Artisan (UK) Developments Limited

Report and Financial Statements

Year ended

30 June 2008

BDO Stoy Hayward

Artisan (UK) Developments Limited

Annual report and financial statements
for the year ended 30 June 2008

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Directors

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

Secretary and registered office

Artisan (UK) plc, Vantage House, Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, PE29 6SR.

Company number

2979041

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

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Report of the directors
for the year ended 30 June 2008

The directors present their report together with the audited financial statements for the year ended 30 June 2008.

Results and dividends

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

An interim dividend of 62.5p per share (15 months ended 30 June 2007 - 25p) was paid during the year. The directors have not proposed a final dividend for the year (15 months ended 30 June 2007 - £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 East Anglia and Hertfordshire. During the year a large new site was acquired in Ipswich, with a further site in Bury St Edmunds contracted. 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 6, the company's turnover for the year is £7,199,438 (15 months ended 30 June 2007 - £13,554,887), a decrease of 34% pro rata compared to the previous 15 month period. The reduction in turnover reflects the more challenging market conditions experienced during the year. Gross margin was higher than in the previous period reflecting the profitability of the forward sales completed in the current year and this has resulted in a profit after tax for the year of £433,404 (15 months ended 30 June 2007 - £858,927).

The balance sheet on page 7 of the financial statements shows the company's financial position at the end of the year. Stocks have increased by £1,929,197 (15 months ended 30 June 2007 - £119,875), as the result of the purchase of our new site in Ipswich and an increase in the amount of stock available for sale. Debtors have decreased by £572,610 compared to the previous period end largely as a result of the lower level of forward sale debtors at the year end. Net assets have reduced compared to the previous period end because the dividend paid in the year of £500,000 exceeded the retained profit for the year. The year ended with future development capacity at over 20,000 square metres of net developable floor space (15 months ended 30 June 2007 - 21,000 square metres) 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 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.

Artisan (UK) plc is in turn funded by significant levels of debt and 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 dependant upon the continued willingness and ability of the group's bank to provide debt funding to the group.

Principal risks and uncertainties *(Continued)*

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 year.

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.

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 page 9.

A high standard of health and safety management is promoted at all levels within the company. The company maintains training programmes, health and safety rules, monitoring and auditing procedures in order to promote a high level of awareness and commitment. This is reflected in the quarterly reports prepared by our external health and safety auditor that show our accident record for major injuries is better than the industry benchmark. The Board are pleased to report that there were no major accidents in the year under review.

Directors

The directors of the company during the year were:

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

Artisan (UK) Developments Limited

Report of the directors
for the year ended 30 June 2008 *(Continued)*

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 year. 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 15 October 2008

To the shareholders of Artisan (UK) Developments Limited

We have audited the financial statements of Artisan (UK) Developments Limited for the year ended 30 June 2008 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 2008 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 15 October 2008

Artisan (UK) Developments Limited

Profit and loss account
for the year ended 30 June 2008

	Note	2008 £	2007 £
Turnover	2	**7,199,438**	13,554,887
Cost of sales		**(5,521,697)**	(11,178,124)
Gross profit		**1,677,741**	2,376,763
Administrative expenses		**(836,683)**	(981,925)
Other operating income		**294,350**	285,935
Operating profit	4	**1,135,408**	1,680,773
Interest receivable		**5,406**	5,706
Interest payable and similar charges	5	**(529,431)**	(455,771)
Profit on ordinary activities before taxation		**611,383**	1,230,708
Taxation	6	**(177,979)**	(371,781)
Profit for the year	14	**433,404**	858,927

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 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	8		**36,389**		23,826
Current assets					
Stocks	9	**10,398,649**		8,469,452	
Debtors	10	**332,633**		905,243	
Cash at bank and in hand		**1,106,865**		1,215,840	
		11,838,147		10,590,535	
Creditors: amounts falling due within one year	11	**10,532,021**		9,205,250	
Net current assets			**1,306,126**		1,385,285
Total assets less current liabilities			**1,342,515**		1,409,111
Capital and reserves					
Called up share capital	13		**800,000**		800,000
Profit and loss account	14		**542,515**		609,111
Shareholders' funds	15		**1,342,515**		1,409,111

The financial statements were approved by the Board of Directors and authorised for issue on 15 October 2008

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 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 4 to the accounts.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises wholly within the UK.

