

Artisan (UK) Developments Limited

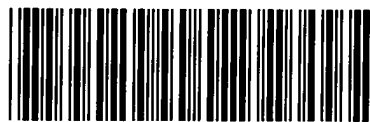
Report and Financial Statements

Year ended

30 June 2015

Company number 2979041

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Artisan (UK) Developments Limited

Report and financial statements for the year ended 30 June 2015

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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

Strategic report for the year ended 30 June 2015

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2015.

Development, performance and position

As shown in the Company's profit and loss account on page 7, the Company's turnover for the year is £1,288,278 (2014 - £2,058,302). During the year the Company sold an industrial stock unit and earned management charge income from a project introduced to and completed by another group company. The Company made a profit before tax for the year of £35,336 (2014: loss £559,717) reflecting the higher margin activities during the year.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the end of the year. Stocks have reduced by £277,814 to £4,855,224 as the result of the stock unit sale in the year. After the year end the Company completed on the sale of 4.5 acres of its development land in Peterborough at a significant profit and two of the Company's stock offices have gone under offer.

As a result of accumulated losses in previous years the Company has net liabilities at the year end of £3,350,229. The year ended with freehold land holdings amounting to circa 12,179 m² (2014 - 12,179 m²). All of this land has planning permission, most of it detailed. In addition there are stock units totalling 580 m² (2014 - 923 m²).

Principal risks and uncertainties

Whilst the company has no borrowings other than from its parent company, the Group is funded by significant levels of debt for which the Company provides security. 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 lender, and this can affect the amount of debt funding available to the Group and the level of working capital available.

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 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.

Artisan (UK) Developments Limited

Strategic report
for the year ended 30 June 2015 (*continued*)

Approval

This strategic report was approved by order of the Board on 21 December 2015

For and on behalf of
Artisan (UK) plc

Artisan (UK) plc
.....

Secretary

Artisan (UK) Developments Limited

Report of the directors for the year ended 30 June 2015

The directors present their report together with the audited financial statements for the year ended 30 June 2015.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

An interim dividend of £Nil per share (2014 - £Nil) was paid during the year. The directors have not proposed a final dividend for the year (2014 - £Nil).

Principal activities

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 also works as a developer with clients on their own land. 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.

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 11.

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 2015 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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.

Going concern

The Directors are required to make an assessment of the Company's ability to continue to trade as a going concern. As explained in note 1 to the financial statements, after making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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 on behalf of
Artisan (UK) plc

Artisan (UK) plc.....
Secretary

Date 21 December 2015

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 2015 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 Financial Reporting Council's (FRC'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 FRC'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 2015 and of its profit 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Artisan (UK) Developments Limited

Independent auditors' report (*continued*)

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 Kingdom*

Date 21 December 2015

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 2015

	Note	2015 £	2014 £
Turnover	2	1,288,278	2,058,302
Cost of sales		(463,533)	(1,907,481)
Gross profit		824,745	150,821
Administrative expenses		(537,588)	(485,703)
Other operating income		19,944	27,918
Operating profit/(loss)	4	307,101	(306,964)
Interest receivable and similar income		845	1,497
Interest payable and similar charges	5	(272,610)	(254,250)
Profit/(loss) on ordinary activities before taxation		35,336	(559,717)
Taxation	6	(4,314)	-
Profit/(loss) for the year	14	31,022	(559,717)

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 9 to 15 form part of these financial statements

Artisan (UK) Developments Limited

Balance sheet at 30 June 2015

<i>Company number 2979041</i>	<i>Note</i>	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	8		3,502		2,579
Current assets					
Stocks	9	4,855,224		5,133,038	
Debtors	10	881,696		229,252	
Cash at bank and in hand		67,675		510,072	
		<u>5,804,595</u>		<u>5,872,362</u>	
Creditors: amounts falling due within one year	11	<u>(9,158,326)</u>		<u>(9,256,192)</u>	
Net current liabilities			<u>(3,353,731)</u>		<u>(3,383,830)</u>
Net liabilities			<u>(3,350,229)</u>		<u>(3,381,251)</u>
Capital and reserves					
Called up share capital	13		800,000		800,000
Profit and loss account	14		(4,150,229)		(4,181,251)
Shareholders' deficit	15		<u>(3,350,229)</u>		<u>(3,381,251)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2015


 M J Eyres
 Director

The notes on pages 9 to 15 form part of these financial statements.

Artisan (UK) Developments Limited

Notes forming part of the financial statements for the year ended 30 June 2015

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 secured loan note of £7 million and a convertible loan note of £1 million. The secured loan note is being repaid from the proceeds of sales of properties and at 30 June 2015 the balance outstanding was £5,737,009. The secured loan note matures on 15 April 2017. The convertible loan note is subordinated to the secured loan note.

Projections have been prepared by the Group which, taking into account the loan notes in issue, the expected ability to raise new finance to support the acquisition and development of new sites and reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current and anticipated facilities. Further, the Directors have obtained a letter of support from the Parent Company which stated its intention to continue to provide such financial support as the Company requires for its continued operations for a period of not less than one year from the date of this report. 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, including management charges to other group companies 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

Artisan (UK) Developments Limited

Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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.

