

Chairman's statement

The Group currently faces some of the toughest trading conditions in its history in respect of the residential market and these results for the year to 30 June 2008 need to be considered in that context. In most respects I am pleased with the results that have been achieved and am convinced that the prudent actions taken by the Board to shape our operations to current market conditions stands the Group in good stead.

Group Results

Shareholders should note that the comparative figures quoted below are for the 15 months to 30 June 2007 and as such tend to understate the achievements of the year under review. Group turnover for the year has reduced to £23.4m (15 months to 30 June 2007: £41.0m) as a result of a limited pro-rata reduction in the commercial business, £10.7m (15 months to 30 June 2007: £15.6m) and the greater impact of market conditions in our residential business, whose turnover has dropped to £15.1m (15 months to 30 June 2007: £26.9m). Operating Profit was £1.9m (15 months to 30 June 2007: £3.7m). These results include the revaluation surplus arising on our investment properties amounting to £1.2m (15 months to 30 June 2007: £0.3m).

These results reflect a breakeven position before central costs achieved by Rippon Homes and the strong margin achieved by the Group's commercial development activities, which has benefited from forward sale and let contracts brought forward from the previous year.

Overview

The markets for both our residential and commercial divisions have been difficult and volatile throughout the year. In particular the residential market during the first half of the financial year was difficult, but there was an increase in activity in the first quarter of 2008. However this increase in activity swiftly petered out when the reduction in mortgage availability became more apparent in the final quarter.

The Board foresaw the approach of tougher trading conditions in the second half of 2007 and took steps to position the Group accordingly. In particular the Board has focused on maintaining, first and foremost, a strong cash headroom position. The gross indebtedness is detailed in the operational and financial review, but

as at 30 June 2008 the Group had the benefit of £12.9m (2007: £13.3m) of cash headroom to fund the Group's activities. In addition, further ability to draw loan funds remains as further assets become available to provide security. This has been achieved by curtailing expenditure on land both residential and commercial, and a number of proposed site acquisitions in progress being cancelled. Consequently the Group's headroom is significantly higher than had been previously budgeted by management. New sites have been reassessed and progressed only when reconsidered against current market conditions and the Group's requirements to conserve its resources. Product build has been considerably slowed and whilst generally units in progress are being built through to completion, new build starts are only activated in response to a satisfactory sales reservation on available stock.

Cost reduction programmes

Furthermore in response to market conditions, we swiftly reassessed our sales incentives and negotiating platform so as to stimulate sales in favour of our Rippon product. We are pleased that, although volumes may not be comparable, our prudent policy of carefully selecting and designing sites to appeal to customers' requirements appears to be winning Rippon Homes a satisfactory level of sales compared to its competitors.

We have re-analysed our cost base, and have made considerable savings. In common with other house builders, the largest cost after land and build costs are employment costs. Although over recent years the Board's policy has been to reduce the numbers of direct employees and instead engage sub contractors for each project, we have now been obliged to accelerate this process and create further savings through a redundancy programme that has further reduced headcount. The Board is of course aware of the personal difficulties that it causes individuals and their families and regrets that the continuing difficult market conditions has made these redundancies necessary.

In response to the actions taken by the Board, our bankers have remained supportive, in particular recognising the steps we have taken to maintain a healthy cash headroom. The Board has renegotiated the Group's banking facilities over the year end to extend them for a further year to 1 July 2010.

Chairman's statement continued

Investment Division

During the year Artisan (UK) Properties has completed the leases on two new buildings, which were constructed by the Group's commercial division. One of these buildings is partially occupied by Artisan itself. Whilst the Board remain confident of the value of these investments, as the value of these buildings is calculated with reference to property investment yields, the carrying value of these properties is a little less than we had calculated when the projects were initiated.

These buildings have been mainly financed by a new facility from our bankers, who were pleased to fund these investments on satisfactory commercial terms. As part of these arrangements, it was agreed that to support this new facility new equity would be introduced. However after committing to the project and by the time it was appropriate to proceed, the Board was advised that, stock market conditions were not receptive to an equity fund raise. Therefore it was agreed with our bank that as an alternative a convertible loan note, subordinated to their own debt, would be substituted. These funds were provided by Aspen Finance Limited, a company in which I am beneficially interested.

Dividend

The Board has carefully considered whether the dividend programme should be maintained. As background, the Group returned to the payment of dividends in February 2007 with the intention of building a long term programme of dividend payment. The Board has decided that it is appropriate to recommend the payment of a final dividend of 0.75p per ordinary share (2007: final dividend of 1.5p). The results for the year to 30 June 2008 have delivered a profit, although not to the quantum achieved in 2007, and given the overall financial position of the Group the Board has decided that a modest dividend payment is in order despite the current financial turmoil in the markets. If approved by shareholders, the dividend will be paid on 9 December 2008 to shareholders on the register on 21 November 2008. The ex-dividend date is 19 November 2008.

Outlook

The challenging market conditions look set to continue for sometime. Until the mortgage market returns to more normal conditions it is likely that both our residential and commercial divisions will remain under pressure. The Group faces a volatile and uncertain economy which is resulting in a lack of confidence and stagnation amongst both our commercial and residential customers. The Group will continue to be managed to maintain a strong cash position. We have valuable land assets and believe that there is latent demand for our products, that should facilitate a strong turn around when market conditions allow. The positive aspect of our current trading is that there remain some commercial customers who, looking forward, can see a need for new premises and are in early discussions for forward sales and lets, particularly on our newer sites. Property development has always been a cyclical business and the Board remains convinced of the Group's potential in the medium and long term.

This has been a challenging time for the management and staff of the Group and I can only commend the positive attitude that has been adopted in these poor market conditions.

Michael W Stevens
Chairman

15 October 2008