Registrar

Artisan (UK) Developments Limited

Report and Financial Statements

Year Ended

31 March 2005

BDO Stoy Hayward
Chartered Accountants

Artisan (UK) Developments Limited

Annual report and financial statements for the year ended 31 March 2005

Contents

Directors

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

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 LLP, 8 Baker Street, London, W1U 3LL.

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Artisan (UK) Developments Limited

Report of the directors for the year ended 31 March 2005

The directors present their report together with the audited financial statements for the year ended 31 March 2005.

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 £15,473 (2004 - loss £624,597). The directors do not recommend the payment of a dividend (2004 - £nil).

Principal activities, trading review and future developments

The principal activity of the company in the year under review was that of a commercial property development company. The company designs and develops attractive, modern, purpose built offices and light industrial space on its business park sites concentrated in Cambridgeshire and Hertfordshire.

The year under review saw a significant turn around in performance for the company with a 72% increase in turnover and a return to profitability. This has resulted in a significant reduction in working capital employed in land stocks and has greatly improved the return on capital employed.

The most notable transaction in the year was at Vantage Park in Huntingdon, where we let three office units constructed in the previous year and concluded an investment sale at £2.4 million to one of the Cambridge Colleges.

The year ended with future development capacity at over 17,000 square meters of developable floorspace which equates to approaching three years' production. New outlets are being sourced for 2006/07.

Directors

The directors of the company during the year were:

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

The beneficial interests of the directors holding office on 31 March 2005 in the issued share capital of the company were as follows:

	Ordinary £1 shares	
	2005	**2004**
M J Eyres	-	-
M Freeman	-	-
D J Railton	-	-
Artisan (UK) plc	800,000	800,000

The company is a wholly owned subsidiary of 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 *(Continued)*

The other directors, who held office at the end of the year, and who had interests in the share capital of Artisan (UK) plc, were as follows:

	Ordinary £1 shares 2005	2004
M J Eyres	16,667	16,667

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 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

Artisan (UK) plc
Secretary

11 July 2005

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 2005 on pages 5 to 14 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

11 July 2005

Artisan (UK) Developments Limited

Profit and loss account for the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover		7,771,219	4,516,641
Cost of sales		(6,714,500)	(4,625,619)
Gross profit/(loss)		1,056,719	(108,978)
Administrative expenses		(506,616)	(329,625)
Operating profit/(loss)	3	550,103	(438,603)
Interest receivable		1,287	2,292
Interest payable and similar charges	4	(526,838)	(449,666)
Profit/(loss) on ordinary activities before taxation		24,552	(885,977)
Taxation	5	(9,079)	261,380
Retained profit/(loss) for the year	12	15,473	(624,597)

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

The notes on pages 7 to 14 form part of these financial statements.

Artisan (UK) Developments Limited

Balance sheet at 31 March 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	6		**4,435**		9,276
Current assets					
Stocks	7	**6,437,362**		9,616,666	
Debtors	8	**3,079,210**		1,083,350	
Cash at bank and in hand		**1,315,123**		188	
		10,831,695		10,700,204	
Creditors: amounts falling due within one year	9	**10,206,305**		10,095,128	
Net current assets			**625,390**		605,076
Total assets less current liabilities			**629,825**		614,352
Capital and reserves					
Called up share capital	11		**800,000**		800,000
Profit and loss account	12		**(170,175)**		(185,648)
Shareholders' funds - equity	13		**629,825**		614,352

The financial statements were approved by the Board on 11 July 2005

M J Eyres
Director

The notes on pages 7 to 14 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 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.

1 Accounting policies *(Continued)*

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.

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.

2 Employees

	2005 £	2004 £
Staff costs consist of:		
Wages and salaries	**342,255**	339,859
Social security costs	**38,883**	37,283
Other pension costs	**16,713**	17,260
	397,851	394,402

The average number of employees, including directors, during the year were as follows:	Number	Number
Administration	**2**	2
Operations	**6**	7
	8	9

3 Operating profit/(loss)

	2005 £	2004 £
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	**6,667**	10,782
Profit on disposal of fixed assets	**-**	(2,100)
Hire of plant and machinery	**1,614**	17,143
Other operating leases	**13,123**	9,821
Auditors' remuneration	**24,996**	24,000

During the year overhead costs totalling £86,134 (2004 - £79,656) were allocated from administrative expenses to work in progress.

