

Report of the directors for the year ended 30 June 2011

The Directors present their report together with the audited financial statements for the year ended 30 June 2011.

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 and Operational and Financial Review on pages 3 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 2006.

Principal risks and uncertainties

As detailed in note 21 on page 39, the main risk arising from the Group's financial instruments is liquidity risk. The Group is funded by significant levels of debt and consequently 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 dependent upon the continued willingness and ability of the Group's bank to provide debt funding to the Group. The value of the Group's security for its borrowings, principally stocks, work in progress and finished units, is affected by the market and the opinions of the valuers reporting to our bank, and this can affect the amount of debt funding available to the Group and the level of working capital available. It can be expected that funders will want to reduce loan to cost and loan to value ratios and this also could reduce the level of funding available to the Group. Further information is set out in note 1 to the financial statements on page 22.

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 product and site development does not lend itself towards forward-sales, which allows it to respond to market conditions when setting prices and deciding on production. Conversely, our business model for commercial development is weighted towards achieving forward sales where possible 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 and this will result in the holding of stock properties.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst there is land available there is no doubt that it is challenging to secure suitable sites on acceptable terms and not as much land is available as could have been expected at this stage of the economic cycle. We have an experienced management team tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases. The acquisition of land can become elongated where there are issues to resolve on the land being purchased and this can delay production and ensuing sales. Dependent on market conditions, holding land over a period of time can result in significant profits or losses.

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.

In addition to the liquidity risk described above, the Group is also exposed to interest rate risk on its financial instruments, as the group's borrowings are at floating rates of interest. Further details are set out in note 21 on page 38. 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.

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.

We also ensure that our staff undertake training and qualifications where appropriate in the ongoing requirements of current and expected future building regulations and quality assessment.

Approximately 49% of our homes sold in the year were built on brown-field sites. 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 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 which show that there were no major accidents reported for the year and minor accidents were lower than the external benchmark figure for the Group.

Results and dividends

The statement of comprehensive income is set out on page 18 and shows the loss for the year. The Group loss for the year after taxation amounted to £2,621,789 (2010: £1,832,462).

The Directors do not propose to pay a final dividend for the year (2010: £Nil). No interim dividend was paid during the year (2010: £Nil).

Directors

The following Directors have held office during the year:

Michael W Stevens
Christopher Musselle
Norman Saunders
John Hemingway
John Jones
Michael Eyres

Directors' shareholdings

The Directors at 30 June 2011 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2011	2010	2011	2010
Michael Stevens	9,268,721	9,268,721	–	–
Christopher Musselle	19,200	19,200	–	–
John Jones	5,400	5,400	–	–
Michael Eyres	300	300	–	–
Norman Saunders	1,050	1,050	–	–
John Hemingway	–	–	–	–

Indemnification of directors

Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) are in force for all Directors who held office during the year.

Substantial shareholders

At 20 December 2011 the Company has been notified of the following interests in its issued share capital:

	2011	Ordinary shares of 20p each		2010
		2011	2010	
Aspen Finance Limited	9,268,721	69.5%	9,268,721	69.5%

Aspen Finance Limited is a related party (see note 22).

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 2011 was 41 days (2010: 17 days).

Directors' responsibilities

The Directors are responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

Report of the directors continued

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company'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 company'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

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern. After making appropriate enquiries including the considerations referred to below, 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. Further details are set out in note 1. In arriving at this conclusion, two of the principal areas for considerations were:

Cash flow

The Group has analysed its cash flow requirements through to 30 June 2013 in detail. The cash flow includes estimates for a number of key variables including the timing of property sales and the price levels that may be achieved. The cash flow is stress tested to assess the adverse effect arising from reasonable changes in circumstance. It is recognised that the cash flow impact of these changes could result in additional equity being required. The cash flow projections do assume that additional equity will be available. The Group's controlling shareholder, Aspen Finance Limited, has stated its intention to continue to support the Group.

The Group has no committed land payments to find at present and such expenditure is being managed closely in response to sales progress. The cash flow contingent expenditure assumptions are assessed against potential shortfalls in trading receipts and a balanced view of cash flow adequacy is assessed.

Bank facilities

As explained in note 1 on page 22, the Directors are in the process of renegotiating the banking facilities to ensure that facilities remain in place after 31 January 2012. Negotiations have been ongoing for some time and those negotiations are now at an advanced stage. As part of those negotiations, updated valuations in respect of stock and work in progress and properties have been prepared and final pricing of the facility will be dependent on the assessment of the outcome of those valuations. Our lender remains supportive of the Group and has provided a temporary waiver of a potential covenant breach together with an extension to the facility referred to above, in order to give sufficient time to complete an agreement of working capital requirements compared with a desire to reduce loan to value ratios and conclude negotiations and documentation of the new facility. The Directors are confident that a successful conclusion to the negotiations can be reached. However, if appropriate terms cannot be agreed the Group would need to secure alternative facilities elsewhere. Because of uncertainties in the banking market, the lessening in the loan to value multiples available and anticipated increased borrowing costs, there is no certainty that acceptable alternative facilities would be readily available.

Annual general meeting

The Annual General Meeting of the Company will be held at the offices of Altium Capital Limited, 30 St James's Square, London SW1Y 4AL on 25 January 2012 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 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

20 December 2011