



**ARTISAN**  
(UK) plc

# Report and Accounts

30 June 2011



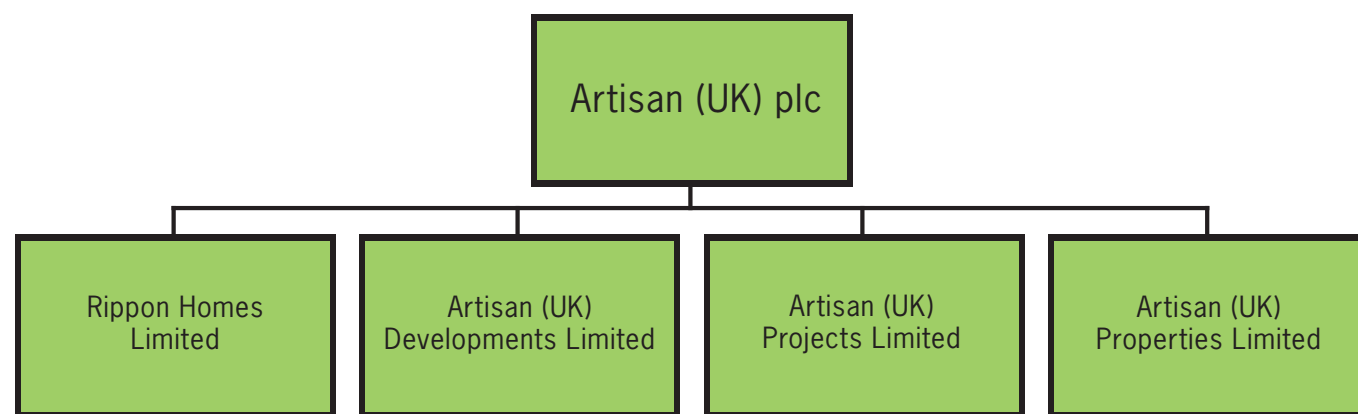
Artisan is a UK based house builder and business park developer.

## CORPORATE PROFILE

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### Artisan (UK) plc

Artisan (UK) plc is the holding company for a group of property development companies and a property holding company. Artisan (UK) plc commenced trading in December 1998. The current principal trading companies are shown below.



### Rippon Homes Limited

Rippon Homes Limited, which has been part of the Artisan Group since December 2000, is a residential house developer based in Mansfield operating in the East Midlands, Lincolnshire and Yorkshire areas. Rippon Homes incorporates the Living Heritage name for the more exclusive properties.

### Artisan (UK) Developments Limited

This Company develops business parks consisting of commercial office space together with light industrial units. The properties are built on both a speculative basis and as bespoke units commissioned by our customers. Its activity is concentrated in East Anglia and Hertfordshire.

### Artisan (UK) Projects Limited

This Company manages the construction activity, principally for Artisan (UK) Developments Limited.

### Artisan (UK) Properties Limited

This Company is engaged in property investment activities. It holds selected properties from its ongoing property portfolio where it believes the covenant of the tenant, possibility for further development or medium term asset appreciation will provide scope for additional attractive returns to the Group compared with the immediate disposal of the property on completion. It will also consider selectively acquiring third party properties.

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All of the above are 100% subsidiaries of Artisan (UK) plc

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## Financial highlights



### Key points

- Prolonged difficult market conditions continue to impact the performance of both the residential and commercial development divisions
- Group turnover for the year reduced to £7.4m (2010: £9.4m), operating losses higher at £2.2m after exceptional item (2010: loss of £1.5m)
- Some improvement post year end:
  - good reception for new Rippon Homes product
  - sale of long leasehold property in St Neots repaying £2.25m of bank debt and releasing £1.0m of working capital
  - significant forward let contract achieved at Artisan (UK) Developments
- Ongoing renegotiation of lending facilities from the Group's lenders with outcome expected shortly; and
- Resolution to delist from the AIM market to be put to the next General Meeting

## Chairman's Quote

“An improvement in market conditions is needed to stimulate higher trading volumes, which in turn will lead to improved profitability. We need to trade through old stock to then be able to recycle the funds for investment in current day priced land stocks. A return to normal market volumes with a stable pricing background is more important to the Group than seeing any significant increase in property values. Artisan develops well regarded product in both its residential and commercial development arms and has demonstrated flexibility and determination in grappling with harsh conditions for the sector and the economy. We are well placed to capitalise on any market improvement.

