010. However, given the current uncertainties of both the financial and property markets, the Group's need to reduce its debt profile and to maintain adequate working capital, the Directors have concluded that these conditions represents a material uncertainty which could affect the Company's and the Group's ability to continue as a going concern. After making enquiries and considering the uncertainties outlined above, the Directors have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Going concern is also further discussed in the accounting policies.

### **Board changes**

I would like to pay tribute to both non-executive directors, who stood down earlier this year. Sir Leslie Young, in his capacity as non-executive chairman, and Suki Kalirai were consistently supportive and both played a valuable role during their time in office. I thank both of them, on behalf of the Company, for the contribution they made.

Inevitably this leads me to the fact that at the present time the Company has no non-executive directors. Now that the Company's refinancing has been completed, we shall seek to appoint new non-executive directors. Your Board accepts its full responsibility for compliance with corporate governance and the Combined Code in this respect.

### **The future**

We are consistently told that the green shoots of recovery are appearing. I believe that, if this is the case, recovery may well be long and slow. However, Eatonfield is now well placed to unlock significant potential from its land bank. We shall need to be judicious and prudent in the use of our newly gained resources and shall seek to deliver shareholder value in due course.

Finally, may I extend my grateful thanks to all my colleagues at Eatonfield who, without exception, have made me welcome. I know that they have worked tirelessly throughout an extremely difficult year and I sincerely hope that their efforts, as well as our supportive shareholders, will be well rewarded.

Paul Williams  
Chairman  
9 December 2009

## Group Income Statement

For the year ended 30 June 2009

	Notes	2009 £	2008 £
<b>Revenue</b>		<b>8,455,643</b>	10,060,072
Direct costs		<b>(9,131,019)</b>	(11,987,657)
Inventory losses		<b>(3,800,237)</b>	(5,098,561)
Trading loss		<b>(4,475,613)</b>	(7,026,146)
Investment property revaluation gains		<b>4,377,343</b>	14,236,254
Administration expenses		<b>(2,805,966)</b>	(2,469,879)
<b>(Loss)/Profit from operations</b>		<b>(2,904,236)</b>	4,740,229
(Loss)/Profit on disposal of plant and equipment		<b>(20,436)</b>	122
Share of result from joint venture		<b>(55,185)</b>	(153,078)
Other operating income		<b>10,621</b>	—
Finance income		<b>51,009</b>	66,703
Finance costs		<b>(1,370,666)</b>	(616,379)
Profit share relinquishment		<b>(1,400,000)</b>	—
<b>(Loss)/Profit before taxation</b>		<b>(5,688,893)</b>	4,037,597
Income tax credit/(expense)		<b>1,336,338</b>	(1,157,083)
<b>(Loss)/Profit for the period</b>		<b>(4,352,555)</b>	2,880,514
<hr/>			
(Loss)/Profit attributable to equity holders of the parent company		<b>(4,352,555)</b>	2,880,514
(Loss)/Profit per share – basic (p)	4	<b>(18.87)</b>	12.50
(Loss)/Profit per share – diluted (p)	4	<b>(18.87)</b>	12.45

The results for the period are derived from continuing activities.

**Group Balance Sheet**

As at 30 June 2009

	2009	2008
	£	£
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	22,306,626	19,755,000
Property, plant and equipment	57,186	1,019,825
Investment in joint ventures:		
Share in joint venture	(215,349)	(160,165)
Deferred taxation	1,356,880	—
	<b>23,505,343</b>	20,614,660
<b>Current assets</b>		
Inventories	19,307,394	25,363,572
Assets held for resale	976,154	—
Income taxation recoverable	104,005	860,350
Trade and other receivables	5,103,810	6,057,584
Cash and cash equivalents	1,815,376	1,734,697
	<b>27,306,739</b>	34,016,203
<b>Total assets</b>	<b>50,812,082</b>	54,630,863
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital	2,306,478	2,306,478
Share premium	8,218,939	8,218,939
Merger reserve	(1,499,000)	(1,499,000)
Share-based payment reserve	—	15,859
Retained earnings	3,337,152	7,689,707
<b>Total equity attributable to equity holders of the parent</b>	<b>12,363,569</b>	16,731,983
<b>Non-current liabilities</b>		
Deferred taxation	3,068,879	2,800,614
Obligations under finance leases	25,790	39,280
Financial liabilities	1,123,570	15,309,920
Other liabilities	400,000	—
	<b>4,618,239</b>	18,149,814
<b>Current liabilities</b>		
Financial liabilities	29,361,049	16,740,001
Trade and other payables	4,453,025	2,991,442
Obligations under finance leases	16,200	17,623
	<b>33,830,274</b>	19,749,066
<b>Total liabilities</b>	<b>38,448,513</b>	37,898,880
<b>Total equity and liabilities</b>	<b>50,812,082</b>	54,630,863

