

CORPORATE GOVERNANCE

The directors have considered the provisions set out in the Principles of Good Governance and Code of Best practice (“the Combined Code”). Throughout the year to 31 December 2006, the Company has applied the principles and complies, as far as practicable and appropriate given the size and constitution of the board, with the code provisions set out in Section 1 of the Combined Code. In addition, the group also complies with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005.

DIRECTORS

The Board of Directors comprise of three executive directors and two non-executive directors. The Board is structured so that no one individual or group dominates the decision making process. Board meetings are held at least ten times a year. A formal schedule of matters specifically reserved to the Board, including inter alia, overall strategy and monitoring of financial performance, has been adopted.

The Board has established an Audit Committee and a Remuneration Committee with duties and responsibilities formally delegated to them, details of which are given below.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting the remuneration of the executive Directors, the terms of their service contracts with due regards to the interests of the shareholders and for any pension schemes operated by the Company. The remuneration and terms and conditions of appointment of the non-executive directors are set by the remuneration committee. No director is permitted to participate in discussions or decisions concerning his own remuneration.

AUDIT COMMITTEE

The Audit Committee, which meets at least twice a year, comprises the non-executive directors and one Executive Director, Jeffrey Azouz, and is responsible for ensuring that the financial performance of the Group is properly measured and reported and for reviewing reports from the auditor relating to the Group’s financial statements and the Group’s internal control systems. The committee have unrestricted access to the Company’s auditors. Executives’ attendance is required.

INTERNAL CONTROL

The Board is ultimately responsible for the Group’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the Group’s system of internal control are as follows:

Control environment

- The setting of appropriate levels of authorisation which must be adhered to as the Group conducts its business;
- The implementation of a recognised organisational and management reporting structure within which individual executive directors have responsibility for the day-to-day running of the business;
- Established procedures for setting of development budgets and the ongoing monitoring of actual financial performance against those budgets; and
- A clearly defined and well established set of accounting policies which ensure that the financial performance is recorded on a consistent and appropriate basis throughout the Group’s reporting entities.

Monitoring and corrective action

There are ongoing procedures in place for monitoring the system of internal control. The Group does not have an internal audit function. Whilst the Board believes that the current size of the Group does not warrant the establishment of an internal audit function, the remit of the Audit Committee includes the review of the effectiveness of the Group's system of internal control.

Risk management

The Group's management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks which may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements are assessed on a continuous basis. Board approval is obtained for every significant stage of the development of a project together with any significant acquisition/disposal from the property portfolio.

Relations with shareholders

The Board supports the principal of clear reporting of financial performance to shareholders. Each year, shareholders receive a full annual report and interim report. The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors. Directors attend the Annual General Meeting and are available to answer questions from shareholders present. The Board actively encourages feedback and shareholder dialogue, whether verbal or written.