

## Operational review

“...also expanded with more sites in the conurbations...”

During the year, sales on the Group's business parks grew to £8.6m (2004: £4.8m). This included sales of serviced plots as well as completed properties, and has enabled us to make a significant reduction in the working capital employed in commercial land and stocks. This has greatly improved the return on capital employed within Artisan (UK) Developments whilst rebalancing stocks.

The most notable transaction in the year was at Vantage Park in Huntingdon, where we let the three office units constructed in the previous year and concluded an investment sale at £2.4m to one of the Cambridge colleges in March 2005.

Overall, the last two months of the year proved very productive for the sale of stock properties, to the extent that virtually all of these were sold by the year end. This has required the rebuilding of stock levels in the first half of 2005/06. Demand for forward sales on offices remains good at the present time particularly in the market for the smaller properties Artisan (UK) Developments offers.

2004/05 was a profitable but disjointed year for house sales at Rippon Homes. From July 2004 the market in the East Midlands stood still for three months whilst prospective purchasers nervously watched for signs of a fall in house prices and estate agents sought to re-align asking prices for less desirable older properties. Despite

a rally in the New Year, the business finished the year with 118 houses sold, compared with 126 sales in the previous year when customer demand was at an exceptionally high level.

Demand has calmed since the early-spring revival and results for the year to 31 March 2006 will be significantly impacted by the condition of the market in the autumn. However, Rippon Homes enjoys a low exposure to the troubled apartments sector and buy-to-let investors, and its houses are attractive to the more traditional buyer. Typically this means Rippon Homes does not operate on the higher percentage of forward-sales reported by volume housebuilders, and it remains difficult to forecast sales volumes in the current cautious market. Our land buying strategy has allowed Rippon Homes to offer a higher percentage of less expensive properties. We have also expanded with more sites in the conurbations west of Nottingham and Yorkshire where we expect demand will be more resilient.

“...greatly improved the return on capital employed...”

“...continued to invest in the housing land bank...”

One factor having an influence across both our business streams is the growing popularity of purchasing property through private pension plans (SIPPs). From April 2006 the fiscal rules are set to change to enable a wider range of property investments, including housing, to be purchased in this manner although restricting the size of the related mortgages. Whilst the influence of these Treasury policies on the markets is unclear, it may be that some purchasers will await the start date for certain types of house purchase.

Shareholders will be aware that Artisan has been exploring the expansion of the housebuilding business through a possible corporate acquisition. During the year talks were held with several different companies, but these did not lead to fruition.

We have continued to invest in the housing land bank at Rippon Homes and during the year we increased our landholdings by over 35%, ending the year with 230 plots owned or contracted,

(2004: 168 plots). Future commercial development capacity stands at over 17,000 square metres of developable floorspace, which is approaching three years' production, and new outlets are being sourced for 2006/07.

The year to 31 March 2005 has demonstrated the Group's ability to return a good level of operating profits through its operations and provided a sound base for future years.

**Martyn Freeman**  
Chief Executive  
11 July 2005

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