**Group Cash Flow Statement**

For the year ended 30 June 2009

	2009	2008
	£	£
(Loss)/Profit before taxation	<b>(5,688,893)</b>	4,037,597
Goodwill impairment	—	72,000
Net finance costs	<b>2,719,657</b>	549,676
Loss/(profit) on disposal of property, plant and equipment	<b>20,436</b>	(122)
Share of joint venture operating result	<b>55,185</b>	153,078
Share-based compensation	<b>(15,859)</b>	1,638
Depreciation	<b>42,563</b>	85,719
Investment property revaluation gains	<b>(4,377,343)</b>	(14,236,254)
Decrease in inventories	<b>8,179,553</b>	1,218,829
Decrease in trade and other receivables	<b>953,774</b>	12,497,694
(Decrease)/increase in trade and other payables	<b>(250,439)</b>	606,900
Net cash generated from operations	<b>1,638,634</b>	4,986,755
Income taxation	<b>1,004,067</b>	(913,547)
Cash generated from operating activities	<b>2,642,701</b>	4,073,208
<b>Investing activities</b>		
Acquisition of investment properties	<b>(439,657)</b>	(5,308,429)
Acquisition of property, plant and equipment	—	(153,449)
Proceeds from the disposal of plant and equipment	<b>65,217</b>	109,002
Finance income received	<b>51,009</b>	66,703
Cash used in investing activities	<b>(323,431)</b>	(5,286,173)
<b>Financing</b>		
Equity dividends paid	—	(345,000)
Net proceeds from issue of ordinary shares	—	43,399
Net movement in short term borrowings	<b>12,621,048</b>	905,243
Net movement in long term borrowings	<b>(13,786,349)</b>	1,922,175
Finance costs paid	<b>(1,058,377)</b>	(616,379)
Repayment of finance leases	<b>(14,913)</b>	(7,493)
Cash (used in)/generated from financing activities	<b>(2,238,591)</b>	1,901,945
Increase in cash and cash equivalents	<b>80,679</b>	688,980
Opening cash and cash equivalents	<b>1,734,697</b>	1,045,717
<b>Closing cash and cash equivalents</b>	<b>1,815,376</b>	1,734,697

## Group Statement of Changes in Equity

For the year ended 30 June 2009

	Issued capital £	Share premium £	Merger reserve £	Share-based compensation £	Retained earnings £	Total equity £
Balance at 1 July 2007	2,300,000	8,182,018	(1,499,000)	14,221	5,154,193	14,151,432
Profit for the period	—	—	—	—	2,880,514	2,880,514
Dividend paid	—	—	—	—	(345,000)	(345,000)
Issue of shares	6,478	36,921	—	—	—	43,399
Share-based compensation	—	—	—	1,638	—	1,638
Balance as at 30 June 2008	2,306,478	8,218,939	(1,499,000)	15,859	7,689,707	16,731,983
Loss for the period	—	—	—	—	(4,352,555)	(4,352,555)
Share-based compensation	—	—	—	(15,859)	—	(15,859)
<b>Balance at 30 June 2009</b>	<b>2,306,478</b>	<b>8,218,939</b>	<b>(1,499,000)</b>	<b>—</b>	<b>3,337,152</b>	<b>12,363,569</b>

### ISSUED CAPITAL

The issued capital account includes the par value for all shares issued.

### SHARE PREMIUM ACCOUNT

This comprises the premium over nominal value on issued shares. The use of this reserve is restricted by the Companies Act 2006.

### MERGER RESERVE

The Group reconstruction before flotation in 2006 was accounted for in accordance with the principles of merger accounting.

### SHARE-BASED COMPENSATION

This reflects the expected value to the Company of options issued to date upon vesting.

### TOTAL EQUITY

This is the equity attributable to the members of the parent.

## 1. GENERAL INFORMATION

The preliminary financial information does not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but is derived from accounts for the years ended 30 June 2009 and 30 June 2008. These figures are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 30 June 2009. The auditors have issued an audit report modified by the inclusion of an emphasis of matter paragraph which highlights the existence of a material uncertainty that casts doubt on the company's and group's ability to continue as a going concern. Their opinion is not qualified in this respect. Further information is disclosed in the going concern paragraph below.

Statutory accounts for the year ended 30 June 2008 have been filed with the Registrar of Companies. The Auditors reported on those accounts; their report was unqualified, and did not contain a statement under s237(2) or (3) Companies Act 1985 but did draw attention to matters by way of emphasis without qualifying their report.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

Eatonfield Group plc is incorporated and domiciled in the United Kingdom.

## 2. GOING CONCERN

Since the year end, by way of a placing, the Group has raised £6.9 million, part of which has been utilised in reducing overdraft facilities and secured loans. However, the Directors consider that the greatest risk facing the Group, given the state of the financial markets and current economic uncertainty, and more particularly because a number of its development projects are of a long term nature, is the uncertainty as to whether it will be able to obtain further debt funding. This could impact upon the Group's ability to bring such projects to a profitable conclusion.

The Directors have also prepared cash flow projections to the end of December 2010. These forecasts indicate that the Group should have sufficient working capital for that period, taking into account a realistic approach to income generation and control of costs.

