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## Edmond Jackson: Raven buys directors' property

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by **Edmond Jackson** on Nov 26, 2004 at 10:26

Raven Mount, whose shares have been highly volatile in recent years, wants to become 'a dynamic and entrepreneurial business which is capable of providing its shareholders with returns that they deserve' - not a bad idea.

The re-named Swan Hill housebuilding and property group proposes to achieve this through the acquisition of Raven Group, a property development business owned by Anton Bilton and Bim Sandhu, respectively executive chairman and executive deputy chairman of Raven Mount. As a related party transaction this needs shareholder approval.

The initial consideration is £14.75 million based on the issue of 22.4 million shares at 66p, and up to £22 million, according to various criteria, until December 2007.

A reason, perhaps, that Raven Mount shares are well down on their 106p peak this year to a more traditional level of 70p, is a substantial pension fund deficit, which has recently crept up to £12.4 million and overall liabilities look higher.

Obviously the group (**RAV**) has to become more substantive, or in the words of the independent directors: 'The proposed acquisition offers shareholders a larger platform from which the company would have the opportunity to develop a dynamic and profitable property business.'

Citywire has noted Laxey Partners buying up to 4 million shares or 6.5%, with its latest purchase being 750,000 shares at 103.5p. So this investor cannot be too happy about financial developments. Schroder Investment Management is the largest holder with 20%.

Essentially, Bilton and Sandhu are injecting the bulk of their private property projects into the group. This should at least provide immediate substance although it is hard to judge whether the merits of the projects from today's announcement.

It is the classic dilemma when private interests are reversed into a public company. You sense it is all a bit cosy but you hope the board is acting in your best interests as a shareholder. That may indeed be the case, though with fresh money I would be more inclined to wait to see how this pans out. The uncertainty over the pension fund would need detailed clarification, to get me involved as an investor. Implicitly, Laxey Partners should have done some due diligence, which suggests the problem may not be so serious, but I am not convinced.

The resulting group will have projects at varying stages at more than 20 sites in the UK, and more details of the properties being injected will be available in the extraordinary general meeting circular. They are said to involve net assets of £2.5 million and total assets of £9.2 million, with a pre-tax profit of £900,000 on turnover of £8.8 million.

Raven Mount's share price is up 0.5p to 65/68p, which capitalises the group at £41.5 million.

I had taken a closer look at today's statement in order to see if it changes my 'wait and see' stance on Raven Mount. As yet I fail to see the attractions.