Artisan (UK) Developments Limited

Report and Financial Statements

Year ended

30 June 2016

Company number 2979041

Artisan (UK) Developments Limited

Report and financial statements
for the year ended 30 June 2016

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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 2016

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2016.

Development, performance and position

As shown in the Company's statement of income on page 7, the Company's turnover for the year is £3,889,430 (2015 - £1,288,278) an increase of 202%. During the year the Company sold its three remaining stock properties totalling 580 m^2 along with most of its development land at the Opus Business Park in Peterborough and a small piece of land at Vantage Park in Huntingdon. The Company also earned project management fees, with one of the projects progressing to the construction phase shortly before the year end. The Company made a profit before tax for the year of £392,648 (2015 - £35,336) reflecting the increase in activity and the margins achieved on its trading.

The statement of financial position on page 8 of the financial statements shows the Company's financial position at the end of the year. Stocks have reduced by £2,284,442 to £2,570,782 as the result of the sale of land and all of the Company's stock of completed properties. The cash realised from the sale of stock was largely applied to reducing the company's debt owed to its parent company. The cash balance at the year end increased to £344,443 (2015: £67,675).

As a result of accumulated losses in previous years the Company has net liabilities at the year end of £2,967,425. The year ended with freehold land holdings amounting to circa 6,868m^2 (2015 - 12,179 m^2). All of this land has planning permission, most of it detailed. There are no completed stock properties at the year end (2015 - 580 m^2).

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.

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.

Contracts with clients outside of the Artisan Group will normally be on terms that reduce the risk of non-payment, including the requirement for regular monthly payments against valuation or, less frequently, payments against pre-agreed development milestones.

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 2016 *(continued)*

Approval

This strategic report was approved by order of the Board on 22 March 2017

M J EYRES
FOR AND ON BEHALF OF
Artisan (UK) plc

Secretary

Artisan (UK) Developments Limited

Report of the directors
for the year ended 30 June 2016

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

Results and dividends

The statement of income is set out on page 7 and shows the profit for the year.

An interim dividend of £Nil per share (2015 - £Nil) was paid during the year. The directors have not proposed a final dividend for the year (2015 - £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. The Company provides clients with services covering all aspects of the development project and leads the delivery of the new property. 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 12.

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

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Directors' responsibilities (continued)

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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and 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 UK 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

M J EYRES

Artisan (UK) plc FOR ~~AND~~ ON BEHALF OF.
Secretary

Date 22 March 2017

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 2016 which comprise the statement of income and retained earnings, the statement of financial position, the statement of changes in equity 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 2016 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.

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 22 March 2017

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

Artisan (UK) Developments Limited

Statement of income and retained earnings
for the year ended 30 June 2016

	Note	2016 £	2015 £
Turnover	2	**3,889,430**	1,288,278
Cost of sales		**(2,768,789)**	(463,533)
Gross profit		**1,120,641**	824,745
Administrative expenses		**(519,084)**	(537,588)
Other operating income		**49,219**	19,944
Operating profit	4	**650,776**	307,101
Interest receivable and similar income		**-**	845
Interest payable and similar charges	5	**(258,128)**	(272,610)
Profit on ordinary activities before taxation		**392,648**	35,336
Taxation	6	**(9,844)**	(4,314)
Profit for the year		**382,804**	31,022
Profit and loss account brought forward 1 July 2015		**(4,150,229)**	(4,181,251)
Profit and loss account carried forward 30 June 2016		**(3,767,425)**	(4,150,229)

All amounts shown relate to continuing activities.

The notes on pages 10 to 16 form part of these financial statements

Artisan (UK) Developments Limited

Statement of financial position
at 30 June 2016

Company number 2979041	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	8		**2,389**		3,502
Current assets					
Stocks	9	**2,570,782**		4,855,224	
Debtors	10	**384,001**		881,696	
Cash at bank and in hand		**344,443**		67,675	
		3,299,226		5,804,595	
Creditors: amounts falling due within one year	11	**(6,269,040)**		(9,158,326)	
Net current liabilities			**(2,969,814)**		(3,353,731)
Net liabilities			**(2,967,425)**		(3,350,229)
Capital and reserves					
Called up share capital	13		**800,000**		800,000
Profit and loss account			**(3,767,425)**		(4,150,229)
Shareholders' deficit			**(2,967,425)**		(3,350,229)

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2017

M J Eyres
Director

The notes on pages 10 to 16 form part of these financial statements.

Artisan (UK) Developments Limited

Statement of changes in equity
for the year ended 30 June 2016

	Share capital £	Profit and loss account £	Total £
At 30 June 2014	800,000	(4,181,251)	(3,381,251)
Profit for the year	-	31,022	31,022
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	31,022	31,022
At 30 June 2015	800,000	(4,150,229)	(3,350,229)
Profit for the year	-	382,804	382,804
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	382,804	382,804
At 30 June 2016	**800,000**	**(3,767,425)**	**(2,967,425)**

The notes on pages 10 to 16 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on the impact of first time adoption of FRS 102 is given in note 17.

The financial statements are presented in pounds sterling which is the company's functional currency and rounded to the nearest pound. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. Details of these are given below.

The following principal accounting policies have been applied:

Company disclosure exemptions

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102, as a result of the parent company, Artisan (UK) plc, preparing consolidated financial statements including the company. These financial statements are available at Companies House.

- No cash flow statement has been presented for the company.
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures have been provided in the consolidated accounts.

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

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.

