Company number 2979041

Artisan (UK) Developments Limited

Report and Financial Statements

Year ended

30 June 2009

Artisan (UK) Developments Limited

Annual report and financial statements
for the year ended 30 June 2009

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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 LLP, 55 Baker Street, London, W1U 7EU.

Artisan (UK) Developments Limited

Report of the directors
for the year ended 30 June 2009

The directors present their report together with the audited financial statements for the year ended 30 June 2009.

Results and dividends

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

An interim dividend of Nil p per share (2008 - 62.5p) was paid during the year. The directors have not proposed a final dividend for the year (2008 - £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. There were no significant changes in the company's principal activities in the year under review although the company experienced a significant reduction in sales and development activity due to the very difficult economic climate. 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, other than to note that the much lower levels of activity during the year under review have continued into the next year.

As shown in the company's profit and loss account on page 6, the company's turnover for the year is £1,533,209 (2008 - £7,199,438), a decrease of 79% compared to the previous year. The reduction in turnover reflects the very challenging market conditions experienced during the year due to the economic environment. As a result of the low level of turnover and development activity and despite significant reductions in headcount during the year administrative overheads have increased by 20% as less overhead has been absorbed into work in progress. This has resulted in a loss before tax of £1,060,229 (2008: profit £611,383) for the year.

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 £567,654 over the year to £10,966,303. Intercompany loans have increased by £1,628,743 in order to fund the increase in stocks and the loss for the year. There were cash balances of £845,418 at 30 June 2009. Net assets have reduced compared to the previous year end by the amount of loss for the year to £297,286. The year ended with future development capacity at over 18,500 square metres of net developable floor space (2008 - 20,000 square metres).

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

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that show and explain the company's transactions, disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 234 of the Companies Act 2006) 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 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

For and on behalf of
Artisan (UK) plc

Artisan (UK) plc
Secretary.............................

Date 30 November 2009

TO THE MEMBERS OF ARTISAN (UK) DEVELOPMENTS LIMITED

We have audited the financial statements of Artisan (UK) Developments Limited for the year ended 30 June 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanation we require for our audit.

BDO LLP

Geraint Jones, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 30 November 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Artisan (UK) Developments Limited

Profit and loss account
for the year ended 30 June 2009

	Note	2009 £	2008 £
Turnover	2	**1,533,209**	7,199,438
Cost of sales		**(1,497,842)**	(5,521,697)
Gross profit		**35,367**	1,677,741
Administrative expenses		**(1,006,201)**	(836,683)
Other operating income		**299,167**	294,350
Operating (loss)/profit	4	**(671,667)**	1,135,408
Interest receivable		**3,695**	5,406
Interest payable and similar charges	5	**(392,257)**	(529,431)
(Loss)/profit on ordinary activities before taxation		**(1,060,229)**	611,383
Taxation	6	**15,000**	(177,979)
(Loss)/profit for the year	14	**(1,045,229)**	433,404

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

The notes on pages 8 to 14 form part of these financial statements.

Company number 2979041

Artisan (UK) Developments Limited

Balance sheet
at 30 June 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	8		21,555		36,389
Current assets					
Stocks	9	10,966,303		10,398,649	
Debtors	10	352,549		332,633	
Cash at bank and in hand		845,418		1,106,865	
		12,164,270		11,838,147	
Creditors: amounts falling due within one year	11	11,888,539		10,532,021	
Net current assets			275,731		1,306,126
Net assets			297,286		1,342,515
Capital and reserves					
Called up share capital	13		800,000		800,000
Profit and loss account	14		(502,714)		542,515
Shareholders' funds	15		297,286		1,342,515

The financial statements were approved by the Board of Directors and authorised for issue on 30 November 2009

M J Eyres
Director

The notes on pages 8 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 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:

Plant and machinery	-	33% on cost
Fixtures and fittings and 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 incomplete 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 3 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

	2009 £	2008 £
Staff costs consist of:		
Wages and salaries	**394,492**	695,961
Social security costs	**44,407**	80,638
Other pension costs	**25,889**	32,321
	464,788	808,920

The average number of employees, including directors, during the year were as follows:	Number	Number
Administration	**2**	3
Operations	**5**	9
	7	12

4 Operating (loss)/profit

	2009	2008
	£	£
This has been arrived at after charging/(crediting):		
Exceptional costs charged to cost of sales		
Aborted costs following withdrawal from land purchase contract	**90,172**	-
Exceptional costs charged to administrative expenses		
Redundancy costs	**23,095**	5,960
Depreciation - owned assets	**15,664**	13,199
Hire of plant and machinery	**797**	15,049
Other operating lease rentals - vehicles	**9,239**	17,462
- land and buildings	**289,879**	277,763
Rent receivable	**(299,167)**	(294,350)
Auditors' remuneration	**27,000**	27,000

During the year overhead costs totalling £14,680 (2008 - £104,837) were allocated from administrative expenses to work in progress.

