

## Report of the directors for the period ended 30 June 2007

The Directors present their report together with the audited financial statements for the 15 month period ended 30 June 2007.

The Company has changed its accounting reference date from 31 March to 30 June. This followed from an assessment of the impact of the change in the accounting policy for revenue recognition adopted under IFRS on the results of the Group in relation to its key selling periods. The change in accounting reference date also brings the Group in line with many other property companies who tend to have reporting periods ending 30 June or 31 December.

### Principal activities, review of the business and future developments

The principal activities of the Group during the period were property related services which included residential house building, commercial property development and property investment and management. There have not been any significant changes in the Group's principal activities in the period under review, although a renewed emphasis has been placed on property investment as an adjunct to the existing businesses. 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 period and its position at the end of the period, 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.

The planning process is uncertain. Where possible land acquisition terms are linked to the grant of planning permission. However, the timing of planning permission can become elongated and this can affect the delivery of intended sales within any given accounting period.

As the purchase of either a residential or commercial unit is normally a significant commitment by our purchaser, the purchaser's confidence to proceed is affected by the general economic outlook and the actions and anticipated actions of the Monetary Policy Committee of the Bank of England.

As detailed in note 24 on page 37 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 is required 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 54% of our homes were built on brown-field sites during the period and 71% of the new plots acquired during the period 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 pages 28 and 29.

As explained in the report on Corporate Governance on page 14, 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 period were less than 50% of the benchmark figure for the Group.

### Results and dividends

The income statement is set out on page 19 and shows the profit for the period. The Group profit for the period after taxation amounted to £2,111,877 (2006 – £2,787,476).

The Directors have proposed a final dividend for the period of 1.5p (2006 – £Nil) per ordinary share of 20p amounting to £122,980 (2006 – £Nil). An interim dividend of 1.2p per ordinary share of 20p amounting to £98,384 was paid during the period.

### Directors

The following Directors have held office during the period:

Michael Stevens  
Christopher Musselle  
Norman Saunders  
John Hemingway  
John Jones

Michael Eyres was appointed as a director after the period end on 20 July 2007.

### Directors' shareholdings

The Directors at 30 June 2007 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	30 June 2007	31 March 2006 (restated)	30 June 2007	31 March 2006 (restated)
Michael Stevens	2,422,908	1,741,666	–	–
Christopher Musselle	19,200	14,471	187,499	141,666
John Jones	5,400	2,500	87,500	62,500
Norman Saunders	1,050	1,166	–	–
John Hemingway	–	–	–	–

The number of shares and options at 31 March 2006 have been restated to reflect the capital reorganisation during the period (see note 20).

### 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 period.

### Substantial shareholders

At 25 September 2007 the Company has been notified of the following interests in its issued share capital:

	Ordinary shares of 20p each	
Aspen Finance Limited	2,422,908	29.5%

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 30 June 2007 was 11 days (2006 – 11 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.

### Directors' Responsibilities for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have chosen to prepare the Parent Company accounts in accordance with UK Generally Accepted Accounting Practice.

### Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

## Report of the directors continued

### Parent Company financial statements

Company law Requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Going concern

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Brewin Dolphin Securities Limited, 12 Smithfield Street, London, EC1A 9BD on 6 November 2007 at 11am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

### 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

26 September 2007