Artisan (UK) Developments Limited

Report and Financial Statements

Year Ended

31 March 2003

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BDO Stoy Hayward
Chartered Accountants

ARTISAN (UK) DEVELOPMENTS LIMITED

Annual report and financial statements for the year ended 31 March 2003

Contents

Directors

Page:

Directors

M J Eyres
M Freeman
Artisan (UK) plc
D J Railton
J R Shaw

Secretary and registered office

Artisan (UK) plc, Mace House, Sovereign Court, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

Company number

2979041

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

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ARTISAN (UK) DEVELOPMENTS LIMITED

Report of the directors for the year ended 31 March 2003

The directors present their report together with the audited financial statements for the year ended 31 March 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

The profit on ordinary activities after taxation was £75,489 (2002 - £870,834). No dividend has been proposed for the year (2002 - £1,500,000).

Principal activities, trading review and future developments

The principal activity of the company in the year under review was that of a property development company. There has been no change in this activity during the course of the year.

The company has managed to produce a modest profit in difficult trading conditions when the over capacity in the Cambridge market has affected sales with a consequential affect on the results for the year.

The company now has a balanced stock of four business park locations in St Albans, St Neots, Huntingdon and Peterborough. These sites are well poised to benefit from any improvement in the commercial market.

Speculative development activity has been controlled and the company is selling completed units and only cautiously commencing any new speculative development. In the meantime, the company is concentrating on developing more units with intended occupiers on a forward sale basis.

Directors

The directors of the company during the year were:

M J Eyres	
M Freeman	
Artisan (UK) plc	
D J Railton	
J R Shaw	(appointed 1 April 2002)
A C Brookes	(resigned 23 April 2002)

The beneficial interests of the directors holding office on 31 March 2003 in the issued share capital of the company were as follows:

	Ordinary £1 shares	
	2003	**2002**
M J Eyres	-	-
M Freeman	-	-
Artisan (UK) plc	800,000	800,000
D J Railton	-	-
J R Shaw	-	-

This company is a wholly owned subsidiary of Artisan (UK) plc.

At 31 March 2003, M J Eyres held 16,667 ordinary 0.5p shares in Artisan (UK) plc.

The interests of M Freeman, who is also a director of the parent undertaking, in the shares of Artisan (UK) plc are disclosed in that company's accounts.

Directors' responsibilities

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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

BDO Stoy Hayward were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Artisan (UK) plc
Secretary

10 July 2003

ARTISAN (UK) DEVELOPMENTS LIMITED

Report of the independent auditors

To the shareholders of Artisan (UK) Developments Limited

We have audited the financial statements of Artisan (UK) Developments Limited for the year ended 31 March 2003 on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

10 July 2003

ARTISAN (UK) DEVELOPMENTS LIMITED

Profit and loss account for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover		**4,708,513**	7,905,031
Cost of sales		**(4,132,759)**	(6,635,716)
Gross profit		**575,754**	1,269,315
Administrative expenses		**(103,258)**	383,293
		472,496	1,652,608
Other operating income		-	686
Operating profit	3	**472,496**	1,653,294
Interest receivable		**5,885**	4,989
Interest payable and similar charges	4	**(402,892)**	(396,203)
Profit on ordinary activities before taxation		**75,489**	1,262,080
Tax on profit on ordinary activities	5	-	(391,246)
Profit for the financial year after taxation		**75,489**	870,834
Dividends	6	-	(1,500,000)
Retained profit/(loss) for the year	15	**75,489**	(629,166)

All amounts shown relate to continuing activities.
The company has no recognised gains or losses other than the profits for the current and previous years.

The notes on pages 7 to 15 form part of these financial statements.

ARTISAN (UK) DEVELOPMENTS LIMITED

Balance sheet at 31 March 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		26,785		50,011
Current assets					
Stocks	8	10,130,800		11,129,085	
Debtors	9	1,549,403		3,390,154	
Cash at bank and in hand		93		64	
		11,680,296		14,519,303	
Creditors: amounts falling due within one year	10	10,468,132		12,597,368	
Net current assets			1,212,164		1,921,935
Total assets less current liabilities			1,238,949		1,971,946
Creditors: amounts falling due after more than one year	11		-		808,486
			1,238,949		1,163,460
Capital and reserves					
Called up share capital	14		800,000		800,000
Profit and loss account	15		438,949		363,460
Shareholders' funds - equity	16		1,238,949		1,163,460

The financial statements were approved by the Board on 10 July 2003

M Freeman
Director

The notes on pages 7 to 15 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption not to prepare a cashflow statement on the basis that a consolidated cashflow statement is published in the parent company's consolidated financial statements.

Turnover

Turnover represents the value of work done for and properties sold, excluding VAT. Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. Turnover arises solely in the UK. In respect of sales of property, turnover is recognised when the sale becomes unconditional.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	25% on cost
Fixtures and fittings	-	25% on cost
Motor vehicles	-	25% on cost
Office equipment	-	25% on cost

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost including relevant overheads and net realisable value. Work in progress includes materials, labour and an appropriate proportion of relevant overheads costs incurred on incompleted contracts and developments at the year end. Profit is recognised on long term contracts as stated above.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

1 Accounting policies *(Continued)*

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account. The cost for the year is shown in note 2 to the accounts.

Comparative figures

Certain prior year amounts in the profit and loss account have been reclassified to conform with the 2003 presentation.

