

Operational review

“...increased turnover...because stock available...”

The 15 months to 30 June 2007 has seen the commercial business park operations reach record levels of turnover and profit. Turnover has grown to £15.6m (2006: £9.7m) including inter group sales of £1.5m (2006: £nil). The inter group sales are in respect of the investment property activity. The increased turnover has been achieved because built stock and land has been available to meet demand. In addition a record level of forward sales was achieved which has provided turnover not only in the period but also for the year to 30 June 2008.

The commercial stock has been utilised in providing sales and investment land for Artisan (UK) Properties. During the 15 month period the acquisition of sites at Peterborough and King's Lynn were completed and a site at Ipswich since contracted in line with the Board's plans. Consequently land stocks stand at 21,000m² of net developable floor space (2006: 16,550m²). Since the period end further sites have been agreed and, if these all complete, Artisan (UK) Developments will be well placed for sales outlets.

Residential has faced more challenging conditions. Whilst an improved spread of product offered across sites over a broader geographic region has enabled an improved turnover to be achieved, 160 units contributing £26.9m of turnover (2006: 107 units contributing £19.0m turnover), the sales have been more difficult to achieve at target prices. The increased use of incentives and less sales price growth has resulted in profit before central charges of £2.6m (2006: £3.0m).

Land supply is important to both businesses and Rippon Homes has 337 plots owned or contracted at 30 June 2007 (2006: 279). Further sites are subject to agreed bids.

Artisan (UK) Properties has, as an extension to the Artisan (UK) Development activities, secured its first two investment agreements during the period. The first is a 36,500 sq ft industrial unit for Black Teknigas Ltd, a subsidiary of Watts Industries. The agreement for this investment includes a five-year option for an extension of 18,500 sq ft to the property.

The second investment property is for a 5,000 sq ft new office for Speymill Group plc, a group that has recently established new areas of activity and grown existing ones.

We believe that each investment holds the potential for appreciation in value over the next few years and we will look for similar opportunities.

As the lease on the current Artisan Huntingdon office expires, Artisan will be moving to new offices of 3,000 sq ft alongside Speymill Group's new offices.

The 15 months to 30 June 2007 has shown that the combination of residential and commercial operations has successfully balanced profitability in the face of challenging residential market conditions.

Chris Musselle
Chief Executive
26 September 2007