Artisan (UK) Developments Limited

Report and Financial Statements

Year Ended

31 March 2006

2977341

BDO Stoy Hayward
Chartered Accountants

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Artisan (UK) Developments Limited

Annual report and financial statements for the year ended 31 March 2006

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Directors

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Directors

M J Eyres
D J Railton
Artisan (UK) plc
G J Lawler

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.

Artisan (UK) Developments Limited

Report of the directors for the year ended 31 March 2006

The directors present their report together with the audited financial statements for the year ended 31 March 2006.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2005 - £Nil).

Principal activities, trading review and future developments

The company is a wholly owned subsidiary of Artisan (UK) plc. 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. There were no significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 7, the company's turnover for the year is £4,913,963 a reduction of 37% compared to the previous year. The reduction in turnover is because the sale of a large tenanted block of offices to an investor achieved at the end of the previous year was not repeated in the current year. However, higher margins were achieved in the year on the company's maturing portfolio of business parks and this, coupled with lower overheads and interest costs, resulted in a retained profit for the year of £180,738.

The balance sheet on page 8 of the financial statements shows the company's financial position at the end of the year. Stocks and cash at bank have increased by £1,365,868 and £1,115,367 respectively whilst debtors have reduced by £2,358,620 compared to the previous year-end. The increase in stocks is primarily due to the purchase of further sites for development shortly before the year-end (at St Neots and St Ives) whilst the reduction in debtors is due to the collection of the proceeds from the sale of the large tenanted block referred to above during the year. Net assets have increased by the retained profit for the year. The year ended with future development capacity at over 15,700 square meters of net developable floorspace which is approximately three years' current production. A further site at Peterborough has been contracted since the year-end and new outlets continue to be sourced.

Principal risks and uncertainties

The company's operations are clearly affected by the general economic cycle and in particular the demand for commercial property. This risk is mitigated by having a number of business parks in different locations and with a mixture of offices and industrial units of varying sizes. Also, the company's business model 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 remains essential to secure new business.

Health and safety is of paramount importance and a high standard of health and safety management is promoted at all levels in the company. This is achieved through training programmes and health and safety rules that are backed up by a process of external auditing by suitably qualified consultants.

The ability to secure land for development is key to the company's ongoing success and expansion. Senior management time is devoted to identifying and evaluating potential sites, supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases.

Principal risks and uncertainties *(Continued)*

The company is largely funded by loans from Artisan (UK) plc which bear interest at commercial rates of interest under group treasury arrangements. The group, and hence the company, is subject interest rate risk as the group's borrowings are at floating rates of interest. The group board have considered and will continue to consider whether any form of hedging is appropriate in relation to this risk.

Environment

The company recognises the importance of its environmental responsibilities and aims to comply with all relevant environmental legislation. In particular, it aims to ensure that its designs meet the latest building regulations and the requirements of its customers.

Employees and health and safety at work

Details of the number of employees and related costs can be found in note 2 on page 11.

A high standard of health and safety management is promoted at all levels within the company. 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 less than 20% of the benchmark figure for the company. During the year under review no accidents or incidents occurred that were reportable to the Health and Safety Executive.

Directors

The directors of the company during the year were:

M J Eyres	
D J Railton	
Artisan (UK) plc	
G J Lawler	(appointed 7 September 2005)
M Freeman	(resigned 6 September 2005)

The beneficial interests of the directors holding office on 31 March 2006 in the issued share capital of the company were as follows:

	Ordinary £1 shares	
	2006	2005
M J Eyres	-	-
D J Railton	-	-
Artisan (UK) plc	800,000	800,000
G J Lawler	-	-

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

Directors *(Continued)*

The 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	
	2006	**2005 or date of appointment**
M J Eyres	16,667	16,667
G J Lawler	28,144	28,144

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

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 year.

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

Artisan (UK) plc
Secretary

Date 11 July 2006

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 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 11 July 2006

Artisan (UK) Developments Limited

Profit and loss account for the year ended 31 March 2006

	Note	2006 £	2005 £
Turnover		**4,913,963**	7,771,219
Cost of sales		**(4,075,860)**	(6,720,400)
Gross profit		**838,103**	1,050,819
Administrative expenses		**(500,393)**	(713,640)
Other operating income		**220,299**	212,924
Operating profit	3	**558,009**	550,103
Interest receivable		**1,675**	1,287
Interest payable and similar charges	4	**(302,145)**	(526,838)
Profit on ordinary activities before taxation		**257,539**	24,552
Taxation	5	**(76,801)**	(9,079)
Retained profit for the year	12	**180,738**	15,473

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 9 to 16 form part of these financial statements.

