Blackrock reports results for 2008

Blackrock International Land plc has released its preliminary results for the year ended 31 December 2008.

Summary of Movement in Net Assets	**2008**	**2007**
	€'m	**€'m**
Net rental income	**13.7**	**13.0**
Finance costs	**(10.4)**	**(11.2)**
Administration costs	**(5.0)**	**(5.5)**
Fair value adjustments:		
Wholly/majority owned property	**(39.3)**	**12.7**
Joint ventures & associate	**(37.8)**	**4.7**
Translation effect of foreign exchange (net)	**(5.7)**	**(2.6)**
Income tax	**4.1**	**(1.7)**
Movement in net assets	**(80.4)**	**9.4**

- **Overall, net assets per share decreased 34.9% during the period to €0.257.**

- **Despite the economic downturn and general market uncertainty during the year:**
  - **Net rental income grew 5.6% to €13.7 million.**
  - **Finance costs declined 7.1% to €10.4 million.**
  - **Administrative expenses reduced 9.3% to €5.0 million.**

- **The decline in economic activity arising from the difficulties in financial markets, leading to decreased investor and occupational demand and deteriorating investment yields, has adversely affected property values. Excluding the impact of foreign exchange, the group's portfolio valuation reduced by €77.1 million at year end.**

- **The strengthening of the euro against sterling had a further negative net impact on performance of €5.7 million.**

- **Notwithstanding the significant write down in values, the group's net debt to gross property assets ratio at year end was only 51.1%.**

Commenting on the results, Blackrock International Land plc chairman, Carl McCann, said:

> *"The decline in the property markets in 2008 reflects the impact of the economic downturn. As a result, Blackrock's market capitalisation has fallen significantly below its net asset value. The Board's present priorities are to optimise the company's position during the current challenging conditions by reducing costs, maximising income and seeking to add value to its properties wherever possible."*

Blackrock International Land plc
4 March 2009

For further information, please contact:
Brian Bell, WHPR - Tel: +353-1-669-0030

Blackrock International Land plc

Preliminary results to 31 December 2008

Operating review

The economies in which Blackrock operates have experienced considerable difficulties throughout the last eighteen months which have adversely affected most asset categories, particularly property. Blackrock has been significantly impacted by the downturn and 2008 was a year of containment. Very little investment activity was undertaken and the primary focus was on asset management and cost reduction.

Asset values

The reduced level of activity in the economy caused by constraints on the availability of credit, the decreased demand for space and the consequent decline of the investment market have resulted in reduced valuations across the group's portfolio. Total property assets at 31 December 2008, including those accounted for through joint ventures and associate, amounted to €340.3 million (€439.6 million), a decline of 23%. The movements in values are analysed as follows:

	Ireland	**UK**	**Continental Europe**	**Total**
	€'m	**€'m**	**€'m**	**€'m**
Value at 1 January 2008	210.4	137.7	91.6	439.7
Investments during year	2.9	6.4	-	9.3
Disposals during year	(0.4)	(0.3)	-	(0.7)
Fair value adjustments	(35.5)	(37.0)	(4.6)	(77.1)
Translation of sterling denominated properties*	-	(30.9)	-	(30.9)
Value at 31 December 2008	177.4	75.9	87.0	340.3

*Impact of foreign exchange on movement in net assets

The reduction in value of the group's UK property assets arising from the translation impact of foreign exchange was €30.9m. This was partially offset by a net €25.2m gain on translation of sterling loans and cash and other movements. The net impact of foreign exchange on the group's net assets for the period was a decrease of €5.7m, analysed as follows:

	€'m
Reduction in value of investment properties	(25.4)
Reduction in value of investment in joint ventures & associate	(5.5)
Total property related movement	**(30.9)**
Net gain on translation of bank loans	25.0
Movement in other assets/liabilities and trading translation (net)	0.2
Net impact on net assets	**(5.7)**

The translation effect of foreign exchange on the value of the group's investment in joint ventures and associate, amounting to €5.5m, has been accounted for through the Statement of Recognised Income and Expense. The other translation effects have been dealt with through the Income Statement.