We expect to shortly conclude negotiations for new banking facilities which will allow us to move forward with more certainty. However as part of a successful renegotiation of our banking facilities, there will be a requirement for new equity or similar.”

## Chairman's statement

### Introduction

The tough trading conditions experienced in 2009 and 2010 have continued into 2011 and this is reflected in our results. The key issues of restricted customer confidence and the shortage of debt funding available to support property transactions remain the overriding features of our principal trading sectors, residential and commercial property development.

Demand for our product, if only the transaction can be financed, remains relatively high and we have seen improved trading since the 30 June 2011 year end.

In the residential market there has been a very positive response to our new sites whilst in the commercial arena we have experienced a rise in interest in commissioning new forward let or forward purchased offices. This is very encouraging and while most of these potential transactions have yet to be translated into sales, we have since the year end sold our long term leasehold property at our Colmworth Business Park in St Neots and completed a substantial forward let contract for a 30,000 sq.ft. office and operations centre to be built on the Group's site in Peterborough.

### Group results

Our Group results were in line with management's expectations and very much influenced by the low volume market and the low margins achievable on our older land stock. Group turnover for the year reduced to £7.4m (2010: £9.4m). The residential business generated turnover of £6.6m (2010: £7.6m) and the commercial business generated a turnover of £0.5m (2010: £1.5m). This reduced level of sales has resulted in an operating loss of £1.6m (2010: loss £1.3m) before exceptional items and an operating loss of £2.2m (2010: loss £1.5m) after exceptional items. The £0.6m exceptional items (2010: £0.1m) are the result of an impairment review on stocks.

### Overview

As I indicated in my opening comment, the market conditions continue to be broadly unfavourable. On the residential side we have mitigated the loss of sales, particularly at the smaller end of our product range by concentrating planning and production on four bedroom homes and bungalows. Sales of these products have been more achievable since potential buyers tend to have equity in their current homes.

Until mortgages become more widely available, the market will continue to be difficult especially for those homes aimed at the first time buyer.

Although Rippon Homes Limited, our residential development subsidiary, has been successful in gaining authority for properties to be sold under the Firstbuy scheme, take up has been slow largely due a lack of awareness of the scheme and its advantages. This shared equity scheme, which is slowly winning acceptance, is a positive initiative from Government.

We have also been able to open new sites that we have acquired since the market slowed and values fell. These are proving attractive to customers and good margins are achievable. Unfortunately our older stock tends to deliver lower profit margins. Our objective is to trade through sites and then acquire new sites with higher potential margins. However it will be some time before normal and sustainable market volumes are achievable.

The market for commercial properties continues to be difficult: few customers are willing to commit to new properties currently and those who do feel no time pressure to complete a purchase. Although there is an increasing shortage of good new or recently built stock available in the market and an extremely restricted development pipeline for any new stock built on a speculative basis, we believe we reflect the industry in not wishing to commit to new speculative build. Factors other than uncertain demand are the punitive empty business rates regime on built units and the lack of debt funding available to developers to finance speculative stock.

Forward lets are perhaps less difficult to achieve than forward sales as the funding burden remains with the developer, who can either retain the building as an investment or sell the completed unit to an investor. As a consequence we have been seeing and are continuing to see a number of enquiries to commission new forward let buildings, usually at unit sizes greater than we would have developed on a speculative basis. The aforementioned agreement for a new office in Peterborough is a prime example of what can be achieved. This has been secured on normal market terms as opposed to the discounted terms available for existing buildings, particularly second hand units.

## Chairman's statement continued

### Stock Values

We have once again very carefully considered our stock values, assessing what is appropriate in terms of potential realisation as developed units. As part of our banking negotiations since the year end we have provided our bank with professional valuations prepared on the basis of disposal in the short term. These valuations show that a disposal of our land and work in progress as opposed to finished stocks would attract lower values than those to be achieved through the development of the land and sale of the finished units. The valuations do generally support our expected sales valuations to within a few percent, support our expected residential build costs and demonstrate that our commercial build costs are very competitive.

