2979041

Artisan (UK) Developments Limited

Report and Financial Statements

Period ended

30 June 2007

BDO Stoy Hayward

Chartered Accountants

Artisan (UK) Developments Limited

Annual report and financial statements
for the penod ended 30 June 2007

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Directors

M J Eyres
D J Raılton
Artısan (UK) plc
G J Lawler

Secretary and registered office

Artısan (UK) plc, Mace House, Sovereıgn Court, Ermıne Busıness Park, Huntıngdon, Cambrıdgeshıre, 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 period ended 30 June 2007

The directors present their report together with the audited financial statements for the 15 month period from 1 April 2006 to 30 June 2007

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the period

An interim dividend of 25p per share (2006 - £Nil) was paid during the period The directors have not proposed a final dividend for the year (2006 - £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 period 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 East Anglia and Hertfordshire During the period new sites were acquired in Peterborough and Kings Lynn, with a further site in Ipswich acquired after the end of the period Terms were also agreed for the acquisition of further sites after the end of the period There were no significant changes in the company's principal activities in the period 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 6, the company's turnover for the period is £13,554,887, an increase of 55% pro rata compared to the previous 12 months The significant increase in turnover has been achieved because built stock and land has been available to meet demand In addition a record level of forward sales were achieved in the period Margins achieved were at a similar level to the previous year whilst overheads and interest expense were tightly controlled, resulting in a profit after tax for the period of £858,927

The balance sheet on page 7 of the financial statements shows the company's financial position at the end of the period Stocks have increased by £119,875, the acquisition of new development sites being largely offset by the level of sales of completed developments during the period Debtors have increased by £791,378 compared to the previous year-end as a result of the forward sales in progress at the period end Net assets have increased by the retained profit for the period The period ended with future development capacity at over 21,000 square meters of net developable floor space (2006 16,550 sq mtrs) which is approximately three years' current production

Principal risks and uncertainties

The company's operations are clearly affected by the economic outlook and the actions and anticipated actions of the Monetary Policy Committee of the Bank of England, not least because the purchase of a property is normally a significant commitment by our purchaser 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

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

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 period

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

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 to 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 3 on pages 9 and 10

A high standard of health and safety management is promoted at all levels within the company Quarterly reports prepared by our external health and safety auditor show that the number of recorded accidents for the period were significantly lower than that of our peer group at approximately 35% of the benchmark figure During the period under review no accidents or incidents occurred that were reportable to the Health and Safety Executive

Directors

The directors of the company during the period were

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

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 period 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 period

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 26 September 2007

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 period ended 30 June 2007 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 30 June 2007 and of its profit for the period 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 26/9/07

Artisan (UK) Developments Limited

Profit and loss account
for the period ended 30 June 2007

	Note	15 months ended 30 June 2007 £	Year ended 31 March 2006 (as restated) £
Turnover		**13,554,887**	7,005,861
Cost of sales		**(11,178,124)**	(5,776,987)
Gross profit		**2,376,763**	1,228,874
Administrative expenses		**(981,925)**	(500,393)
Other operating income		**285,935**	220,299
Operating profit	4	**1,680,773**	984,780
Interest receivable		**5,706**	1,675
Interest payable and similar charges	5	**(455,771)**	(302,145)
Profit on ordinary activities before taxation		**1,230,708**	648,310
Taxation	6	**(371,781)**	(194,033)
Profit for the period	14	**858,927**	454,277

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

The notes on pages 8 to 15 form part of these financial statements

Artisan (UK) Developments Limited

Balance sheet
at 30 June 2007

	Note	30 June 2007 £	30 June 2007 £	31 March 2006 (as restated) £	31 March 2006 (as restated) £
Fixed assets					
Tangible assets	8		**23,826**		6,158
Current assets					
Stocks	9	**8,469,452**		8,349,577	
Debtors	10	**905,243**		113,865	
Cash at bank and in hand		**1,215,840**		2,430,490	
		10,590,535		10,893,932	
Creditors: amounts falling due within one year	11	**9,205,250**		10,149,906	
Net current assets			**1,385,285**		744,026
Total assets less current liabilities			**1,409,111**		750,184
Capital and reserves					
Called up share capital	13		**800,000**		800,000
Profit and loss account	14		**609,111**		(49,816)
Shareholders' funds	15		**1,409,111**		750,184

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2007

M J Eyres
Director

The notes on pages 8 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 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 and profit are recognised upon legal completion of the legal transfer of title to the customer

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 overhead 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 period is shown in note 3 to the accounts

2 Change of accounting policy

During the period, the company changed its accounting policy to recognise turnover and profit on property sales on legal completion, rather than on exchange of contracts This new policy is the same as that which has been adopted in the group accounts of Artisan (UK) plc, the company's ultimate parent company, on its adoption of International Financial Reporting Standards for the first time As such it is the policy upon which the company is now run and its performance assessed operationally As the new policy is acceptable under UK GAAP, the directors are of the opinion that it is now the most appropriate accounting policy for the company

The adoption of the new policy resulted in an increase in turnover of £632,602 for the period (2006 increase of £2,091,898), an increase in gross margin of £86,255 for the period (2006 increase of £390,771), an increase in profit after tax of £60,379 for the period (2006 increase of £273,539), and a reduction in net assets of £Nil at 30 June 2007 (31 March 2006 reduction of £60,379, 1 April 2005 reduction of £333,918)

