Artisan (UK) Developments Limited

Report and Financial Statements

Year ended

30 June 2013

Company number 2979041

Artisan (UK) Developments Limited

Report and financial statements
for the year ended 30 June 2013

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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 2013

The directors present their report together with the audited financial statements for the year ended 30 June 2013

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 (2012 - £Nil) was paid during the year The directors have not proposed a final dividend for the year (2012 - £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 Following the completion of a large project in the prior year there was limited development activity in the current year 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 £306,869 (2012 - £6,470,068), a very significant decrease on the previous year The lower activity level and further stock impairment charges of £186,505 resulted in a loss for the year of £969,856 (2012 - £107,297)

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 £392,028 to £6,372,633 as the result of the sale of one stock unit and further stock impairment charges Group funding net of cash balances has increased by £1,130,021 over the year reflecting the loss incurred As a result of accumulated losses the Company has net liabilities at the year end of £2,821,534 The year ended with freehold land holdings amounting to circa 12,560m² (2012 - 12,560m²) All of this land has planning permission, most of it detailed In addition there are stock units totalling 1,621 m² (2012 - 1,888 m²)

Principal risks and uncertainties

Whilst the Company has no bank borrowings, the Group is funded by significant levels of debt for which the Company provides cross guarantees to the Group's bank for all monies owing The Group is reliant on the continued provision of debt facilities which are provided for fixed periods of time The value of the Group's security for its borrowings, principally stocks, work in progress and finished units, is affected by the market and the opinions of the valuers reporting to our bank, and this can affect the amount of debt funding available to the Group and the level of working capital available

Principal risks and uncertainties *(continued)*

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

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

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 2013 ***(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,
- 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 18 December 2013

Artisan (UK) Developments Limited

Independent auditors' report

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 2013 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 and express an opinion on 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 Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2013 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 matters 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 explanations 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 18 December 2013

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 2013

	Note	2013 £	2012 £
Turnover	2	**306,869**	6,470,068
Cost of sales		**(578,244)**	(6,025,123)
Gross (loss)/profit		**(271,375)**	444,945
Administrative expenses		**(472,180)**	(416,772)
Other operating income		**33,516**	84,230
Operating (loss)/profit	4	**(710,039)**	112,403
Interest payable and similar charges	5	**(259,817)**	(219,700)
Loss on ordinary activities before taxation		**(969,856)**	(107,297)
Taxation	6	**-**	-
Loss for the year	14	**(969,856)**	(107,297)

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 2013

Company number 2979041	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	8		**2,527**		940
Current assets					
Stocks	9	**6,372,633**		6,764,661	
Debtors	10	**120,271**		237,696	
Cash at bank and in hand		**81,083**		1,270,994	
		6,573,987		8,273,351	
Creditors. amounts falling due within one year	11	**9,398,048**		10,125,969	
Net current liabilities			**(2,824,061)**		(1,852,618)
Net liabilities			**(2,821,534)**		(1,851,678)
Capital and reserves					
Called up share capital	13		**800,000**		800,000
Profit and loss account	14		**(3,621,534)**		(2,651,678)
Shareholders' deficit	15		**(2,821,534)**		(1,851,678)

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2013

M J Eyres
Director

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

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2013

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

Working capital for the Company's operations is provided by the Group which in turn meets its day to day working capital requirements through a bank facility provided by the Group's bankers The Group bank facility is for a maximum of £20,927,649 with a term to 13 July 2015 At 30 June 2013 the Group had drawn £10,558,567 of bank borrowings, net of offset credit balances

The external lenders of the company's parent company, Artisan (UK) plc, hold a fixed and floating charge over the Company's assets and note 16 to these financial statements sets out the amount of borrowings guaranteed by the Company at the year end

Forecasts and projections, taking into account the bank facilities and reasonably possible changes in trading performance, show that the Group will be able to operate within the level of the new facility The Company has received a letter of support from Artisan (UK) plc, its immediate parent company, confirming that it will provide financial support to enable it to meet its obligations and liabilities as they fall due for the foreseeable future In view of this the Directors are satisfied that the Company has adequate resources to continue operating for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

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

1 Accounting policies *(continued)*

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 Net realisable value is the amount that the company expects to realise from the sale of stock in the ordinary course of business, after allowing for the estimated costs of completion and the estimated costs necessary to make the sale It is assumed that sites will be completed and sold in line with the company's intended development plans In the event land or partly completed sites were sold without completing the development the amounts realised would be lower and may be below the carrying value in these accounts

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

Leases where the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases Operating lease rental charges are charged to the profit and loss account on a straight-line basis over the term of each 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

