

Airfield owner hits turbulence



All is not well at the Erinaceous Group, owners of Shoreham and Fairoaks. **Liz Moscrop reports**

Clouds are gathering over Shoreham and Fairoaks airports as efforts continue to rescue their publicly-quoted owner Erinaceous, whose share price has crashed amid intimations of bad management and unusual inter-company dealings.

Erinaceous, an amorphous collection of companies in the property sector, bought Shoreham in 2006 and Fairoaks earlier this year. Its principals have been put on gardening leave while their resignations are sought, and the company has announced its intention to repair its balance sheet by selling property assets and development land. What this means for the two airports is unclear.

Questions have been raised following deals involving Erinaceous assets which were passed to private companies owned by Erinaceous's chief executive Neil Bellis and his fellow director and sister-in-law Lucy Cummings. One company, Fairoaks-based Alan Mann Helicopters, is said to have been sold by the quoted company to the Bellis-Cummings owned Longmint Group for just £1. Another private Bellis-Cummings company, Fast Helicopters, is said to owe Erinaceous £1.2 million. Fast Helicopters were tenants at Shoreham before Erinaceous bought the airfield.

The company's chairman Nigel Turnbull and an interim chief executive, Tim Redburn, are struggling with debts said to be on the order of £168 million.

The Sunday Times newspaper has repeatedly returned to the Erinaceous story as remarkable new dealings are unearthed. General Aviation has been unable to prise any answers from Erinaceous, and many of the company's tenants at Shoreham and Fairoaks are unwilling to speak until the situation is clearer.

Bellis and Cummings, who were involved in multiple failed companies in the 1990s, started Erinaceous in 1999. It grew rapidly by acquisition, taking over 17 property-related companies in its first five years, and its stock market value had topped £400 million. Erinaceous listed on the Alternative Investment Market in 2003 and the main market the following year. The share price began to sink

early in 2006 and crashed when this summer Erinaceous declared it had broken its borrowing limits. The resulting fallout has spread alarm and trepidation through aviation companies with Shoreham and Fairoaks interests.

Developments

In February this year, Erinaceous, as new owners of Shoreham Airport, submitted expansion plans to Adur District Council. The ambitious scheme was to refurbish the 1930s art deco terminal building and build a new hangar, offices, control tower and fire station. There was also a suggestion to create on-site apartments. At the time airport manager John Haffenden was reported as saying the development would make Shoreham "unique among British airports." The Grade II listed terminal building was to be restored and departure and arrival facilities brought back into the airport's concourse. The terminal building was also going to house function and conference facilities and a restaurant.

The new ideas received a cool reception from many tenants, who said the proposed development would mean threats to safety and people's livelihoods. Part of the 'improvements' were to slice the main licensed grass runway in half, making it narrower, whilst adding extra aircraft parking space. Other lowlights included turfing flying training organisations (FTOs) in the main terminal out without offering them a firm alternative base. They currently operate from CAA approved premises. The new proposals might not satisfy the CAA; therefore FTOs could lose their approvals.

Another suggestion was to build a new control tower and fire station and turn a taxiway into a road between two hangars. The main hangar was to be demolished, again without offering alternative accommodation to the aircraft housed there, while a new building one third of its size was built to replace it. The main hangar was to be replaced by shops, flats and offices. Existing maintenance facilities would also be affected, and access to them blocked.

In light of subsequent events, these proposals could have been doubly disastrous.



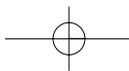
Above: Erinaceous submitted plans to refurbish Shoreham's famous Grade-II listed art deco terminal building

It seems that once Erinaceous had bought a business, it lost interest in looking after it. As the parent company swelled up, its components shrivelled and formerly prosperous concerns were left to founder. Around the same time as the firm was touting its plans for the all-new Shoreham Airport, it was being investigated by the Serious Fraud Office (SFO) for suspected property fraud against the Cheshire building society. Erinaceous suspended Ian McGarry, head of valuations for Dunlop Haywards, one of its subsidiaries, and also agreed an out-of-court settlement with another lender, Nationwide in an incident that cost the company £4.2m.

The Erinaceous team

In the early 1990s Bellis and Cummings were directors of Thurston Aviation (Stansted) and a company named Filemart. Thurston was put into administration and dissolved with a debt of £750,000. Filemart wound up owing £2.5m. Bellis was also a director of a company, Temple Microsystems, which closed down in 1992 £500,000 in the red. In 1993 Bellis went into an individual voluntary arrangement (IVA) with creditors who were claiming £4.8m for his business and personal debts. This lasted until 1998.

Today Erinaceous is said to be paying almost 10% interest on its £168 million debts and it is undergoing a strategic review. Its value has plummeted from £400m to less than £25m. The sharks are circling – various private-equity firms and investors have shown an interest in buying it, but look as though they are biding their time as the share price continues to tumble. As has been demonstrated frustratingly often in the past,



Mark Worsdell



asset strippers will look on perfectly good development land that's being 'underused' as an airfield as an asset to be squeezed. James Caan, the new dragon on TV's Dragons' Den, has bought 5.6% of Erinaceous.

Next steps

Many tenants are reluctant to comment whilst Erinaceous is undergoing a strategic review. Most people interviewed for this article declined to be named. Peter Villa, CEO of Apollo Aviation, is one of the Shoreham tenants whose business would suffer should the development proposals come to fruition. He says: "We have not heard anything yet. Uncertainty causes people unrest, and everyone is sharing that uncertainty. As we have a big investment here, we have a degree of discomfort trying to plan the future. We would like to see the airport continue without any interruption. Development is limited by physical constraints of the airfield. For us the uncertainty comes with somewhat of a silver lining as it has put the plot development plans on hold."

Over at Fairoaks, where there has been little time for Erinaceous to put any plans into



Fairoaks was bought by Erinaceous relatively recently and there has been little time to put development plans in train

Mark Worsdell

effect, a spokesman was more bullish, and said that he had seen no changes as yet, but that he felt confident that pressure from locals would mean the airfield would continue to operate, since residents are vehemently opposed to a new housing estate on the site.

There is little information about the asset distribution following the Fairoaks takeover. Apart from Alan Mann Helicopters, sold for £1 to Longmint, the property assets were said to have been sold for £42 million to an offshore vehicle controlled by Erinaceous. ■

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