1 Accounting policies *(continued)*

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:

- 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following key judgements and estimates:

- In arriving at its assessment of going concern the Company has considered the availability of working capital which is provided by the Group. Projections have been prepared by the Group which, taking into account its current financial position and its 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.
- Carrying value of land and work in progress and estimation of costs to complete. The Company holds stocks stated at the lower of cost and net realisable value. Judgements and estimates have been made by management in relation to both the net realisable value and cost of stock. Net realisable value is the net amount that the Company expects to realise from the sale of stock in the ordinary course of business, i.e. assuming sites are completed and sold in line with the Company's intended development plans. Furthermore, due to the nature of the Company's activity, and in particular the size and length of the development cycle, the Company has to allocate site wide developments costs between units being built or completed in the current year and those for future years. In doing this it also has to forecast the costs to complete on such developments. The Company also has to consider the proportion of overheads that it is appropriate to allocate to stock. In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Company has established internal controls designed to effectively assess and review stock carrying values and ensure the appropriateness of the estimates made.

2 Turnover

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

3 Employees

	2016	2015
Staff costs consist of:	**£**	**£**
Wages and salaries	**252,835**	325,767
Social security costs	**31,613**	38,574
Other pension costs	**26,605**	30,255
	311,053	394,596

The average number of employees, including directors, during the year were as follows:	**Number**	**Number**
Administration	**-**	1
Operations	**3**	3
	3	4

4 Operating profit

	2016	2015
	£	**£**
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	**1,518**	1,490
Other operating lease rentals:		
- land and buildings	**43,500**	43,500
Rent receivable	**(49,219)**	(19,944)
Auditors' remuneration	**12,360**	6,000

During the year overhead costs totalling £4,592 (2015 - £14) were allocated from administrative expenses to work in progress.

	2016	2015
	£	**£**
Directors' emoluments	**231,245**	247,564
Directors' pension contributions to money purchase schemes	**20,507**	19,692
	251,752	267,256

Pension contributions were made on behalf of 3 directors (2015 - 3).

The total amount payable to the highest paid director in respect of emoluments was £123,480 (2015 - £123,480). Company pension contributions of £10,920 (2015 - £10,500) were made to a money purchase scheme on their behalf.

5 Interest payable and similar charges

	2016 £	2015 £
Inter group interest	**258,128**	272,610

6 Taxation

	2016 £	2015 £
Current tax		
Group relief	**9,844**	4,314
Taxation on profit on ordinary activities	**9,844**	4,314

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

	2016 £	2015 £
Profit on ordinary activities before tax	**392,648**	35,336
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2015 – 20.75%)	**78,530**	7,332
Effects of:		
Expenses not deductible for tax purposes	**4,835**	3,324
Capital allowances for the year in excess of depreciation	**(1,237)**	309
Losses carried forward	**-**	(6,651)
Utilisation of losses brought forward	**(72,284)**	-
Current tax credit for the year	**9,844**	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.

Factors that may affect future tax charges

A reduction in the standard rate of corporation tax from 20% to 19% (effective 1 April 2017) was enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the company's current tax charge accordingly.

7 Dividends

No final dividend has been proposed (2015 - £Nil).

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost or valuation			
At 1 July 2015	16,540	54,637	71,177
Additions	-	405	405
Disposals	-	-	-
At 30 June 2016	**16,540**	**55,042**	**71,582**
Depreciation			
At 1 July 2015	16,540	51,135	67,675
Charge for the year	-	1,518	1,518
Disposals	-	-	-
At 30 June 2016	**16,540**	**52,653**	**69,193**
Net book value			
At 30 June 2016	**-**	**2,389**	**2,389**
At 30 June 2015	-	3,502	3,502

9 Stocks

	2016 £	2015 £
Land for development	**2,570,782**	4,015,583
Completed properties	**-**	839,641
	2,570,782	4,855,224

10 Debtors

	2016	2015
	£	£
Trade debtors	**26,227**	9,892
Amounts owed by group undertakings	**-**	811,481
Amounts recoverable on contracts	**318,041**	-
Other debtors	**268**	7,498
Prepayments and accrued income	**39,465**	52,825
	384,001	881,696

11 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**87,666**	42,868
Other taxes and social security	**31,642**	24,338
Amounts owed to parent company	**5,823,663**	8,998,340
Amounts owed to fellow subsidiary	**242,134**	-
Accruals and deferred income	**83,935**	92,780
	6,269,040	9,158,326

12 Commitments under operating leases

At 30 June 2016, the Company had minimum lease payments under non-cancellable operating leases as set out below:

	2016	2015
	£	£
Later than 1 year and not later than 5 years	**68,875**	112,375

13 Share capital

	2016	2015
	£	£
Authorised, allotted, issued and fully paid:		
800,000 ordinary shares of £1	**800,000**	800,000

14 Contingent liabilities

On 13 June 2016 the Company was released from the fixed and floating charge held by the holders of the Group's secured loan note instrument following repayment of the loan notes. At 30 June 2016, the secured loan note instrument covered by the mortgage and charge was £Nil (2015 - £5,737,009).

15 Related party disclosures

The Company has taken advantage of the exemption provided in FRS 102 not to disclose transactions with companies within the group of which it is a member, where these transactions occur between entities which are 100% owned members of that group.

16 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 2016 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.

17 First time adoption of FRS 102

The financial statements for the year ended 30 June 2016 are the company's first annual financial statements that comply with FRS 102. The date of transition to FRS 102 is 1 July 2014. The transition to FRS 102 has not resulted in any changes to previously reported equity or results.