	2013	2012
	£	£
Staff costs consist of		
Wages and salaries	**222,383**	251,463
Social security costs	**28,405**	35,130
Other pension costs	**19,166**	41,770
	269,954	328,363

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

4 Operating (loss)/profit

	2013	2012
	£	£
This has been arrived at after charging/(crediting)		
Stock impairment charges	**186,505**	178,000
Depreciation - owned assets	**669**	3,224
Other operating lease rentals		
- land and buildings	**43,500**	43,500
Rent receivable	**(33,516)**	(84,230)
Auditors' remuneration	**10,392**	14,000

During the year overhead costs totalling £79 (2012 - £8,491) were allocated from administrative expenses to work in progress

Artisan (UK) Developments Limited

Notes forming part of the financial statements for the year ended 30 June 2013 *(continued)*

4 Operating (loss)/profit *(continued)*

	2013 £	2012 £
Directors' emoluments	**215,899**	225,766
Directors' pension contributions to money purchase schemes	**18,800**	39,966
	234,699	265,732

Pension contributions were made on behalf of 3 directors (2012 - 3)

5 Interest payable and similar charges

	2013 £	2012 £
Inter group interest	**259,817**	219,700

6 Taxation

	2013 £	2012 £
Current tax		
UK corporation tax on loss for the year	-	-
Taxation on loss on ordinary activities	-	-

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

	2013 £	2012 £
Loss on ordinary activities before tax	**(969,856)**	(107,297)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23 75% (2012 - 25 5%)	**(230,341)**	(27,361)
Effects of		
Expenses not deductible for tax purposes	-	4,420
Depreciation for the year in excess of capital allowances	**159**	822
Unrelieved losses carried forward	**230,182**	22,119
Current tax credit for the year	-	-

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 (2012 - £Nil)

8 Tangible assets

	Plant and machinery £	Fixtures, Fittings and office Equipment £	Total £
Cost or valuation			
At 1 July 2012	16,540	61,149	77,689
Additions	-	2,256	2,256
At 30 June 2013	**16,540**	**63,405**	**79,945**
Depreciation			
At 1 July 2012	16,540	60,209	76,749
Charge for the year	-	669	669
At 30 June 2013	**16,540**	**60,878**	**77,418**
Net book value			
At 30 June 2013	**-**	**2,527**	**2,527**
At 30 June 2012	-	940	940

9 Stocks

	2013 £	2012 £
Work in progress	**6,372,633**	6,764,661

The Directors performed a net realisable value review of stock held at 30 June 2013 The review compared the estimated net realisable value of each of the development sites with its balance sheet carrying-value Where the estimated net realisable value of an individual site was less than its carrying-value an impairment charge has been made The impairment review resulted in an impairment charge of £186,505 (2012 - £178,000)

The key judgement in estimating the net realisable value of the sites was the estimation of likely sales prices and estimated costs to complete Sales prices were estimated on a site-by-site basis based on local market conditions and considered the current prices being achieved on each site for each product type Although the impairment of stock was based on the current prices being achieved or anticipated prices in the difficult conditions within the commercial property market, if the commercial property market were to deteriorate or improve beyond management expectations in the future then further adjustments to the carrying-value of stock may be required

£1,070,000 (2012 - £1,412,724) of stock is valued at net realisable value rather than at historical cost

10 Debtors

	2013	2012
	£	£
Trade debtors	**2,005**	64,015
Amounts recoverable on contracts	**50,378**	60,353
Prepayments and accrued income	**55,873**	113,328
Other taxes	**12,015**	-
	120,271	237,696

11 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**48,539**	264,612
Other taxes and social security	**4,043**	343,206
Amounts owed to parent company	**9,227,884**	9,257,064
Amounts owed to group undertakings	**718**	31,428
Accruals and deferred income	**116,864**	229,659
	9,398,048	10,125,969

12 Commitments under operating leases

At 30 June 2013, the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiring after more than five years	**43,500**	43,500	-	-

13 Share capital

	2013	2012
	£	£
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 2012	(2,651,678)
Loss for the year	(969,856)
At 30 June 2013	**(3,621,534)**

15 Reconciliation of movements in shareholders' deficit

	2013 £	2012 £
Loss for the financial year	**(969,856)**	(107,297)
Total movements during the year	**(969,856)**	(107,297)
Opening shareholders' deficit	**(1,851,678)**	(1,744,381)
Closing shareholders' deficit	**(2,821,534)**	(1,851,678)

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 2013, bank borrowings of other group company members covered by the cross guarantee amounted to £10,750,488 (2012 - £10,794,472)

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 2013 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 Board understand that the Brownis Trust is the ultimate controlling party