

Report of the directors for the year ended 30 June 2008

The Directors present their report together with the audited financial statements for the year ended 30 June 2008.

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 investment and management. There have not been any significant changes in the Group's principal activities in the year under review and 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 9 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 is funded by significant levels of debt and the Group seeks to maintain an open and regular dialogue with its bankers. The Group is reliant on the continued provision of debt facilities. It is particularly relevant to note that, in the current economic climate, the Group is dependant upon the continued willingness and ability of the Group's bank to provide debt funding to the Group.

As the purchase of either a residential or commercial property is normally a significant commitment by our purchaser, the purchaser's confidence to proceed is affected by the general economic outlook, the level of interest rates and the availability of credit. All of these factors are outside the Group's control.

The Group's operations are clearly affected by the general economic cycle and are subject to short-term volatility in demand. 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 year.

As detailed in note 22 on page 40 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 sold in the year were built on brown-field sites and all of the new plots acquired during the year are situated on brown or partially brown land. In many cases we incur 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 30.

As explained in the report on Corporate Governance on page 15, 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 approximately 67% of the external benchmark figure for the Group.

Results and dividends

The income statement is set out on page 20 and shows the profit for the year. The Group profit for the year after taxation amounted to £699,255 (15 months ended 30 June 2007 – £2,111,877).

The Directors have proposed a final dividend of 0.75p (2007: 1.5p) per ordinary share of 20p, amounting to £61,490. An interim dividend of 1.2p per ordinary share of 20p amounting to £98,384 was paid during the year (2007: 1.2p, £98,384).

Directors

The following Directors have held office during the year:

Michael Stevens
 Christopher Musselle
 Norman Saunders
 John Hemingway
 John Jones
 Michael Eyres (appointed 20 July 2007)

Report of the directors continued

Directors' shareholdings

The Directors at 30 June 2008 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2008	2007	2008	2007
Michael Stevens	2,422,908	2,422,908	–	–
Christopher Musselle	19,200	19,200	187,499	187,499
John Jones	5,400	5,400	87,500	87,500
Michael Eyres	–	–	12,500	12,500
Norman Saunders	1,050	1,050	–	–
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 all Directors who held office during the year.

Substantial shareholders

At 14 October 2008 the Company has been notified of the following interests in its issued share capital:

	2008	Ordinary shares of 20p each		2007
		2008	2007	
Aspen Finance Limited	2,422,908	29.5%	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.

In addition, on 1 August 2008 the Company issued £1.75m of convertible loan notes to Aspen Finance Limited. The loan notes are subordinated to the banking facilities provided by The Royal Bank of Scotland plc to the Company, but are otherwise repayable on 1 July 2012. The loan notes carry interest at a rate of 1.25% above The Royal Bank of Scotland plc's base rate and are convertible at any time, at the holder's option, into Ordinary Shares of 20p each in the capital of the Company. The conversion price is:

- (1) until 30 June 2009, 34.125p per Ordinary Share;
- (2) from 1 July 2009 to 30 June 2010, 80p per Ordinary Share;
- (3) from 1 July 2010 to 30 June 2011, 85p per Ordinary Share;
- (4) after 30 June 2011, 90p per Ordinary share.

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 Group represented by trade creditors at 30 June 2008 was 33 days (30 June 2007 – 17 days).

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 Group, 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 prepared the financial statements for the Group in accordance with International Financial Reporting Standards as endorsed by the European Union (Endorsed IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors 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 year 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 IFRSs 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.

Parent Company financial statements

Company law requires the Directors to prepare financial statements for each financial year 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 Limited, 12 Smithfield Street, London, EC1A 9BD on 11 November 2008 at 11.30 am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

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.

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

15 October 2008