### Investment Division

During the course of the year to 30 June 2011, the Board decided to pursue a disposal of the Black Teknigas unit at St Neots. This was a more complicated sale because of a future development option that existed on the property. The future development option was renegotiated to the mutual benefit of the tenant and landlord and a successful sale was concluded shortly after the year end in August 2011. This transaction released approximately £1m to the Group's working capital and reduced bank indebtedness by approximately £2.25m. The working capital released will be useful to the Group's future development activities.

### Dividend

The Board believes that it remains sensible to retain funds within the business whilst we await a return to normal trading conditions and better results. We believe shareholders will recognise this approach as prudent. Accordingly, no dividend is recommended for the year. In the future, when the Board do judge it correct to recommend a dividend, the Company will most likely need to apply for a capital reduction to extinguish the accrued negative reserves.

### Outlook

An improvement in market conditions is needed to stimulate higher trading volumes, which in turn will lead to improved profitability. We need to trade through old stock to then be able to recycle the funds for investment in current day priced land stocks. A return to normal market volumes with a stable pricing background is more important to the Group than seeing any significant increase in property values. Artisan produces well regarded product in both its residential and commercial development arms and has demonstrated flexibility and determination in grappling with harsh conditions for the sector and

the economy. We are well placed to capitalize on any market improvement.

### AIM listing and Share Capital

Your Board has carefully considered whether it is of benefit to the shareholders as a whole to maintain the Group's AIM listing. The Board has concluded that the Group does not receive sufficient benefit from the AIM listing as compared with the costs of maintaining that listing and complying with the associated regulatory requirements. In addition we have indicated that we expect there will be a requirement for new equity in the short term and the Board is of the view that of the existing shareholders this is only likely to be substantially provided by Aspen Finance Ltd as the major shareholder of the Company rather than from other shareholders in the Company.

If the delisting is approved by shareholders, the Board has resolved to arrange for a matched bargain facility to be put in place initially for a year to allow shareholders the opportunity to trade their shareholdings.

Consequently the Board has decided to put a resolution to the forthcoming General Meeting to delist from the AIM market. The details are set out in the circular to shareholders.

As part of the proposals to be put to the General Meeting is a resolution that the ordinary shares of the Company will be subdivided into ordinary and deferred shares. Currently the ordinary shares of Artisan are trading at below nominal value and a subdivision will allow for new shares to be issued at a market value below the existing nominal value.

We expect to have shortly concluded the negotiations for new banking facilities which will allow us to move forward with more certainty. I should also advise shareholders that it is part of the renegotiation of our banking facilities, that new equity or similar will be required as already referred to in this statement.

We will also continue to explore any other opportunities that would allow us to improve the scale of the Group.

**Michael W Stevens**  
Chairman

20 December 2011

## Operational and financial review

### Residential Division

The continuing unfavourable market conditions have seen a further difficult year of trading for Rippon Homes resulting in a lower volume of transactions than is necessary for profitable trading. The market has stabilised to some degree but the volumes are too low. Sales of 37 units at an average value of £177,650 (2010: 44 units at an average value of £173,500) reflect the current market.

Sales of the smaller homes, linked or semi-detached three bedroom houses have been most difficult to achieve, but since the year end, Rippon Homes have successfully applied to become part of the Government's Firstbuy scheme and started marketing the smaller homes under this scheme. Public awareness of the scheme is low but we are now starting to see the first transactions submitted for approval to the Government agency.

The management continue to use part exchange as a key incentive for achieving sales and it is an attractive incentive for customers. These part exchange stocks are carefully managed and at the year end we had a stock of 12 units (2010: 11 units).

A new product of a detached three bedroom home has been successfully introduced and been met with a good customer response. Other than this our more successful products are four bedroom houses and bungalows. We continue to look for more sites that can accommodate these types of properties.