	2009	2008
	£	£
Directors' emoluments	**211,297**	257,308
Directors' pension contributions to money purchase schemes	**18,352**	18,388
	229,649	275,696

Pension contributions were made on behalf of 3 directors (2008 - 3).

5 Interest payable and similar charges

	2009	2008
	£	£
Inter group interest	**392,257**	529,431

6 Taxation

	2009	2008
	£	£
Current tax		
UK corporation tax on (loss)/profit for the year	**(15,000)**	178,962
Adjustment in respect of previous periods	-	(983)
Taxation on (loss)/profit on ordinary activities	**(15,000)**	177,979

6 Taxation *(Continued)*

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

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	**(1,060,229)**	611,383
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28.0% (2008 - 29.5%)	**(296,864)**	180,358
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	**9,972**	8,433
Capital allowances for the year in excess of depreciation	**1,802**	33
Unrelieved losses carried forward	**272,826**	-
Other	**(2,736)**	-
Adjustment in respect of previous periods	**-**	(983)
Current tax (credit)/charge for the year	**(15,000)**	177,979

No deferred tax credit has been recognised in respect of losses carried forward due to the unpredictability of future profit streams against which these losses could be offset. Under present legislation these losses may be carried forward indefinitely.

7 Dividends

	2009 £	2008 £
Interim dividend of Nil p (2008 - 62.5p) per share	**-**	500,000

No final dividend has been proposed (2008 - £Nil).

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost or valuation			
At 1 July 2008	16,540	59,024	75,564
Additions	-	830	830
At 30 June 2009	16,540	59,854	76,394
Depreciation			
At 1 July 2008	10,103	29,072	39,175
Charge for the year	5,514	10,150	15,664
At 30 June 2009	15,617	39,222	54,839
Net book value			
At 30 June 2009	**923**	**20,632**	**21,555**
At 30 June 2008	6,437	29,952	36,389

9 Stocks

	2009 £	2008 £
Work in progress	**10,966,303**	10,398,649

10 Debtors

	2009 £	2008 £
Trade debtors	**10,563**	35,986
Amounts owed by group undertakings	**93,726**	95,208
Amounts recoverable on contracts	-	56,754
Corporation tax recoverable	**62,963**	47,963
Prepayments and accrued income	**185,297**	96,722
	352,549	332,633

11 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	**231,103**	308,262
Other taxes and social security	**113,840**	138,018
Amounts owed to parent company	**11,391,891**	9,584,186
Amounts owed to group undertakings	**-**	178,962
Accruals and deferred income	**151,705**	322,593
	11,888,539	10,532,021

12 Commitments under operating leases

At 30 June 2009, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2009 £	2008 £	2009 £	2008 £
Expiring within one year	**-**	-	**4,448**	-
Expiring within two to five years	**-**	-	**4,553**	10,602
Expiring after more than five years	**213,350**	213,350	**-**	-
	213,350	213,350	**9,001**	10,602

13 Share capital

	2009 £	2008 £
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 2008	**542,515**
Loss for the year	**(1,045,229)**
At 30 June 2009	**(502,714)**

15 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
(Loss)/profit for the financial year	**(1,045,229)**	433,404
Dividends paid	**-**	(500,000)
Total movements during the year	**(1,045,229)**	(66,596)
Opening shareholders' funds	**1,342,515**	1,409,111
Closing shareholders' funds	**297,286**	1,342,515

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 2009, bank borrowings of other group company members covered by the cross guarantee amounted to £21,620,960 (2008 - £20,811,247).

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 100% 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 company is a 100% subsidiary of Artisan (UK) plc, a company registered in England and Wales. Artisan (UK) plc is the holding company for the Artisan Group. The financial statements of Artisan (UK) plc are available from Vantage House, Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, PE29 6SR.

At 30 June 2009 Aspen Finance Limited ("Aspen") owned 56.6% of the share capital of Artisan (UK) plc. Aspen is a private limited company whose principal activity is to act as a holding company for an investment in Artisan. Aspen is wholly owned by Aspen Group Inc which in turn is owned by the Brownis Trust. Michael Stevens, the non-executive Chairman of Artisan, is the settler of the Brownis Trust and the beneficiaries comprise certain members of his family.