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## Demand from British purchasers has reduced

Spain and Gibraltar key performance indicators	2008
Operating margin*	(4.0)%
Order book as a percentage of 2008 revenue	97%
Average outlet numbers	20
Sales rate (per outlet per week)	0.12
Customer satisfaction Spain	85%
Health and safety Spain (reportable injury frequency rate per 100,000 hours worked)	0.371
Health and safety Gibraltar** (reportable injury frequency rate per 100,000 hours worked)	0.828

### Spain strategy

- Deliver high quality homes in popular locations that appeal to both foreign and Spanish buyers
- Focus on cash generation and cost reduction
- Remain cautious on land purchasing at the current point in the market cycle

### Gibraltar strategy

- Announced plans to exit the Gibraltar market in August 2008

### Spain and Gibraltar housing market

The housing market in Spain remains weak, with a continuing oversupply of new properties on the mainland. Demand from British purchasers has been reduced by the increasing economic uncertainty and the weakening of Sterling against the Euro over the course of 2008.

### Performance

In Spain and Gibraltar we completed a total of 214 homes in 2008 (2007: 212) at an average selling price of £270,000 (2007: £279,000).

Operating loss\* was £2.4 million (2007 profit: £2.2 million) as a result of the weaker market conditions.

The landbank has reduced from last year as we have become increasingly cautious in our approach to land purchases. Our year-end order book stood at £58 million (2007: £83 million).

We have undertaken further reviews of the carrying value of our landbank in Spain, which have resulted in land and work in progress write downs of £37.4 million (2007: £6.3 million). Of the 2008 write downs, £33.3 million was recorded during the first half of the year.

### Current trading

Market conditions are expected to remain weak in mainland Spain during 2009.

\* Loss on ordinary activities before finance costs, exceptional items, brand amortisation and tax.

\*\* Please note that the injury frequency rate for Gibraltar equates to just four accidents in 2008.