Geographic and sectoral analysis of property assets

Excluding the impact of foreign exchange, the value of the group's gross property assets decreased by €77.1 million in 2008, a decline of 17.5%. In reviewing this movement, it is useful to consider the following geographic and sectoral analysis of Blackrock's portfolio (which includes investments in joint ventures and associate):

	Ireland €'m	UK €'m	Continental Europe €'m	Total €'m
Investment				
Office	9.5	19.6	63.7	92.8
Industrial	122.0	23.5	23.3	168.8
	131.5	43.1	87.0	261.6
Development				
Office	-	-	-	-
Industrial	33.3	11.5	-	44.8
Retail	6.3	-	-	6.3
Residential	6.3	21.3	-	27.6
	45.9	32.8	-	78.7
Total	**177.4**	**75.9**	**87.0**	**340.3**

Overall, the group's portfolio comprises 77% investment properties and 23% development properties.

Within the **investment portfolio**, industrial buildings comprise 65% while office buildings make up 35% - the group has no investment exposure to retail or residential, which sectors have seen the most significant diminutions in value during the economic downturn. Investment in Ireland is 93% weighted to industrial property and 7% to offices. In the UK, it is 55% industrial and 45% offices. On the Continent, it is 73% offices and 27% industrial.

The **development portfolio**, comprising principally lands for redevelopment, breaks down 57% industrial, 8% retail and 35% residential, with the latter focused mainly in Scotland where house prices have held up better than in other residential markets. The group has no development assets in Continental Europe. A number of positive events during the year, in particular in Scotland, have helped to minimise the overall downward movement in the group's development assets during the period.

In general, individual properties are held in separate companies which should be beneficial in terms of net proceeds on disposal. All of the group's properties were subject to independent valuation at the year end by Lisneys in Ireland, by Lambert Smith Hampton, BTW Shiells and Brown & Lee in the UK and by Delta State and Jones Lang LaSalle on the Continent.

Portfolio management

With reduced investment expenditure undertaken during the year, activity focused on work to secure beneficial re-designations and new or improved planning permissions in respect of several of the group's development properties. The most significant progress made in this regard was in relation to the lands at Broxburn to the west of Edinburgh where, since the year end, confirmation has been received of their adoption for mixed use development, primarily residential. Several rent reviews were completed satisfactorily during the year, at levels slightly above those anticipated. While vacancy rates in the group's established investment properties are minimal, a number of new lettings were concluded in the Dutch and Belgian portfolios. Given prevailing market conditions, progress on letting newly available space has been slower but consistent with expectations. The group benefits from a strong tenant base and no defaults have arisen among its lessees during the year.

Rental yields

In Ireland, the group's investment property is predominantly in the industrial sector. Excluding one property held primarily for its development potential, the current net average rental yield, based on year-end valuations, is just above 7%. In the UK, the industrial investment portfolio is yielding over 9% and the office properties over 10%. The yields on the Dutch and Belgian portfolios are both of the order of 6%.

Development

The group's principal investments in development companies are the hotel and residential site at Queen Margaret Drive in Glasgow and the former Fruit Market premises in Edinburgh (both at the planning stage) and the three London office buildings and Navan Retail Park (both under construction). Each of these is being undertaken by separate companies in joint ventures or in association with, and managed by, third parties having relevant specialist expertise and experience. While progressing satisfactorily in construction terms, their end values are being impacted by the changed market conditions and development plans and programmes are being revised as considered necessary. A prudent approach has been adopted to the valuation of these projects and, as a result, the equity in them has been subject to appropriate adjustment at the year end.

Finance

In the main, the joint ventures and associate in which Blackrock has invested are special purpose companies that are financed by project-specific debt. Similarly, the Dutch and Belgian portfolios are funded on a stand-alone basis. The group's remaining property assets, comprising approximately €248 million in value, are financed by facilities subject to a loan-to-value covenant of 50%. The relevant ratio at the year end was 48.4%. Blackrock currently anticipates having sufficient resources to meet its ongoing requirements. Nonetheless, the Board is cognisant of the potential for further declines in property values while the current period of uncertainty continues and, accordingly, it is discussing with its lenders a new three year facility to strengthen the group's financial position going forward.