Artisan (UK) Developments Limited

Balance sheet at 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	6		**6,158**		4,435
Current assets					
Stocks	7	**7,803,230**		6,437,362	
Debtors	8	**720,590**		3,079,210	
Cash at bank and in hand		**2,430,490**		1,315,123	
		10,954,310		10,831,695	
Creditors: amounts falling due within one year	9	**10,149,905**		10,206,305	
Net current assets			**804,405**		625,390
Total assets less current liabilities			**810,563**		629,825
Capital and reserves					
Called up share capital	11		**800,000**		800,000
Profit and loss account	12		**10,563**		(170,175)
Shareholders' funds	13		**810,563**		629,825

The financial statements were approved by the Board on 11 July 2006

M J Eyres
Director

The notes on pages 9 to 16 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.

Comparative figures

Certain prior year amounts in the profit and loss account have been reclassified to conform with the 2006 presentation.

2 Employees

	2006	2005
	£	£
Staff costs consist of:		
Wages and salaries	**424,560**	342,255
Social security costs	**48,291**	38,883
Other pension costs	**19,724**	16,713
	492,575	397,851

The average number of employees, including directors, during the year were as follows:	Number	Number
Administration	**3**	2
Operations	**7**	6
	10	8

3 Operating profit

	2006	2005
	£	£
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	**3,838**	6,667
Hire of plant and machinery	**10,232**	1,614
Other operating lease rentals - vehicles	**11,655**	13,123
- land and buildings	**207,024**	207,024
Rent receivable	**(220,299)**	(212,924)
Auditors' remuneration	**26,400**	24,996

During the year overhead costs totalling £125,772 (2005 - £86,134) were allocated from administrative expenses to work in progress.

	2006	2005
	£	£
Directors' emoluments	**204,589**	175,430
Directors' pension contributions to money purchase schemes	**13,098**	11,367

Pension contributions were made on behalf of 3 directors (2005 - 2).

4 Interest payable and similar charges

	2006 £	2005 £
Bank interest	-	126,455
Other interest	-	58,089
Inter group interest	**302,145**	342,294
	302,145	526,838

5 Taxation

	2006 £	2005 £
Current tax		
UK corporation tax on profit of the year	**76,801**	9,079

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

	2006 £	2005 £
Profit on ordinary activities before tax	**257,539**	24,552
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	**77,262**	7,366
Effects of:		
Expenses not deductible for tax purposes	**1,987**	1,446
Depreciation for year in excess of capital allowances	**(566)**	267
Adjustment in respect of previous years	**(1,882)**	-
Current tax charge for year	**76,801**	9,079

6 Tangible assets

	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 April 2005	20,378	7,103	27,481
Additions	5,561	-	5,561
At 31 March 2006	**25,939**	**7,103**	**33,042**
Depreciation			
At 1 April 2005	18,015	5,031	23,046
Charge for the year	2,062	1,776	3,838
At 31 March 2006	**20,077**	**6,807**	**26,884**
Net book value			
At 31 March 2006	**5,862**	**296**	**6,158**
At 31 March 2005	2,363	2,072	4,435

7 Stocks

	2006 £	2005 £
Work in progress	**7,803,230**	6,437,362

8 Debtors

	2006	2005
	£	£
Trade debtors	**17,299**	391,786
Amounts owed by group undertakings	**63,041**	248,224
Amounts recoverable on contracts	**632,638**	2,424,500
Prepayments and accrued income	**7,612**	14,700
	720,590	3,079,210

9 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	**236,415**	337,812
Corporation tax	**78,683**	33,432
Other taxes and social security	**80,909**	82,959
Amounts owed to parent company	**9,140,228**	9,261,616
Amounts owed to group undertakings	-	7,887
Accruals and deferred income	**613,670**	482,599
	10,149,905	10,206,305

10 Commitments under operating leases

At 31 March 2006, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and building		Other	
	2006	2005	2006	2005
	£	£	£	£
Expiring within one year	-	-	15,351	-
Expiring within two to five years	**10,850**	10,850	4,062	16,345
Expiring after more than five years	**207,024**	207,024	-	-
	217,874	217,874	19,413	16,345

11 Share capital

	2006 £	2005 £
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 2005	(170,175)
Profit for the year	180,738
At 31 March 2006	**10,563**

13 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	**180,738**	15,473
Opening shareholders' funds	**629,825**	614,352
Closing shareholders' funds	**810,563**	629,825

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 2006, bank borrowings of other group company members covered by the cross guarantee amounted to £8,993,405 (2005 - £8,375,790).

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.

The company is negotiating a claim arising from an earlier completed housing development. The directors are confident that, to the extent there is any material liability, this will be the responsibility of our external consultants and their insurers or, failing this, the company's own insurers. Provision has been made for the costs arising from dealing with this claim.

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.