Artisan (UK) Developments Limited

Report and Financial Statements

Year ended

30 June 2010

Company number 2979041

Artisan (UK) Developments Limited

Report and financial statements
for the year ended 30 June 2010

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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 2010

The directors present their report together with the audited financial statements for the year ended 30 June 2010

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 per share (2009 – £nil) was paid during the year The directors have not proposed a final dividend for the year (2009 £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 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 £1,472,214 (2009 - £1,533,209), a decrease of 4% compared to the previous year As in the previous year market conditions have been very challenging and we have seen a much lower volume of sales compared to earlier years Despite reduced overhead and interest costs the low level of sales resulted in a loss before tax of £975,399 (2009 - £1,060,229) 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 reduced by £1,328,099 to £9,638,204 as the result of the sale of finished units Group funding has remained broadly the same compared to the previous year end despite realising cash from stock as the Company has needed to fund the losses incurred in the year Cash balances at the year end have increased by £415,917 to £1,261,335 As a result of the loss the Company has net liabilities at the year end of £651,521 The year ended with future development capacity at over 17,400 square metres of net developable floor space (2009 - 18,500 square metres)

Principal risks and uncertainties

Whilst the Company has no bank borrowings, it is funded by loans from Artisan (UK) plc which in turn is funded by significant levels of debt for which the Company provides cross guarantees to the Group's bank in favour of Artisan (UK) plc and its group company members for all monies owing The Group is reliant on the continued provision of debt facilities which are provided for fixed periods of time 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 Also, it can be expected that funders will want to reduce loan to cost and loan to value ratios and this could reduce the level of funding available to the Group Further information is set out in note 1 to the financial statements on page 8 regarding the availability of future facilities

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

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

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 10

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 minor 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 2010 *(Continued)*

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 9 November 2010

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 2010 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 Chapter 3 of Part 16 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 2010 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 concerning the Company's ability to continue as a going concern The Company is dependent upon the ongoing financial support provided by its parent undertaking Artisan (UK) plc to enable it to continue to operate as a going concern for the foreseeable future This support is dependent upon Artisan (UK) plc being a going concern which in turn is dependent on the ongoing availability of funding from its external lenders which are due to expire on 1 July 2011

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the ability of the Company to be able to continue as a going concern The financial statements do not include the adjustments that would be necessary if the Company was unable to continue as a going concern

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 Kingdon

Date 9 November 2010

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 2010

	Note	2010 £	2009 £
Turnover	2	**1,472,214**	1,533,209
Cost of sales		**(1,559,077)**	(1,497,842)
Gross (loss)/profit		**(86,863)**	35,367
Administrative expenses		**(948,502)**	(1,006,201)
Other operating income		**280,200**	299,167
Operating loss	4	**(755,165)**	(671,667)
Interest receivable		**2,404**	3,695
Interest payable and similar charges	5	**(222,638)**	(392,257)
Loss on ordinary activities before taxation		**(975,399)**	(1,060,229)
Taxation	6	**26,592**	15,000
Loss for the year	14	**(948,807)**	(1,045,229)

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

Artisan (UK) Developments Limited

Balance sheet
at 30 June 2010

Company number 2979041	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	8		**11,280**		21,555
Current assets					
Stocks	9	**9,638,204**		10,966,303	
Debtors	10	**77,875**		352,549	
Cash at bank and in hand		**1,261,335**		845,418	
		10,977,414		12,164,270	
Creditors: amounts falling due within one year	11	**11,640,215**		11,888,539	
Net current assets			**(662,801)**		275,731
Net (liabilities)/assets			**(651,521)**		297,286
Capital and reserves					
Called up share capital	13		**800,000**		800,000
Profit and loss account	14		**(1,451,521)**		(502,714)
Shareholders' (deficit)/funds	15		**(651,521)**		297,286

The financial statements were approved by the Board of Directors and authorised for issue on 9 November 2010

M J Eyres
Director

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2010

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

Basis of preparation

The Directors have prepared the financial statements of the Company on the going concern basis This assumes that the Company will continue to be able to meet its liabilities when they fall due for the foreseeable future

The Company is dependent upon the ongoing financial support provided by its parent undertaking, Artisan (UK) plc, to enable it to continue to operate as a going concern for the foreseeable future. This support is dependent upon Artisan (UK) plc being a going concern which in turn is dependent on the ongoing availability of funding from external lenders

Artisan (UK) plc's borrowings are due for repayment in full on 1 July 2011 when the current loan facility agreement comes to an end The Directors of Artisan UK plc are in the process of renegotiating the banking facilities to ensure that facilities remain in place after 1 July 2011 Negotiations have been ongoing for some time Whilst the Artisan (UK) plc Directors believe that facilities will be available beyond 1 July 2011 they recognise that the bank is seeking to reduce loan to value ratios and restructure the facility towards a development by development basis of lending whilst at the same time increasing the costs associated with borrowing and moving away from speculative commercial property lending Our bank is also very keen to see new equity introduced into the Group If appropriate terms cannot be agreed the Group would need to secure alternative facilities elsewhere Because of uncertainties in the banking market, the lessening in the loan to value multiples available and anticipated increased borrowing costs, there is no certainty that acceptable alternative facilities would be readily available