3 Employees

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Staff costs consist of:		
Wages and salaries	**695,961**	762,366
Social security costs	**80,638**	86,201
Other pension costs	**32,321**	31,251
	808,920	879,818

The average number of employees, including directors, during the year were as follows:	**Number**	**Number**
Administration	**3**	3
Operations	**9**	9
	12	12

4 Operating profit

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	**13,199**	7,977
Hire of plant and machinery	**15,049**	13,068
Other operating lease rentals - vehicles	**17,462**	23,544
- land and buildings	**277,763**	254,320
Rent receivable	**(294,350)**	(285,935)
Auditors' remuneration	**27,000**	33,000

During the year overhead costs totalling £104,837 (15 months ended 30 June 2007 - £227,113) were allocated from administrative expenses to work in progress.

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Directors' emoluments	**257,308**	321,423
Directors' pension contributions to money purchase schemes	**18,388**	18,933

Pension contributions were made on behalf of 3 directors (15 months ended 30 June 2007 - 3).

5 Interest payable and similar charges

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Inter group interest	**529,431**	455,771

6 Taxation

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Current tax		
UK corporation tax on profit for the year	**178,962**	346,942
Adjustment in respect of previous periods	**(983)**	(1,038)
Total current tax	**177,979**	345,904
Deferred tax		
Reversal of short term timing differences	**-**	25,877
Taxation on profit on ordinary activities	**177,979**	371,781

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

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Profit on ordinary activities before tax	**611,383**	1,230,708
Profit on ordinary activities at the standard rate of corporation tax in the UK of 29.5% (15 months ended 30 June 2007 - 30%)	**180,358**	369,212
Effects of:		
Difference between standard rate of corporation tax and corporation tax rate used for group relief	**(9,587)**	-
Non taxable income	**(275)**	-
Expenses not deductible for tax purposes	**8,433**	4,984
Capital allowances for the year in excess of depreciation	**33**	(1,377)
Tax relief for change of accounting basis	**-**	(25,877)
Adjustment in respect of previous periods	**(983)**	(1,038)
Current tax charge for the year	**177,979**	345,904

7 Dividends

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Interim dividend of 62.5p (15 months ended 30 June 2007 - 25p) per share	**500,000**	200,000

No final dividend has been proposed (15 months ended 30 June 2007 - £Nil).

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2008 *(Continued)*

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 July 2007	16,540	34,816	7,103	58,459
Additions	-	25,915	-	25,915
Disposals	-	(1,707)	(7,103)	(8,810)
At 30 June 2008	16,540	59,024	-	75,564
Depreciation				
At 1 July 2007	4,595	22,935	7,103	34,633
Charge for the year	5,508	7,687	-	13,195
Disposals	-	(1,550)	(7,103)	(8,653)
At 30 June 2008	10,103	29,072	-	39,175
Net book value				
At 30 June 2008	**6,437**	**29,952**	**-**	**36,389**
At 30 June 2007	11,945	11,881	-	23,826

9 Stocks

	2008 £	2007 £
Work in progress	**10,398,649**	8,469,452

10 Debtors

	2008 £	2007 £
Trade debtors	**35,986**	10,747
Amounts owed by group undertakings	**95,208**	382,221
Amounts recoverable on contracts	**56,754**	444,715
Corporation tax recoverable	**47,963**	-
Prepayments and accrued income	**96,722**	67,560
	332,633	905,243

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**308,262**	284,186
Corporation tax	-	346,942
Other taxes and social security	**138,018**	191,724
Amounts owed to parent company	**9,584,186**	7,718,962
Amounts owed to group undertakings	**178,962**	-
Accruals and deferred income	**322,593**	663,436
	10,532,021	9,205,250

12 Commitments under operating leases

At 30 June 2008, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2008 £	2007 £	2008 £	2007 £
Expiring within one year	-	-	-	4,062
Expiring within two to five years	-	10,850	**10,602**	9,535
Expiring after more than five years	**213,350**	169,850	-	-
	213,350	180,700	**10,602**	13,597

13 Share capital

	2008 £	2007 £
Authorised, allotted, issued and fully paid:		
800,000 ordinary shares of £1	**800,000**	800,000

14 Reserves

	Profit and loss account £
At 1 July 2007	**609,111**
Profit for the year	**433,404**
Dividend paid	**(500,000)**
At 30 June 2008	**542,515**

15 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Profit for the financial year	**433,404**	858,927
Dividends paid	**(500,000)**	(200,000)
Total movements during the year	**(66,596)**	658,927
Opening shareholders' funds	**1,409,111**	750,184
Closing shareholders' funds	**1,342,515**	1,409,111

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 2008, bank borrowings of other group company members covered by the cross guarantee amounted to £20,811,247 (2007 - £11,968,710).

17 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Artisan (UK) plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

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 Vantage House, Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, PE29 6SR.