We have carefully considered the carrying value of work in progress as we do each time we report. This year we have had the benefit of a professional valuation being undertaken to support our banking negotiations. We have carefully examined these valuations when considering our own assessment of the carrying value. The basis of assessment used in the accounts is that we plan to develop out each of our sites and eventually sell the finished product. This contrasts with the professional valuers assessment by calculating the potential value of the sites in the present state and also after allowing an at least reasonable profit margin and provision for interest costs. This is at odds with our own approach whereby future interest is ignored as we expense interest cost as it is incurred and because applicable accounting standards do not allow any write down in value until a potential loss is anticipated on a site. This review has resulted in a total exceptional provision of £591,500 of which £460,700 relates to the residential stock (2010: £138,500, all on residential stocks). Much of the current year provision relates to one particular site for

which we have changed the planning permission for product that better suits the current market conditions.

Sales of properties on the previous Rippon Homes shared equity scheme have been more modest this year at 4 units (2010: 6 units). The Group therefore has an interest in a total of 12 and more are expected to follow in the next financial year though more likely from the Government's Firstbuy scheme. The accounting treatment requires that the estimated implied interest cost of deferring part of the sale value is deducted from turnover and recognised as interest receivable over the term.

Production at Rippon Homes continues to be gauged in relation to sales, with management exercising careful judgement in order that production will provide stock to meet anticipated sales, without creating excess stock holdings.

### Commercial Division

The commercial division has been severely impacted by the trading conditions resulting in the sale of just two stock units in the year totalling 3,400 ft<sup>2</sup> of commercial property (2010: 9,700 ft<sup>2</sup> all from stock units).

Nevertheless the management team have been busy soliciting potential sales of stock units and also negotiating potential forward lets or forward sales. There has been much more interest in forward lets of more substantial office units this year than in recent years. Unfortunately many of these do not translate into contracts despite great efforts by our management.

However whilst it was too late to be reflected in the year ended 30 June 2011, Artisan (UK) Developments has been able to secure a forward let agreement to develop a new office of about 30,000 sq ft on the Group's site at Peterborough. Construction has started following success in gaining the required planning permission within a tight timescale. It is anticipated that because of the contract terms the Group will be advantaged by holding the investment for a period once the construction has been completed. Contrary to criticism frequently levelled at planning authorities, the planning department in Peterborough were constructive and efficient throughout the whole planning process, delivering a planning permission in much less time than they would have been permitted to take. This supportive attitude to development is very much welcomed and ensured new jobs can be created in Peterborough rather than elsewhere.

## Operational and financial review continued

This contract demonstrates the expected nature of future deals as speculative construction funding is likely to be very restricted in the future – we believe this to be the case for most developers.

In this new environment Artisan (UK) Developments has shown that it can successfully win contracts of this type. A key factor in favour of Artisan is that it retains its own construction management team which allows for much closer controlled costing and build management, providing a cost advantage over other developers who typically sub contract all of their projects to a main contractor for construction.

### Investment properties

Throughout the year to 30 June 2011, the investment properties continued to be occupied. However your Board had decided that it would be appropriate to realise the investment in the lease held on our property in St Neots by Black Teknigas and Watts Industries. The terms of an option to provide an extension to the property were renegotiated to the benefit of landlord and tenant alike. With the benefit of the revised option terms, the unit was marketed and sold shortly after the year end as announced at the time. The disposal of this property realised approximately £1m of cash after repaying the bank debt associated with this property. The disposal of the property was modestly in excess of the carrying value of the property.

The remaining office property is Vantage House occupied by a tenant and also by Artisan. After considering the professional valuations recently prepared, we consider there to be no adjustment required to the carrying value.

### Land stocks

We have not completed on any land purchase during the year to 30 June 2011, although two small purchases were completed shortly after the year end. We regard it as essential further land is purchased and, with the confidence that new banking facilities will soon be finalised, we are making greater efforts to secure new residential land sites.

The land stock of owned or secured plots at Rippon Homes is 198 plots (2010: 239). All of these plots have the benefit of either detailed planning permission or we expect planning permission to be granted shortly. In addition Rippon Homes has some small plots of land with some prospect of obtaining a planning permission at some point in the future. Wingerworth as referred to below is also held by the Group.