Given the above factors the Directors recognise that without a binding agreement to extend the Group's facilities on acceptable terms that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern

The Directors however consider it appropriate to prepare the Company's financial statements on the going concern basis given their belief that sufficient funding will be made available beyond 1 July 2011 and that based upon their current forecasts an adequate level of headroom will be achieved over the minimum covenant levels throughout the period of the current facility

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

1 Accounting policies *(Continued)*

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

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

	2010	2009
	£	£
Staff costs consist of		
Wages and salaries	**205,242**	394,492
Social security costs	**24,099**	44,407
Other pension costs	**17,532**	25,889
	246,873	464,788

The average number of employees, including directors, during the year were as follows	**Number**	**Number**
Administration	**1**	2
Operations	**2**	5
	3	7

4 Operating loss

	2010	2009
	£	£
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
Depreciation - owned assets	**10,389**	15,664
Hire of plant and machinery	**-**	797
Other operating lease rentals - vehicles	**6,121**	9,239
- land and buildings	**272,039**	289,879
Rent receivable	**(280,200)**	(299,167)
Auditors' remuneration	**20,000**	27,000

During the year overhead costs totalling £2,454 (2009 - £14,680) were allocated from administrative expenses to work in progress

	2010	2009
	£	£
Directors' emoluments	**191,716**	211,297
Directors' pension contributions to money purchase schemes	**16,177**	18,352
	207,893	229,649

Pension contributions were made on behalf of 3 directors (2009 - 3)

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2010 *(Continued)*

5 Interest payable and similar charges

	2010 £	2009 £
Inter group interest	**222,638**	392,257

6 Taxation

	2010 £	2009 £
Current tax		
UK corporation tax on loss for the year	**(26,592)**	(15,000)
Taxation on loss on ordinary activities	**(26,592)**	(15,000)

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

	2010 £	2009 £
Loss on ordinary activities before tax	**(975,399)**	(1,060,229)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	**(273,112)**	(296,864)
Effects of		
Expenses not deductible for tax purposes	**5,406**	9,972
Depreciation for the year in excess of capital allowances	**2,909**	1,802
Unrelieved losses carried forward	**239,205**	272,826
Other	**(1,000)**	(2,736)
Current tax credit for the year	**(26,592)**	(15,000)

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

No final dividend has been proposed (2009 - £Nil)

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2010 *(Continued)*

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost or valuation			
At 1 July 2009	16,540	59,854	76,394
Additions	-	114	114
At 30 June 2010	16,540	59,968	76,508
Depreciation			
At 1 July 2009	15,617	39,222	54,839
Charge for the year	923	9,466	10,389
At 30 June 2010	16,540	48,688	65,228
Net book value			
At 30 June 2010	-	**11,280**	**11,280**
At 30 June 2009	923	20,632	21,555

9 Stocks

	2010 £	2009 £
Work in progress	**9,638,204**	10,966,303

10 Debtors

	2010 £	2009 £
Trade debtors	**2,058**	10,563
Amounts owed by group undertakings	**13,358**	93,726
Corporation tax recoverable	**15,000**	62,963
Prepayments and accrued income	**47,459**	185,297
	77,875	352,549

Artisan (UK) Developments Limited

Notes forming part of the financial statements for the year ended 30 June 2010 *(Continued)*

11 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	**80,330**	231,103
Other taxes and social security	**41,026**	113,840
Amounts owed to parent company	**11,396,094**	11,391,891
Accruals and deferred income	**122,765**	151,705
	11,640,215	11,888,539

12 Commitments under operating leases

At 30 June 2010, the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2010 £	Land and buildings 2009 £	Other 2010 £	Other 2009 £
Expiring within one year	-	-	**1,917**	4,448
Expiring within two to five years	-	-	-	4,553
Expiring after more than five years	**213,350**	213,350	-	-
	213,350	213,350	**1,917**	9,001

13 Share capital

	2010 £	2009 £
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 2009	(502,714)
Loss for the year	(948,807)
At 30 June 2010	**(1,451,521)**

15 Reconciliation of movements in shareholders' funds/(deficit)

	2010	2009
	£	£
Loss for the financial year	**(948,807)**	(1,045,229)
Total movements during the year	**(948,807)**	(1,045,229)
Opening shareholders' funds	**297,286**	1,342,515
Closing shareholders' (deficit)/funds	**(651,521)**	297,286

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 2010, bank borrowings of other group company members covered by the cross guarantee amounted to £20,181,626 (2009 - £21,620,960)

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 2010 Aspen Finance Limited ("Aspen") owned 69 5% 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 The Brownis Trust was declared for the benefit of Mr Stevens, the non-executive Chairman of Artisan (UK) plc, and his family The Board understand that the Brownis Trust is the ultimate controlling party