2 Employees

	2003 £	2002 £
Staff costs consist of:		
Wages and salaries	**383,446**	459,641
Social security costs	**38,822**	45,321
Other pension costs	**19,620**	22,836
	441,888	527,798

The average number of employees, including directors, during the year were as follows:	Number	Number
Administration	**3**	5
Operations	**8**	10
	11	15

ARTISAN (UK) DEVELOPMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2003 *(Continued)*

3 Operating profit

	2003	2002
	£	£
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	**26,424**	16,181
Hire of plant and machinery	**2,564**	6,276
Other operating leases	**17,007**	44,061
Auditors' remuneration	**17,000**	15,000
Costs allocated to work in progress	**(432,999)**	(1,037,793)
Directors' emoluments	**196,409**	171,000
Directors' pension contributions to money purchase schemes	**16,430**	16,375

Pension contributions were made on behalf of 4 directors (2002 – 4).

4 Interest payable and similar charges

	2003	2002
	£	£
Bank interest	**344,829**	328,303
Other interest	**3,787**	9,498
Hire purchase	**184**	686
Inter group interest	**54,092**	57,716
	402,892	396,203

5 Taxation

	2003	2002
	£	£
Current tax		
UK corporation tax on profits of the year	-	385,940
Adjustment in respect of previous years	-	5,306
Taxation on profit on ordinary activities	-	391,246

5 Taxation *(Continued)*

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	**75,489**	1,262,080
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	**22,647**	378,624
Effects of:		
Expenses not deductible for tax purposes	**4,105**	6,324
Depreciation for year in excess of capital allowances	**4,289**	992
Adjustment to tax charge in respect of previous years	**-**	5,306
Group relief	**(31,041)**	-
Current tax charge for year	**-**	391,246

6 Dividends

	2003 £	2002 £
Equity shares:		
Proposed - £Nil per share (2002 - £1.875 per share)	**-**	1,500,000

7 Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 April 2002	25,805	12,285	26,640	50,164	114,894
Additions	-	687	7,103	2,101	9,891
Intergroup transfers	-	-	-	3,450	3,450
At 31 March 2003	**25,805**	**12,972**	**33,743**	**55,715**	**128,235**
Depreciation					
At 1 April 2002	15,281	12,285	9,835	27,482	64,883
Charge for the year	10,463	86	11,258	11,462	33,269
Intergroup transfers	-	-	-	3,298	3,298
At 31 March 2003	**25,744**	**12,371**	**21,093**	**42,242**	**101,450**
Net book value					
At 31 March 2003	**61**	**601**	**12,650**	**13,473**	**26,785**
At 31 March 2002	10,524	-	16,805	22,682	50,011

8 Stocks

	2003 £	2002 £
Work in progress	**10,130,800**	11,129,085

9 Debtors

	2003 £	2002 £
Trade debtors	**1,205,810**	356,498
Amounts owed by group undertakings	-	126,900
Amounts recoverable on contracts	**313,941**	1,943,296
Other debtors	**24,000**	957,311
Prepayments and accrued income	**5,652**	6,149
	1,549,403	3,390,154

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts (see note 12)	**7,188,893**	5,543,393
Hire purchase contracts	**3,044**	2,434
Trade creditors	**474,201**	368,787
Corporation tax	**266,123**	1,805,613
Other taxes and social security	**12,264**	126,245
Proposed dividends	-	1,500,000
Other creditors	**159,619**	666,476
Amounts owed to group undertakings	**1,009,848**	783,529
Accruals and deferred income	**1,354,140**	1,800,891
	10,468,132	12,597,368

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Hire purchase contracts	-	3,486
Trade creditors	-	805,000
	-	808,486

12 Loans

An analysis of the maturity of loans is given below:

	2003	2002
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	**7,188,893**	5,543,393

The bank overdraft is secured by an all monies debenture over all the assets of the company incorporating fixed and floating charges. Set-off is available to the bank between the company and Artisan (UK) plc and its group company members by virtue of the bank holding a debenture from each company together with a cross corporate guarantee.

13 Commitments under operating leases

At 31 March 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003	2002
	£	£
Expiring within one year	**4,017**	15,713
Expiring within two to five years	**4,130**	4,554
	8,147	20,267

14 Share capital

	2003	2002
	£	£
Authorised, allotted, issued and fully paid:		
800,000 ordinary shares of £1	**800,000**	800,000

15 Reserves

	Profit and loss account £
At 1 April 2002	363,460
Retained profit for the year	75,489
At 31 March 2003	**438,949**

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	**75,489**	870,834
Dividends	-	(1,500,000)
Net addition/(deduction) to shareholders' funds	**75,489**	(629,166)
Opening shareholders' funds	**1,163,460**	1,792,626
Closing shareholders' funds	**1,238,949**	1,163,460

17 Contingent liabilities

	2003 £	2002 £
Performance bonds in the normal course of business	**300,000**	241,357

A cross corporate guarantee held by the bank in favour of Artisan (UK) plc and its group company members has been given by the company for all monies owing. At 31 March 2003, bank borrowings of other group company members covered by the cross guarantee amounted to £1,626,028 (2002 - £4,646,045).

18 Related party disclosures

Exemption is taken of related party disclosures in respect of group transactions on the basis that details of Artisan (UK) Developments Limited are included in the consolidated financial statements of Artisan (UK) plc.

19 Ultimate parent company

The directors regard Artisan (UK) plc, a company registered in England and Wales, as the ultimate parent company.

Copies of the Artisan (UK) plc financial statements can be obtained from Mace House, Sovereign Court, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.