The commercial operation currently holds freehold land amounting to 15,340m<sup>2</sup> (2010: 15,340m<sup>2</sup>). All of this land has planning permission, most of it detailed. In addition there are stock units totalling 2,870m<sup>2</sup> (2010: 3,180m<sup>2</sup>). Control of land is a key requirement for generating forward sales and lets and it is the intention of management to secure land opportunities where possible using methods other than outright purchase.

Writing down values on land stocks in accordance with financial accounting standards has resulted in most of the exceptional losses disclosed in the accounts. These write-downs have been effected so as to reduce the carrying value to a position where our stock will breakeven at gross margin level where there are no future profits expected on a site. The Board is aware that should the land be disposed of as land rather than developed, then there could be losses arising on disposal.

For many years we have held land at Wingerworth near Chesterfield, which has been let for horiculture. This site of about 42 acres is modestly valued in our Group accounts, but has some potential to gain partial planning permission, although it is located just outside the current local development framework. This is an area which is short of housing stock. We have therefore been pursuing, with the help of planning professionals, a planning application to develop a small part of the site. Whether planning can be achieved is uncertain, but we believe our proposal for the site is an attractive one offering a well laid out scheme sympathetic to the existing housing stock in the village.

**Results**

	Residential £m	Commercial £m	Investment £m	Central & Other £m	Total £m
<b>Revenue</b>					
<b>2011</b>	<b>6.6</b>	<b>0.5</b>	<b>0.3</b>	<b>–</b>	<b>7.4</b>
2010	7.6	1.5	0.3	–	9.4
<b>Operating (loss)/profit before group management charges and exceptional items</b>					
<b>2011</b>	<b>(0.6)</b>	<b>(0.5)</b>	<b>0.3</b>	<b>(0.8)</b>	<b>(1.6)</b>
2010	(0.9)	(0.5)	0.6	(0.5)	(1.3)

The divisional analysis of operating (loss)/profit is before Group management charges and exceptional costs. The Central and Other column deducts from turnover any inter segment trading.

The tax credit for the year is £44,860 (2010: £90,142) resulting in an effective tax rate credit of 1.68% (2010: 4.69%). The reduction to standard rate is primarily a result of unrelieved trading losses carried forward, for which no deferred tax asset has been recognised.

The exceptional items may be analysed as follows:

	2011 £m	2010 £m
Residential land and WIP provisions	<b>0.6</b>	0.2
Residential land and WIP provisions reversals	–	(0.1)
<b>Total</b>	<b>0.6</b>	0.1

The net assets have reduced from £13.5m to £10.9m as a result of the trading losses for the year and exceptional items.

**Debt and Banking**

The Group has net borrowings of £17.2m (2010: £18.5m). The Group has drawn bank debt of £19.8m (2010: £22.7m), resulting in cash balances which provide funds for continuing trading. The development facility was due to terminate on 1 July 2011, but as already disclosed, has been extended for a total of 7 months whilst negotiations for a new facility continue. The Board is confident that a new facility will be agreed and that this will require an injection of new equity or similar. Since the year end the investment property loan which forms part of the total net borrowings above, has been reduced by £2.25m to £0.93m.

Our development bank facility is split between a LIBOR based facility and a base rate based facility. The base rate facility allows positive bank balances in the Group to be offset against drawdown funds for the purposes of interest calculation, facilitating effective management of funding. The current margins are Base Rate plus 3.25% and LIBOR plus 2.25% for the respective sub-divisions of the development loan. Our covenants are to be negotiated as part of the current bank discussions. The gearing ratio at 30 June 2011 is 158.2% (2010: 137.2%).

## Operational and financial review continued

### Work in Progress

Work-in-progress has reduced from £28.4m to £24.6m, reflecting the lower level of activity in the Group and reduction in land bank as it has been utilised for production. The key management issue is to maintain sufficient but not excessive stocks of product available for purchase and to manage any slow moving items. In this poor market the commercial finished goods stock has been difficult to move.

### Going Concern

The Report of the Directors refers to the considerations addressed when making the assessment of the Group's ability to continue as a going concern and note 1 of the accounting policies refers to the going concern basis upon which these accounts are prepared.