3 Employees

	15 months ended 30 June 2007 £	Year ended 31 March 2006 £
Staff costs consist of		
Wages and salaries	**762,366**	424,560
Social security costs	**86,201**	48,291
Other pension costs	**31,251**	19,724
	879,818	492,575

3 Employees *(Continued)*

	15 months ended 30 June 2007	Year ended 31 March 2006
The average number of employees, including directors, during the period were as follows	Number	Number
Administration	3	3
Operations	9	7
	12	10

4 Operating profit

	15 months ended 30 June 2007 £	Year ended 31 March 2006 £
This has been arrived at after charging/(crediting)		
Depreciation - owned assets	7,977	3,838
Hire of plant and machinery	13,068	10,232
Other operating lease rentals - vehicles	23,544	11,655
- land and buildings	207,024	207,024
Rent receivable	(285,935)	(220,299)
Auditors' remuneration	33,000	26,400

During the period overhead costs totalling £227,113 (2006 - £125,772) were allocated from administrative expenses to work in progress

	15 months ended 30 June 2007 £	Year ended 31 March 2006 £
Directors' emoluments	321,423	204,589
Directors' pension contributions to money purchase schemes	18,933	13,098

Pension contributions were made on behalf of 3 directors (2006 - 3)

5 Interest payable and similar charges

	15 months ended 30 June 2007 £	Year ended 31 March 2006 £
Inter group interest	455,771	302,145

6 Taxation

	15 months ended 30 June 2007 £	Year ended 31 March 2006 (as restated) £
Current tax		
UK corporation tax on profit for the period	**346,942**	76,801
Adjustment in respect of previous periods	**(1,038)**	-
Total current tax	**345,904**	76,801
Deferred tax		
Reversal of short term timing differences	**25,877**	117,232
Taxation on profit on ordinary activities	**371,781**	194,033

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

	15 months ended 30 June 2007 £	Year ended 31 March 2006 (as restated) £
Profit on ordinary activities before tax	**1,230,708**	648,310
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	**369,212**	194,493
Effects of		
Expenses not deductible for tax purposes	**4,984**	1,988
Capital allowances for the period in excess of depreciation	**(1,377)**	(566)
Tax relief for change of accounting basis	**(25,877)**	(117,232)
Adjustment in respect of previous periods	**(1,038)**	(1,882)
Current tax charge for the period	**345,904**	76,801

7 Dividends

	15 months ended 30 June 2007 £	Year ended 31 March 2006 £
Interim dividend of 25p (2006 £nil) per share	**200,000**	-

No final dividend has been proposed (2006 £nil)

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2006	-	25,939	7,103	33,042
Additions	16,540	9,660	-	26,200
Disposals	-	(783)	-	(783)
At 30 June 2007	16,540	34,816	7,103	58,459
Depreciation				
At 1 April 2006	-	20,077	6,807	26,884
Charge for the period	4,595	3,086	296	7,977
Disposals	-	(228)	-	(228)
At 30 June 2007	4,595	22,935	7,103	34,633
Net book value				
At 30 June 2007	**11,945**	**11,881**	**-**	**23,826**
At 31 March 2006	-	5,862	296	6,158

9 Stocks

	30 June 2007 £	31 March 2006 (as restated) £
Work in progress	**8,469,452**	8,349,577

10 Debtors

	30 June 2007 £	31 March 2006 (as restated) £
Trade debtors	**10,747**	17,299
Amounts owed by group undertakings	**382,221**	63,041
Amounts recoverable on contracts	**444,715**	36
Prepayments and accrued income	**67,560**	7,612
Deferred taxation	-	25,877
	905,243	113,865

11 Creditors: amounts falling due within one year

	30 June 2007 £	31 March 2006 £
Trade creditors	**284,186**	236,415
Corporation tax	**346,942**	78,683
Other taxes and social security	**191,724**	80,909
Amounts owed to parent company	**7,718,962**	9,140,228
Accruals and deferred income	**663,436**	613,671
	9,205,250	10,149,906

12 Commitments under operating leases

At 30 June 2007, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	30 June 2007 £	31 March 2006 £	30 June 2007 £	31 March 2006 £
Expiring within one year	-	-	**4,062**	15,351
Expiring within two to five years	**10,850**	10,850	**9,535**	4,062
Expiring after more than five years	**207,024**	207,024	-	-
	217,874	217,874	**13,597**	19,413

13 Share capital

	30 June 2007 £	31 March 2006 £
Authorised, allotted, issued and fully paid		
800,000 ordinary shares of £1	**800,000**	800,000

14 Reserves

	Profit and loss account £
At 1 April 2006 as previously stated	**10,563**
Prior year adjustment (note 2)	**(60,379)**
As at 1 April 2006 as restated	**(49,816)**
Profit for the period	**858,927**
Dividend paid	**(200,000)**
At 30 June 2007	**609,111**

15 Reconciliation of movements in shareholders' funds

	30 June 2007 £	31 March 2006 £
Profit for the financial period	**858,927**	454,277
Dividends paid	**(200,000)**	-
Total movements during the period	**658,927**	454,277
Opening shareholders' funds – as previously stated	**810,563**	629,825
Prior year adjustment	**(60,379)**	(333,918)
Opening shareholders' funds – as restated	**750,184**	295,907
Closing shareholders' funds	**1,409,111**	750,184

16 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 30 June 2007, bank borrowings of other group company members covered by the cross guarantee amounted to £11,968,710 (2006 - £8,993,405)

The company is continuing to negotiate 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

17 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

18 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