	2005 £	2004 £
Directors' emoluments	**175,430**	137,285
Directors' pension contributions to money purchase schemes	**11,367**	11,417

Pension contributions were made on behalf of 2 directors (2004 - 3).

4 Interest payable and similar charges

	2005 £	2004 £
Bank interest	**126,455**	364,699
Other interest	**58,089**	2,004
Hire purchase	**-**	100
Inter group interest	**342,294**	82,863
	526,838	449,666

5 Taxation

	2005 £	2004 £
Current tax		
UK corporation tax on profit/(losses) of the year	**9,079**	(261,380)

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

	2005 £	2004 £
Profit/(loss) on ordinary activities before tax	**24,552**	(885,977)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 30%)	**7,366**	(265,793)
Effects of:		
Expenses not deductible for tax purposes	**1,446**	3,857
Depreciation for year in excess of capital allowances	**267**	1,186
Non-taxable income	**-**	(630)
Current tax charge/(credit) for year	**9,079**	(261,380)

6 Tangible assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2004	25,805	68,687	7,103	101,595
Additions	-	1,826	-	1,826
Disposals	(25,805)	(50,135)	-	(75,940)
At 31 March 2005	-	**20,378**	**7,103**	**27,481**
Depreciation				
At 1 April 2004	25,794	63,269	3,256	92,319
Charge for the year	11	4,881	1,775	6,667
Disposals	(25,805)	(50,135)	-	(75,940)
At 31 March 2005	-	**18,015**	**5,031**	**23,046**
Net book value				
At 31 March 2005	-	**2,363**	**2,072**	**4,435**
At 31 March 2004	11	5,418	3,847	9,276

7 Stocks

	2005 £	2004 £
Work in progress	**6,437,362**	9,616,666

8 Debtors

	2005	2004
	£	£
Trade debtors	**391,786**	619,346
Amounts owed by group undertakings	**248,224**	264,307
Amounts recoverable on contracts	**2,424,500**	123,418
Other debtors	-	70,418
Prepayments and accrued income	**14,700**	5,861
	3,079,210	1,083,350

9 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank overdraft (secured)	-	6,450,796
Trade creditors	**337,812**	327,634
Corporation tax	**33,432**	35,673
Other taxes and social security	**82,959**	10,823
Amounts owed to parent company	**9,261,616**	2,155,661
Amounts owed to group undertakings	**7,887**	625,944
Accruals and deferred income	**482,599**	488,597
	10,206,305	10,095,128

10 Commitments under operating leases

At 31 March 2005, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and building		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiring within one year	-	-	-	2,753
Expiring within two to five years	**10,850**	10,850	**16,345**	8,532
	10,850	10,850	**16,345**	11,285

11 Share capital

	2005 £	2004 £
Authorised, allotted, issued and fully paid:		
800,000 ordinary shares of £1	**800,000**	800,000

12 Reserves

	Profit and loss account £
At 1 April 2004	(185,648)
Profit for the year	15,473
At 31 March 2005	**(170,175)**

13 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit/(loss) for the financial year	**15,473**	(624,597)
Opening shareholders' funds	**614,352**	1,238,949
Closing shareholders' funds	**629,825**	614,352

14 Contingent liabilities

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 2005, bank borrowings of other group company members covered by the cross guarantee amounted to £8,375,790 (2004 - £Nil).

The Company has been notified of a potential claim under a Deed of Guarantee given in respect of the sale of a long leasehold property in an earlier year. The directors, having sought legal advice, do not believe that the claim has merit and accordingly have not made provision for it in these accounts. In the event that the claimant was successful in pursuing its claim, the directors would not expect the cost of the claim to be significant as they would seek to mitigate the loss by subletting the property concerned.

15 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.

16 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.