The Group's revolving credit facility was due to expire on 1 July 2011 but has been extended by a total of 7 months to 31 January 2012. Renegotiation of this facility is crucial to the ongoing operations of the business. We have been negotiating this for some time and those negotiations are now at an advanced stage. As part of those negotiations, updated valuations in respect of stock and work in progress and properties have been undertaken and final pricing and structure of the facility is dependent on the assessment of these valuations. Our lender remains supportive of the Group and has provided a temporary waiver of a potential covenant breach together with an extension to the facility referred to above, in order to give us sufficient time to complete the valuation exercise and conclude negotiations and documentation of the new facility. The Directors are confident that a successful conclusion to the negotiations can be reached although as stated it is expected that this will require an injection of equity or similar to fund working capital and reduce the bank loan to value of security ratios.

### Chris Musselle

Chief Executive

20 December 2011

## Directors and advisers

### Directors

**Michael W Stevens**

Non-Executive Chairman

**Christopher Musselle**

Chief Executive and Finance Director

**John Jones**

Executive Director

**Michael Eyres**

Executive Director

**Norman Saunders**

Non-Executive Director

**John Hemingway**

Non-Executive Director

**Secretary and registered office****Philip Speer**

Vantage House

Vantage Park

Washingley Road

Huntingdon

Cambridgeshire PE29 6SR

**Company number**

3630998 Registered in England and Wales

**Auditors****BDO LLP**

55 Baker Street

London W1U 7EU

**Registrar****Capita Registrars**

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

**Nominated adviser****Altium Capital Limited**

30 St James's Square

London SW1Y 4AL

**Legal advisers****Thomson Webb & Corfield**

16 Union Road

Cambridge CB2 1HE

**Bankers****The Royal Bank of Scotland plc**

Corporate Banking

10 St Peter's Street

St Albans

Hertfordshire AL1 3LY

## Report of the directors for the year ended 30 June 2011

The Directors present their report together with the audited financial statements for the year ended 30 June 2011.

### Principal activities, review of the business and future developments

The principal activities of the Group during the year were property related services which included residential house building, commercial property development and property investment and management. There have not been any significant changes in the Group's principal activities in the year under review and the Directors are not aware of any likely major changes in the Group's activities in the next year.

The Chairman's Statement and Operational and Financial Review on pages 3 to 8 contain a review of the development and performance of the Group during the financial year and its position at the end of the year, covering the Enhanced Business Review requirements of the Companies Act 2006.

### Principal risks and uncertainties

As detailed in note 21 on page 39, the main risk arising from the Group's financial instruments is liquidity risk. The Group is funded by significant levels of debt and consequently the Group seeks to maintain an open and regular dialogue with its bankers. The Group is reliant on the continued provision of debt facilities. It is particularly relevant to note that, in the current economic climate, the Group is dependent upon the continued willingness and ability of the Group's bank to provide debt funding to the Group. 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. It can be expected that funders will want to reduce loan to cost and loan to value ratios and this also could reduce the level of funding available to the Group. Further information is set out in note 1 to the financial statements on page 22.

As the purchase of either a residential or commercial property is normally a significant commitment by our purchaser, the purchaser's confidence to proceed is affected by the general economic outlook, the level of interest rates and the availability of credit. All of these factors are outside the Group's control.

The Group's operations are clearly affected by the general economic cycle and are subject to short-term volatility in demand. Rippon Homes product and site development does not lend itself towards forward-sales, which allows it to respond to market conditions when setting prices and deciding on production. Conversely, our business model for commercial development is weighted towards achieving forward sales where possible 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 of our general office and industrial product remains essential and this will result in the holding of stock properties.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst there is land available there is no doubt that it is challenging to secure suitable sites on acceptable terms and not as much land is available as could have been expected at this stage of the economic cycle. We have an experienced management team tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases. The acquisition of land can become elongated where there are issues to resolve on the land being purchased and this can delay production and ensuing sales. Dependent on market conditions, holding land over a period of time can result in significant profits or losses.

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.

