

## Regulatory Story

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**Company** [Eatonfield Group plc](#)  
**TIDM** EFD  
**Headline** Issue of Circular & Notice of General Meeting  
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 Eatonfield Group plc  
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For Immediate Release

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### Eatonfield Group plc

#### **Proposed substantial property transactions and related party transactions between Eatonfield Developments Limited and Rob Lloyd and Notice of General Meeting**

The Directors of Eatonfield announce that the Company has today sent a circular ("the Circular") to shareholders relating to the above proposed transactions and providing the background to and detail of the proposals as set out below.

#### **Introduction**

Rob Lloyd, Chief Executive Officer of the Company, has agreed to sell Haycroft Farm, which is currently occupied in part by the Group and owned by Mr Lloyd, to EDL, a wholly owned subsidiary of the Company, on arms' length terms. As Mr Lloyd is a director of the Company, the Sale Agreement will require the approval of Shareholders and a resolution will be proposed at a General Meeting to this effect. The General Meeting is to be held at Haycroft Farm, Peckforton Hall Lane, Spurstow, Tarporley, Cheshire CW6 9TF at 11 a.m. on 28 September 2009, formal notice of which is set out at the end of the Circular.

The purpose of the Circular is to inform Shareholders of the background to and reasons for the proposed purchase of Haycroft Farm and related transactions and to recommend that Shareholders vote in favour of the Resolution to be proposed at the General

Meeting.

## **Background to and reasons for the Acquisition**

The economic crisis and in particular the deterioration in financial markets over the last 18 months has impacted heavily upon the United Kingdom property sector. In common with many other companies, Eatonfield has not been immune to these effects. Notwithstanding the fact that the Board has taken action to reduce operating overheads, redeem debt and generate cash flow, reduced margins on the Group's residential sales, coupled with the absence of available finance for many prospective residential and commercial purchasers, has seriously depleted working capital.

In order to enable the Group to raise working capital in the short term, Royal Bank of Scotland plc ("RBS"), through National Westminster Bank plc, has agreed to advance a new term loan facility of £2.2 million ("RBS Loan"). Provision of the facility is conditional on Rob Lloyd, the Company's Chief Executive Officer and 47.75 per cent. Shareholder, agreeing to sell to EDL Haycroft Farm, a property owned by him and currently occupied in part as the Group's offices, upon the terms of the Sale Agreement.

Haycroft Farm comprises a former farm extending to approximately 165 acres situated in a prime agricultural area in the Cheshire countryside which has been developed into racing stables and related facilities. The Group occupies buildings at Haycroft Farm specifically converted from agricultural to office use, with room for further expansion. Haycroft Farm also is the base for Rob Lloyd Racing Ltd ("RLRL"), a company controlled by Rob Lloyd.

Haycroft Farm will be sold for £3.3 million which is based upon an arm's length independent valuation prepared by Messrs Mason Owen, Chartered Surveyors, on 26 March 2009. Upon completion of the Acquisition, the consideration will be credited to the loan account between Rob Lloyd and EDL which is advanced by Rob Lloyd to EDL on an interest-free basis and is repayable on demand.

Haycroft Farm will be used by EDL to provide security for the £2.2 million RBS Loan, of which £1.435 million will be used to satisfy the repayment, on behalf of Rob Lloyd, of the existing mortgage on Haycroft Farm and £500,000 will be used to repay part of the overdraft facility made available by RBS to EDL. The balance, after payment of costs and stamp duty, will be made available to the Group as working capital. The RBS Loan is repayable on 31 March 2010 or earlier out of, *inter alia*, the net proceeds of sale of EDL's property interests at the former Birkwood Hospital site in Lanarkshire, the former Corus Railtrack site in Workington or Haycroft Farm. The RBS Loan carries interest at 2 per cent. over LIBOR.

On completion of the Acquisition, EDL and RLRL will enter into the Tenancy Agreement granting RLRL a tenancy at will, terminable at anytime by notice in writing. No commercial rent is payable under the Tenancy Agreement to compensate Rob Lloyd for the absence of interest on his loan account. EDL and Rob Lloyd will also enter into the Option Agreement under the terms of which, Rob Lloyd will be granted an option to repurchase Haycroft Farm for its then-current open market value. The option is exercisable by Rob Lloyd until the tenth anniversary of the date of the Option Agreement and

any exercise is conditional upon all debt due to RBS from EDL first having been repaid in full or otherwise with the prior written agreement of RBS. The Option Agreement contains a restriction upon EDL disposing of Haycroft Farm to any person other than Rob Lloyd unless the purchaser or transferee executes a deed of covenant in favour of Rob Lloyd to be bound by the obligations of EDL in the Option Agreement. The Option Agreement is assignable by Rob Lloyd.

The Directors are actively seeking additional ways of strengthening the Group's balance sheet and working capital position. This includes discussions with third parties in respect of the Group's various property interests, bankers on providing the Group's banking facilities and financial advisers with regard to raising additional equity finance by way of a placing. An announcement concerning this potential additional funding is expected to be made in due course.

