

## Operational review

“We have continued to invest in the housing land bank...”

The year to 31 March 2006 was a profitable year for house sales at Rippon Homes with once again a strong bias towards exchanges in March. Residential sales for this year were £19.4m (2005: £18.7m) although, reflecting the market conditions experienced generally in the sector, margins were slightly reduced. The improvement in turnover is derived from a change in the mix of sales to slightly more expensive units.

Improved consumer confidence in the housing market in January 2006 meant that sales were weighted towards the final month of the year which coincided with production delivery of stock. We are improving the delivery of stock by investing in a broader range of land to achieve, in so far as the market allows, a more balanced flow of units to meet sales demand and over a wider geographic area. Residential unit sales for the year were steady at 117 properties, compared with 118 units in the previous year.

Demand may have slipped back from the initial excitement that heralded the New Year but remains generally satisfactory although quite variable from week to week as consumers seem to be easily distracted from the housing market. However, as normal, the results for the year to 31 March 2007 will be reliant upon the market demand in the key sales seasons of the Autumn and New Year. Rippon Homes enjoys a low exposure to buy-to-let investors, and its houses are attractive to the more traditional buyer. This means Rippon Homes does not operate on a high percentage of forward-sales and, whilst it is therefore difficult to forecast sales volumes, it does allow pricing to respond to market conditions and take advantage of positive movements.

During the year, sales on the Group's business parks were £7.5m (2005: £8.6m). Last year's turnover would have been equalled had it not been for the late cancellation of one sale at the year end.

Whilst the turnover may not have grown, margins have improved, more than compensating for the lower turnover.

We have continued to invest in the housing land bank at Rippon Homes and during the year we increased our landholdings by 21%, ending the year with 279 plots owned or contracted (2005 - 230 plots). Future commercial development capacity has been enhanced by the purchase of two new sites (at St Neots and St Ives) at the end of the year and stands at over 15,700 square metres (2005: 15,500 square metres) of net developable floorspace, which is approximately three years' current production. A further site at Peterborough has been contracted since the year end and new outlets continue to be sourced.

Through the year to 31 March 2006, the Group has demonstrated the ability to return a good level of operating profits through its operations and enhance the prospects for future years.

**Chris Musselle**  
Chief Executive

11 July 2006