International Financial Reporting Standards

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Net rental income

Gross rental income increased 14% to €17.9 million (2007: €15.7 million). Property outgoings were €4.1 million (2007: €2.7 million).

Administrative expenses

Administrative expenses for the period declined by 9.3% to €5.0 million (2007: €5.5 million). These were comprised primarily of remuneration of executive and administrative personnel, establishment and information technology costs and professional fees. Further significant savings are being targeted for 2009.

Net finance income/(expense)

Net finance income was €14.8 million (2007: expense €1.5 million), comprising gain on translation of sterling loans and financial assets amounting to €25.2 million (2007: €9.5 million) and interest received on cash deposits and loans to joint ventures of €1.4 million (2007: €0.8 million), offset by interest and charges incurred on bank borrowings amounting to €11.8 million (2007: €11.8 million).

Taxation

The tax credit for the year of €4.1 million (2007: charge of €1.7 million) includes a €4.2 million gain (2007: loss of €0.9 million) arising from a reduction in the provision for deferred tax resulting from the lower property valuations. This has been accounted for in accordance with IAS12 and includes full provision for tax which might be payable in the event that the group disposes of a property for the amount stated in the balance sheet.

Results per share

Basic and diluted result per share for the period was (€12.83) cent (2007: €1.93 cent).

Dividend

Consistent with the stated medium-term policy of the company, no dividend has been declared for the period.

Shareholders' funds

Shareholders' funds at 31 December 2007 amounted to €149.9m (2007: €230.3m), resulting in basic and diluted net asset values per share of €25.71 cent (2007: €39.48 cent), a decrease of 34.9% (2007: 4.2% increase) in the year.

Net borrowings

The group's net borrowings at 31 December 2008 amounted to €173.9 million (2007: €190.6 million), giving a net debt to gross property assets ratio of 51.1% (2007: 43%).

Conclusion

The year ended 31 December 2008 has been a very difficult period for the property sector. Until the supply of credit to the sector increases and market confidence re-emerges, it is difficult to anticipate a recovery in demand for property with a resultant increase in values. In the meantime, the Board remains focused on the areas which it can control by seeking to maximise rental income, reduce costs and add value to its properties wherever possible. By pursuing this approach, the group aims to protect shareholder value and to place the business in the best possible position when market conditions improve.

4 March 2009

Consolidated income statement

for the year ended 31 December 2008

Continuing Operations	**2008 €'000**	**2008 €'000**	**2007 €'000**	**2007 €'000**
Gross rental and related income		**17,867**		15,689
Property outgoings		**(4,121)**		(2,670)
Net rental and related income		**13,746**		13,019
Net property valuation movement		**(64,665)**		2,345
Net property and related (expense)/ income		**(50,919)**		15,364
Administrative expenses		**(5,000)**		(5,511)
Result from operating activities		**(55,919)**		9,853
Share of result of joint ventures	**(21,372)**		4,756	
Share of result of associate	**(16,352)**		-	
		(37,724)		4,756
Finance income	**26,550**		10,597	
Finance expense	**(11,763)**		(12,107)	
Net finance income/(expense)		**14,787**		(1,510)
Result before tax		**(78,856)**		13,099
Income tax credit/(expense)				
- current	**(100)**		(830)	
- deferred	**4,185**		(907)	
Net income tax		**4,085**		(1,737)
Result for the year		**(74,771)**		11,362
Attributable to:				
Equity shareholders of the company		**(74,856)**		11,263
Minority interest		**85**		99
Result for the year		**(74,771)**		11,362
Basic result per share (euro cent)		**(12.83)**		1.93
Diluted result per share (euro cent)		**(12.83)**		1.93

