Chairman's statement

Overview

The difficult trading conditions brought on by the credit crunch in 2008 have continued to have a major impact on the property industry. However, there has been some improvement in activity, particularly in our commercial property division, and I am pleased to report that our results show a very significant improvement over the previous year with an 88% increase in turnover and much reduced loss before tax.

The improvement was principally the result of one large contract that was secured and delivered within the financial year. Against tough competition, our commercial division were preeminent in securing a pre-let on a 2,880 m^2 office, obtaining planning permission, constructing and selling the property to an investor, all within the space of eleven months. The finished product is a striking modern and highly energy efficient building which was delivered on time and within budget. The key to the success of the commercial division in the current market will be to capitalise on the success of this development and secure further pre-let or pre-sale opportunities.

Trading volumes in our residential business remain at a low level but have improved on the previous year. Demand for our bungalows in particular remains high and we are seeking to exploit this by acquiring new sites for this product. This differentiates us from many of our competitors who favour a denser product mix.

As noted last year, during August 2011 we sold the larger of our two investment properties which helped reduce the level of our borrowings and free up working capital for deployment elsewhere in the Group.

Group results

The results for the year were broadly in-line with management's expectations. Group turnover for the year increased to £13.9m (2011: £7.4m). The residential business generated turnover of £7.3m (2011: £6.6m) whilst the commercial business generated turnover of £6.5m (2011: £0.5m). The increased level of sales led to a much reduced operating loss for the year of £0.6m (2011: £2.2m). The Group loss before tax for the year was £1.0m (2011: £2.7m).

Refinancing

Following a prolonged period of negotiation, I am pleased to report that shortly after the year-end the Group secured a new £21m bank facility with its existing bankers which runs to July 2015. The facility was approximately 60% drawn on day one, leaving headroom for additional borrowing as the level of trading expands and we move forward with new site purchases. As a condition precedent to the new bank facility and as a sign of its ongoing support, Aspen Finance Limited, the major shareholder of the Group, provided as part of the refinancing £1m of additional funding through subscription to a convertible loan note.

Dividend

No dividend has been recommended for the year in view of the loss incurred. The Company will not be in a position to pay a dividend until it generates distributable profits, both to cover a dividend payment and its accumulated losses. The Company may in the future be able to apply for a capital reduction to extinguish the accrued negative reserves.

Cancellation of AIM listing and share capital

Following approval of the delisting at the last Annual General Meeting, trading in the shares of the Company on AIM was cancelled on 2 February 2012. A matched bargain facility was put in place with Brewin Dolphin, initially for a period of one year, to provide an ongoing mechanism for shareholders to trade their shares. In view of the insignificant use that has been made of the facility to date and the ongoing cost of maintaining it, we have decided not to renew it when it expires on 22 January 2013.

Outlook

A return to profitability for the Group is dependant on an improvement in market conditions and investment into new sites where improved margins can be achieved. The improvement in market conditions is largely dependant on a normalisation of credit conditions and a return of consumer confidence. We have however seen an improvement in enquiries for forward let accommodation with customers that do have sufficient confidence, having endured their existing premises long enough and realised that, for them, there is not appropriate second hand space available. Having renewed its bank facility and raised further capital the Group is keen to take advantage of improvements in market conditions as they arise.

Michael W Stevens
Chairman
Date 18 December 2012