In addition to the liquidity risk described above, the Group is also exposed to interest rate risk on its financial instruments, as the group's borrowings are at floating rates of interest. Further details are set out in note 21 on page 38. The Board have considered and will continue to consider whether any form of hedging is appropriate in relation to this risk, especially if the level of net indebtedness rises.

### Environment

The Group recognises the importance of its environmental responsibilities and is required to comply with all relevant environmental legislation. In particular, we aim to ensure that our designs meet the latest building regulations and the requirements of our customers.

We also ensure that our staff undertake training and qualifications where appropriate in the ongoing requirements of current and expected future building regulations and quality assessment.

Approximately 49% of our homes sold in the year were built on brown-field sites. In many cases we incur significant land remediation expenditure in dealing with contamination left by the previous occupiers of the land.

### Employees and health and safety at work

Details of the number of employees and related costs can be found in note 3 on page 30.

As explained in the report on Corporate Governance on page 14, a high standard of health and safety management is promoted at all levels within the Group. This is reflected in the quarterly reports prepared by our external health and safety auditor which show that there were no major accidents reported for the year and minor accidents were lower than the external benchmark figure for the Group.

### Results and dividends

The statement of comprehensive income is set out on page 18 and shows the loss for the year. The Group loss for the year after taxation amounted to £2,621,789 (2010: £1,832,462).

The Directors do not propose to pay a final dividend for the year (2010: £Nil). No interim dividend was paid during the year (2010: £Nil).

### Directors

The following Directors have held office during the year:

Michael W Stevens  
 Christopher Musselle  
 Norman Saunders  
 John Hemingway  
 John Jones  
 Michael Eyres

### Directors' shareholdings

The Directors at 30 June 2011 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2011	2010	2011	2010
Michael Stevens	9,268,721	9,268,721	–	–
Christopher Musselle	19,200	19,200	–	–
John Jones	5,400	5,400	–	–
Michael Eyres	300	300	–	–
Norman Saunders	1,050	1,050	–	–
John Hemingway	–	–	–	–

### Indemnification of directors

Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) are in force for all Directors who held office during the year.

### Substantial shareholders

At 20 December 2011 the Company has been notified of the following interests in its issued share capital:

	2011	Ordinary shares of 20p each		
		2011	2010	2010
Aspen Finance Limited	9,268,721	69.5%	9,268,721	69.5%

Aspen Finance Limited is a related party (see note 22).

### Creditors' payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. The number of average days' purchases of the Group represented by trade creditors at 30 June 2011 was 41 days (2010: 17 days).

### Directors' responsibilities

The Directors are responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

## Report of the directors continued

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; 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 are sufficient to show and explain the company's transactions and 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 requirements of 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.

### Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Going concern

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern. After making appropriate enquiries including the considerations referred to below, the Directors consider that the Group 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. Further details are set out in note 1. In arriving at this conclusion, two of the principal areas for considerations were:

### Cash flow

The Group has analysed its cash flow requirements through to 30 June 2013 in detail. The cash flow includes estimates for a number of key variables including the timing of property sales and the price levels that may be achieved. The cash flow is stress tested to assess the adverse effect arising from reasonable changes in circumstance. It is recognised that the cash flow impact of these changes could result in additional equity being required. The cash flow projections do assume that additional equity will be available. The Group's controlling shareholder, Aspen Finance Limited, has stated its intention to continue to support the Group.

The Group has no committed land payments to find at present and such expenditure is being managed closely in response to sales progress. The cash flow contingent expenditure assumptions are assessed against potential shortfalls in trading receipts and a balanced view of cash flow adequacy is assessed.

### Bank facilities

As explained in note 1 on page 22, the Directors are in the process of renegotiating the banking facilities to ensure that facilities remain in place after 31 January 2012. Negotiations have been ongoing for some time and those negotiations are now at an advanced stage. As part of those negotiations, updated valuations in respect of stock and work in progress and properties have been prepared and final pricing of the facility will be dependent on the assessment of the outcome of those valuations. Our lender remains supportive of the Group and has provided a temporary waiver of a potential covenant breach together with an extension to the facility referred to above, in order to give sufficient time to complete an agreement of working capital requirements compared with a desire to reduce loan to value ratios and conclude negotiations and documentation of the new facility. The Directors are confident that a successful conclusion to the negotiations can be reached. However, 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.

