

Report of the directors for the year ended 31 March 2006

The Directors present their report together with the audited financial statements for the year ended 31 March 2006.

Principal activities, review of the business and future developments

The principal activities of the Group during the year were property related services which included residential house building, commercial property development and property management. There have not been any significant changes in the Group's principal activities in the year under review. The directors are not aware of any likely major changes in the Group's activities in the next year.

The Chairman's Statement, Operational and Financial Reviews on pages 5 to 8 contain a review of the development and performance of the Group during the financial year and its position at the end of the year, covering the Enhanced Business Review requirements of the Companies Act 1985.

Principal risks and uncertainties

The Group's operations are clearly affected by the general economic cycle and in particular the house-building side of the business is subject to short-term volatility in demand. As mentioned in the Operational Review on page 6, Rippon Homes does not operate on a high percentage of forward-sales which allows it to respond to market conditions when setting prices. Conversely, our business model for commercial development is weighted towards achieving forward sales as this has the advantage that we are able to build units to meet our customers' exact requirements in terms of size and specification whilst at the same time limiting our exposure to unsold stock. However, speculative development of our general office and industrial product remains essential.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst land is available there is no doubt that it is challenging to secure suitable sites on acceptable terms. We have a team of experienced land buyers tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases.

As detailed in note 26 on page 31 the main risk arising from the Group's financial instruments is interest rate risk as the group's borrowings are at floating rates of interest. The Board have considered and will continue to consider whether any form of hedging is appropriate in relation to this risk, especially if the level of net indebtedness rises as expected.

Environment

The Group recognises the importance of its environmental responsibilities and aims to comply with all relevant environmental legislation. In particular, we aim to ensure that our designs meet the latest building regulations and the requirements of our customers.

Approximately 48% of our homes were built on brown-field sites during the year and all of the new plots acquired during the year are situated on brown or partially brown land. In many cases we incurred significant land remediation expenditure in dealing with contamination left by the previous occupiers of the land.

Employees and health and safety at work

Details of the number of employees and related costs can be found in note 3 on page 23.

As explained in the report on Corporate Governance on page 13, a high standard of health and safety management is promoted at all levels within the Group. This is reflected in the quarterly reports prepared by our external health and safety auditor that show the number of recorded accidents for the year were less than 30% of the benchmark figure for the Group. During the year no accidents occurred that were reportable to the Health and Safety Executive and one reportable incident occurred following which no action was taken.

Results and dividends

The profit and loss account is set out on page 18 and shows the profit for the year. The Group profit for the year after taxation amounted to £2,257,521 (2005 - £1,737,483).

The Directors do not propose to pay a final dividend for the year (2005 - £Nil). No interim dividends were paid in the year (2005 - £Nil).

Directors

The following Directors have held office during the year:

Michael Stevens	
Christopher Musselle	
Norman Saunders	
John Hemingway	
John Jones	(appointed 7 September 2005)
Martyn Freeman	(resigned 6 September 2005)

Directors' shareholdings

The Directors at 31 March 2006 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2006	2005 or date of appointment, if later	2006	2005 or date of appointment, if later
Michael Stevens	69,666,667	29,666,667	–	–
Christopher Musselle	578,853	448,853	5,666,666	3,833,333
John Jones	100,000	100,000	2,500,000	2,500,000
Norman Saunders	46,666	46,666	–	–
John Hemingway	–	–	–	–

Indemnification of directors

Qualifying third party indemnity provisions (as defined in Section 309B(i) of the Companies Act 1985) are in force for Directors who held office during the year.

Substantial shareholders

At 10 July 2006 the Company has been notified of the following interests in its issued share capital pursuant to Part VI of the Companies Act 1985:

Ordinary shares of 0.5p each

Aspen Finance Limited	71,666,667	(21.81%)
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Michael Stevens, a director, is beneficially interested in the shares held by Aspen Finance Limited as a director of Aspen Finance Limited and a potential beneficiary of its parent company, Okaba Management Inc.

Creditors payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. The number of average days purchases of the Company represented by trade creditors at 31 March 2006 was 11 days (2005 - 51 days).

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Annual General Meeting

The Annual General Meeting of the Company will be held at 28 Portland Place, London, W1 on 5 September 2006 at 10.45 am. Notice of the Annual General Meeting can be found on page 34.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Philip Speer

Secretary

11 July 2006