Consolidated statement of recognised income and expense

for the year ended 31 December 2008

	2008 €'000	2007 €'000
Result for the year	**(74,771)**	11,362
Foreign currency translation on foreign operations	**(5,496)**	(1,890)
Total recognised income and expense for the year	**(80,267)**	9,472
Attributable to:		
Equity shareholders of the company	**(80,352)**	9,373
Minority interest	**85**	99
Total recognised income and expense for the year	**(80,267)**	9,472

Consolidated balance sheet

at 31 December 2008

	2008	2007
	€'000	**€'000**
Assets		
Non-current assets		
Investment property	**315,336**	380,740
Property, plant and equipment	**103**	140
Investments in joint ventures	**24,939**	38,431
Investment in associate	**-**	20,403
Deferred tax assets	**3,856**	2,654
Total non-current assets	**344,234**	442,368
Current assets		
Trade and other receivables	**5,030**	10,775
Cash and cash equivalents	**6,986**	9,714
Total current assets	**12,016**	20,489
Total assets	**356,250**	462,857
Equity		
Issued share capital	**5,833**	5,833
Share premium	**201,085**	201,085
Other reserves	**(56,976)**	23,376
Total equity attributable to:	**149,942**	230,294
Equity shareholders of the company	**149,942**	230,294
Minority interest	**226**	141
Total equity	**150,168**	230,435
Liabilities		
Non-current liabilities		
Loans and borrowings	**179,354**	198,878
Deferred tax liabilities	**17,379**	20,362
Total non-current liabilities	**196,733**	219,240
Current liabilities		
Trade and other payables	**7,763**	11,605
Employee benefits	**91**	132
Loans and borrowings	**1,495**	1,445
Total current liabilities	**9,349**	13,182
Total liabilities	**206,082**	232,422
Total liabilities and equity	**356,250**	462,857
Net asset value per share (euro cent):	**25.71**	39.48

Consolidated statement of cash flows

for the year ended 31 December 2008

	2008 €'000	2008 €'000	2007 €'000	2007 €'000
Result before tax	**(78,856)**		13,099	
Adjustments for:				
Net property valuation movement	**64,665**		(2,345)	
Depreciation	**36**		19	
Finance income	**(1,341)**		(924)	
Finance expense	**11,763**		11,792	
Share of result of joint ventures and associate	**37,724**		(4,756)	
Exchange difference on non-property assets	**(25,209)**		(9,358)	
Operating profit before changes in working capital	**8,782**		7,527	
(Decrease)/increase in trade and other payables	**(2,595)**		(2,973)	
(Increase)/decrease in trade and other receivables	**(50)**		6,069	
Cash generated from operations		**6,137**		10,623
Interest paid	**(12,145)**		(11,211)	
Income tax paid	**(831)**	**(12,976)**	279	(10,932)
Net cash (outflow) from operating activities		**(6,839)**		(309)
Cash flows from investing activities				
Acquisition of investment property	**-**		(107,077)	
Acquisition of property, plant & equipment	**-**		(157)	
Net cash outflow on acquisition of joint ventures and associate	**(3,678)**		(23,229)	
Loans to joint ventures	**(877)**		(13,002)	
Loans repaid from joint ventures	**-**		6,750	
Net cash outflow from additional investment in joint ventures and associate	**(4,769)**		(13,845)	
Proceeds from disposal of investment property	**6,359**		32,527	
Interest received	**1,341**		912	
Net cash (outflow) from investing activities		**(1,624)**		(117,121)
Cash flows from financing activities				
Repayment of borrowings	**(1,615)**		(117,297)	
Proceeds from the drawdown of borrowings	**7,124**		207,253	
Net cash inflow from financing activities		**5,509**		89,956
Net (decrease) in cash and cash equivalents		**(2,954)**		(27,474)
Cash and cash equivalents at beginning of year		**9,714**		37,503
Foreign exchange gain/(loss) on cash and cash equivalents		**226**		(315)
Cash and cash equivalents at end of year		**6,986**		9,714