The Group has two overdraft facilities to be repaid respectively by 30 September 2010 and 30 October 2010. In addition, the Group has a number of loans secured on particular assets, which are repayable at the earlier of the sale or at the end of a specific term.

However, should any overdraft facility not be renewed or other loan facility become payable prior to the sale of the related asset, and in the absence of alternative funding sources, the Group would be required to dispose of assets to realise cash to meet its debts as they fall due. Given current market conditions, there is a risk that the assets would take an extended period to realise cash, which might also be less than their book values. As a result, should the Group be unable to repay its bank borrowings from asset sales or the refinancing of existing assets, a material uncertainty exists which casts doubt over the Group's ability to continue as a going concern.

The Directors have concluded that after making the appropriate enquiries and taking into consideration the uncertainties outlined above, there is a reasonable expectation that the Group and the Company have sufficient resources to continue in operational existence for the foreseeable future. For this reason, the financial statements have been prepared on a going concern basis.

## 3. SEGMENTAL REPORTING

Revenue, (loss)/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.

## 4. (LOSS)/EARNINGS PER SHARE

Earnings and the number of shares used in the calculations of (loss)/earnings per share are set out below:

	2009	2008
	£	£
(Loss)/profit for the year	<b>(4,352,555)</b>	2,880,514

	2009	2008
	Number	Number
<b>Weighted average number of shares in issue:</b>		
For basic (loss)/earnings per share	<b>23,064,775</b>	23,051,820

Exercise of share options	—	93,369
For fully diluted (loss)/earnings per ordinary share	<b>23,064,775</b>	23,145,189

	<b>2009</b>	2008
	<b>Pence</b>	Pence
<b>(Loss)/earnings per share:</b>		
Basic	<b>(18.87)</b>	12.50
Diluted	<b>(18.87)</b>	12.45

## 5. POST BALANCE SHEET EVENTS

On 15 September 2009, warrants to subscribe for up to 800,000 ordinary shares were issued to West Register (Investments) Limited, a sister company of RBS, at a price of 5p per share. These warrants are valid until 16 September 2014.

On 28 September 2009 Haycroft Farm, a property owned by Rob Lloyd, the Company's Chief Executive Officer, was sold to Eatonfield Developments Ltd for £3.3m (based on a valuation by Mason Owen, Chartered Surveyors, on 26 March 2009). The proceeds of sale (after mortgage redemption) were credited to Mr Lloyd's Director's loan account. Subsequently Eatonfield Developments Limited took out a loan of £2.2m with RBS using Haycroft Farm as security.

On 19 November, the Company undertook a capital reorganisation, whereby the existing ordinary shares of the Company were subdivided and converted into one new ordinary share and one deferred share. The nominal value of the shares was at the same time amended from 10p to 1p. Authorised but unissued existing ordinary shares were also subdivided into 10 new ordinary shares. Each new ordinary share has the same rights (including voting and dividend rights and rights on a return of capital) as each existing ordinary share had prior to the capital reorganisation. The deferred shares created under the capital reorganisation have no voting or dividend rights and, on a return of capital, will have the right to receive the amount paid up thereon only after the holders of the new ordinary shares have received, in aggregate, the amount paid up thereon together with the sum of £10,000,000 per new ordinary share.

On the same date, by way of a placing, 207,820,000 new ordinary shares of 1 penny were issued at a price of 5p per share, raising £6.9 million net of costs. As a result of the placing, warrants were issued to the Company's brokers over 6,531,000 ordinary shares at a price of 5p per share. These warrants are valid until 27 October 2011. In addition, on the same date, warrants to subscribe for 11,835,461 ordinary shares were issued to West Register (Investments) Limited at a price of 5p per share. These warrants are valid until 16 September 2014.

Also on 19 November, 1,000,000 ordinary shares were issued to Evolution Securities Limited in consideration for advice in connection with the placing and warrants to subscribe for up to 700,000 ordinary shares at a price of 15p were issued to Paul Brett and Leslie Allen-Vercoe as part of the joint venture agreement entered into on 17 September 2009. These warrants are valid until 18 November 2010.

On 25 November 2009 the Company announced that it had secured a 50% interest in an option to acquire 265 acres of land situated immediately to the north of the 77 acre Corus Rail site already owned by the Group. That option is currently held by Port Derwent LLP ("Port Derwent") and upon its exercise, which must take place no later than 31 December 2010, the site will be acquired by Port Derwent Workington Limited, a company in which Port Derwent and the Group will be equal shareholders.

## 6. BASIS OF THE PRELIMINARY ANNOUNCEMENT

The board of directors of Eatonfield Group plc approved the Preliminary Results on 9 December 2009.

The statutory accounts for the year ended 30 June 2009 will be delivered to the Registrar of Companies before the Annual General Meeting ("AGM"). Further copies will be available to the public, free of charge, at the Company's registered office, Haycroft Farm, Peckforton Hall Lane, Spurstow, Tarporley CW69TF and the Company's website at [www.eatonfield.com](http://www.eatonfield.com).

The statutory accounts together with the notice of AGM will be posted to shareholders today. The AGM will be held at 10am on 31 December 2009 at the Company's registered office.