Artisan (UK) Developments Limited

Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

2 Turnover

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

3 Employees

	2015 £	2014 £
Staff costs consist of:		
Wages and salaries	325,767	240,932
Social security costs	38,574	30,414
Other pension costs	30,255	18,800
	<u>394,596</u>	<u>290,146</u>

The average number of employees, including directors, during the year were as follows:

	Number	Number
Administration	1	-
Operations	3	2
	<u>4</u>	<u>2</u>

4 Operating profit/(loss)

	2015 £	2014 £
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	1,490	927
Other operating lease rentals:		
- land and buildings	43,500	43,500
Rent receivable	(19,944)	(27,918)
Auditors' remuneration	6,000	10,704
	<u></u>	<u></u>

During the year overhead costs totalling £14 (2014 - £315) were allocated from administrative expenses to work in progress.

	2015 £	2014 £
Directors' emoluments	247,564	218,899
Directors' pension contributions to money purchase schemes	19,692	18,800
	<u>267,256</u>	<u>237,699</u>

Pension contributions were made on behalf of 3 directors (2014 - 3).

The total amount payable to the highest paid director in respect of emoluments was £123,480 (2014 - £118,476). Company pension contributions of £10,500 (2014 - £10,000) were made to a money purchase scheme on their behalf.

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2015 (*continued*)

5 Interest payable and similar charges

	2015 £	2014 £
Inter group interest	272,610	254,250

6 Taxation

	2015 £	2014 £
<i>Current tax</i>		
Group relief	4,314	-
Taxation on profit/(loss) on ordinary activities	4,314	-

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

	2015 £	2014 £
Profit/(loss) on ordinary activities before tax	35,336	(559,717)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20.75% (2014 - 22.50%)	7,332	(125,936)
Effects of:		
Expenses not deductible for tax purposes	3,324	3,479
Depreciation for the year in excess of capital allowances	309	209
Losses (utilised)/carried forward	(6,651)	122,248
Current tax credit for the year	4,314	-

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 (2014 - £Nil).

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2015 (*continued*)

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
<i>Cost or valuation</i>			
At 1 July 2014	16,540	64,384	80,924
Additions	-	2,413	2,413
Disposals	-	(12,160)	(12,160)
At 30 June 2015	16,540	54,637	71,177
<i>Depreciation</i>			
At 1 July 2014	16,540	61,805	78,345
Charge for the year	-	1,490	1,490
Disposals	-	(12,160)	(12,160)
At 30 June 2015	16,540	51,135	67,675
<i>Net book value</i>			
At 30 June 2015	-	3,502	3,502
At 30 June 2014	-	2,579	2,579

9 Stocks

	2015 £	2014 £
Work in progress	4,855,224	5,133,038

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2015 (continued)

10 Debtors

	2015 £	2014 £
Trade debtors	9,892	9,198
Amounts owed by group undertakings	811,481	144,553
Amounts recoverable on contracts	-	9,999
Other debtors	7,498	10,000
Prepayments and accrued income	52,825	55,502
	<u>881,696</u>	<u>229,252</u>

11 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	42,868	46,638
Other taxes and social security	24,338	214,056
Amounts owed to parent company	8,998,340	8,877,382
Accruals and deferred income	92,780	118,116
	<u>9,158,326</u>	<u>9,256,192</u>

12 Commitments under operating leases

At 30 June 2015, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2015 £	2014 £	2015 £	2014 £
Expiring after more than five years	<u>43,500</u>	<u>43,500</u>	<u>-</u>	<u>-</u>

13 Share capital

	2015 £	2014 £
Authorised, allotted, issued and fully paid: 800,000 ordinary shares of £1	<u>800,000</u>	<u>800,000</u>

Artisan (UK) Developments Limited

Notes forming part of the financial statements
for the year ended 30 June 2015 (continued)

14 Reserves

	Profit and loss account £
At 1 July 2014	(4,181,251)
Profit for the year	31,022
At 30 June 2015	(4,150,229)

15 Reconciliation of movements in shareholders' deficit

	2015 £	2014 £
Profit for the financial year	31,022	(559,717)
Total movements during the year	31,022	(559,717)
Opening shareholders' deficit	(3,381,251)	(2,821,534)
Closing shareholders' deficit	(3,350,229)	(3,381,251)

16 Contingent liabilities

The Company has entered into a first legal mortgage with the holders of the Group's secured loan note and given a fixed and floating charge over its assets. At 30 June 2015, the secured loan note instrument covered by the mortgage and charge was £5,737,009 (2014 - £Nil).

The cross corporate guarantee held by the bank at the previous year end was released during the year following repayment of the borrowings (2014 - £6,542,852).

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, Wasingley Road, Huntingdon, Cambridgeshire, PE29 6SR.

At 30 June 2015 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.