A copy of each of the Sale Agreement, Option Agreement and Tenancy Agreement will be made available for inspection by Shareholders at Haycroft Farm from 9 a.m. on 18 September 2009 until the conclusion of the General Meeting.

As Rob Lloyd is a director of the Company, the Acquisition and the entry into the Option Agreement and the Tenancy Agreement will, under the provisions of the Companies Act 2006, be substantial property transactions and require the approval of Shareholders and a resolution will be proposed at the General Meeting to approve the Sale Agreement, the Option Agreement and the Tenancy Agreement. Completion of the sale and purchase of Haycroft Farm and the entry into each of the agreements described in this document is therefore conditional upon Shareholders approving the Resolution.

In addition, the purchase of Haycroft Farm from Rob Lloyd and the entry into the Option Agreement and the Tenancy Agreement are related party transactions under the AIM Rules. Where a Company whose shares are quoted on AIM enters into a transaction with a related party, AIM Rule 13 requires the Directors (with the exception of any Director involved in the transaction as a related party) to consider, having consulted with the Company's nominated adviser, whether the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

Paul Williams, as the only independent Director, considers, having consulted with Evolution, as the Company's nominated adviser, that the terms of the Acquisition, the Sale Agreement, the Option Agreement and the Tenancy Agreement are fair and reasonable insofar as Shareholders are concerned. Rob Lloyd has not taken part in the Board's consideration of the terms of the Acquisition and the entry into the Sale Agreement, the Option Agreement and the Tenancy Agreement in light of his interest in these transactions.

### **Importance of the Vote**

Without Shareholder approval of the Resolution to be proposed at the General Meeting, the Board cannot confirm that the Group will have sufficient working capital to continue trading up to the point at which the Company is able to pursue its plans to raise additional funds. Accordingly, it is very important that Shareholders vote in

favour of the Resolution in order that the Acquisition, the Sale Agreement, the Option Agreement and the Tenancy Agreement can proceed.

### Recommendation

Paul Williams, as the only independent Director, considers that the Acquisition and the entry into of the Sale Agreement, the Option Agreement and the Tenancy Agreement are in the best interests of the Company and Shareholders as a whole and recommends that you vote in favour of the Resolution to be proposed at the General Meeting as Rob Lloyd (being the only Director who is a Shareholder) intends to do in respect of his own beneficial holdings of Shares, totalling 11,015,050 Shares, representing 47.75 per cent. of the issued share capital of the.

### For further information, please contact:

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### DEFINITIONS

"Acquisition"	the proposed acquisition of Haycroft Farm by EDL from Rob Lloyd on the terms of the Sale Agreement;
"AIM"	the AIM market of the London Stock Exchange;
"AIM Rules"	the AIM rules for companies published by the London Stock Exchange;
"Company" or "Eatonfield"	Eatonfield Group plc, a company incorporated in England and Wales under the Companies Act 1985 with registered number 5801082, having its registered office at Haycroft Farm, Peckforton Hall Lane, Spurstow, Tarporley, Cheshire CW6 9TF;
"Directors" or "Board"	Rob Lloyd and Paul Williams
"EDL"	Eatonfield Developments Limited a company incorporated in England and

	Wales under the Companies Act 1985 with registered number 3529785, having its registered office at Haycroft Farm, Peckforton Hall Lane, Spurstow, Tarporley, Cheshire CW6 9TF, a wholly-owned subsidiary of the Company;
<b>"Evolution"</b>	Evolution Securities Limited, nominated adviser and broker to the Company for AIM purposes;
<b>"Form of Proxy"</b>	the form of proxy for use by Shareholders at the General Meeting which is enclosed with the Circular;
<b>"General Meeting"</b>	the general meeting of the Company convened for 11 a.m. on 28 September 2009, or any reconvened meeting following any adjournment thereof, notice of which is set out in the Notice of General Meeting;
<b>"Group"</b>	the Company and its subsidiaries;
<b>"Haycroft Farm"</b>	Haycroft Farm, Peckforton Hall Lane, Spurstow, Tarporley, Cheshire CW6 9TF;
<b>"Notice of General Meeting"</b>	the notice of the General Meeting which is set out at the end of the Circular;
<b>"Option Agreement"</b>	the draft option agreement between EDL and Rob Lloyd to be entered into on completion of the Acquisition under which Rob Lloyd will be granted an option to repurchase Haycroft Farm further details of which are set out in the Circular;
<b>"Resolution"</b>	the ordinary resolution to be proposed at the General Meeting and as set out in the Notice of General Meeting at the end of the Circular;
<b>"Sale Agreement"</b>	the draft agreement to be entered into as soon as practicable after the approval of the Resolution by Shareholders between Rob Lloyd and EDL for the sale and purchase of Haycroft Farm, further details of which are set out in the Circular;
<b>"Shareholders"</b>	holders of Shares;
<b>"Shares"</b>	ordinary shares of 10 pence each in the capital of the Company; and
<b>"Tenancy Agreement"</b>	the draft tenancy agreement to be entered between EDL and Rob Lloyd Racing Limited on completion of the Acquisition pursuant to which Rob Lloyd Racing Limited will be granted a tenancy at will over part of Haycroft Farm further details of which are set out in the Circular.

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