

Adapting to challenging markets



Javier Ballester
 Managing Director, Spain



Trevor Thomas
 Managing Director, Gibraltar

Spain and Gibraltar strategy

- Deliver high quality homes in popular locations in Spain that appeal to both foreign and Spanish buyers
- Service the luxury apartment market, selling off plan well in advance of construction

Spain and Gibraltar key performance indicators

	2007
Operating margin*	3.4%
Order book as a percentage of 2007 revenue	129%
Average outlet numbers	29
Customer satisfaction Spain	83%
Health and safety Spain (incident rate per 1,000 employees and subcontractors)	0.67
Health and safety Gibraltar (incident rate per 1,000 employees and subcontractors)	0
Sales rate (per outlet per week)	0.1

Spain and Gibraltar opportunities

- Build on successful UK marketing operations
- Increase proportion of Spanish buyers

Spain and Gibraltar housing market

Market conditions in Gibraltar and Mallorca remained relatively stable during 2007, supported by strong demand and relatively limited supply.

Our markets in mainland Spain continued to suffer from oversupply of new properties and also experienced reduced demand from British purchasers.

Performance

In Spain and Gibraltar we completed a total of 212 homes in 2007 (2006: 379)

at an average selling price of £279,000 (2006: £205,000).

Operating profit* of £2.2 million, was below the £26.8 million achieved in 2006 as a result of the weaker market conditions and a one-off land sale in the Malaga area undertaken during 2006.

We achieved an operating margin* of 3.4% (2006: 29.1%).

The landbank has remained at similar levels to last year as we have become increasingly cautious in our approach to land purchases.

Our year end order book stood at £83 million (2006: £100 million).

We have undertaken a review of the carrying value of our landbank in Spain, which has resulted in a land and work in progress write down of £6.3 million (2006: nil).

Going forward

Market conditions are expected to remain weak in mainland Spain during 2008.