### Annual general meeting

The Annual General Meeting of the Company will be held at the offices of Altium Capital Limited, 30 St James's Square, London SW1Y 4AL on 25 January 2012 at 11.30 am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

### 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

**Philip Speer**  
Secretary

20 December 2011

## Corporate governance

The Directors acknowledge the importance of the Principles set out in the 2006 FRC Combined Code on Corporate Governance. Although not required to make these disclosures, the Directors set out below how the principles that they consider to be applicable to the Company have been applied during the year:

### The Board of Directors

During the year ended 30 June 2011 the Board comprised a Non-Executive Chairman, a Chief Executive and Finance Director, the Managing Directors of Rippon Homes Limited and Artisan (UK) Developments Limited and two independent Non-Executive Directors. The Board includes Non-Executive Directors of sufficient calibre and number to bring independent judgement on the key issues facing the Group.

The Chief Executive continues to combine the role of Finance Director, although he is supported in this role by a suitably qualified Group Financial Controller. The Board will keep the board structure under review.

The Board met regularly throughout the year to review performance against pre-agreed budgets. The Board has a formal schedule of matters specifically reserved to it for decision covering overall strategy, acquisition and divestment policy, approval of budgets and major capital expenditure projects and general treasury and risk management policies. To enable the Board to discharge its duties, all Directors have full access to all relevant information and to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, the Directors may take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

A nominations committee is not considered appropriate because of the small size of the Board but all appointments or potential appointments are fully discussed by all Board members. All new Directors and senior management are given a comprehensive introduction to the Group's business, including visits to the principal sites and meetings with senior management. Any training necessary will be provided at the Company's expense.

The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and then submit to re-election at intervals of three years. The Chief Executive is not subject to retirement by rotation, but would expect to submit voluntarily to re-election at intervals of three years.

### Audit Committee

The Audit Committee consists of Norman Saunders, Chairman, and John Hemingway. The Audit Committee meets at least twice a year and considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. Meetings are also attended by relevant Executive Directors. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

### Remuneration Committee

The Remuneration Committee consists of John Hemingway, Chairman, and Norman Saunders. The Committee's role is, amongst other responsibilities, to consider and approve the remuneration and benefits of the Executive Directors. In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of The Combined Code. The Report on Directors' Remuneration is set out on pages 15 and 16.

### Internal Control

The Board has ultimate responsibility for the system of internal control operating throughout the Group and for reviewing its effectiveness.

No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide the Board with reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action.

The Board has delegated the detailed design of the system of internal control to the Executive Directors.

The control framework and key procedures are as follows:

- The Executive Directors meet regularly together, and with other senior executives, to consider Group financial performance, business development and Group management issues. The Directors and officers of Group subsidiaries comprise executives with appropriate functional responsibilities. Directors of key operating companies meet regularly to manage their respective businesses.
- The Group Board establishes corporate strategy and Group business objectives. Divisional management must integrate such objectives into divisional business strategies for presentation to the Group Board with supporting financial objectives.

## Corporate governance continued

- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives and endorsed by divisional management. This is an integral part of the strategic planning process. The appropriateness of controls is considered by the executives, having regard to cost/benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are considered at each regular Board meeting and are formally reviewed and approved by the Group Board.
- Divisional budgets, containing financial and operating targets, capital expenditure proposals and performance indicators are reviewed by the Executive Directors and must support divisional business strategies. The consolidated Group budget is approved by the Group Board.
- Reports on Group and divisional performances are regularly provided to Directors and discussed at Group Board meetings. Performance against both budgets and objectives together with management of business risks are reviewed with divisional management, as are forecasts and material sensitivities. The Board regularly receives reports from key executives and functional heads covering areas such as forecasts, business development, strategic planning, legal and corporate matters.
- There is a group-wide policy governing appraisal and approval of investment expenditure and asset disposals. Post investment performance reviews are undertaken.
- Clearly defined organisation structures and appropriate delegated authorities for executives are in place throughout the Group.

### Relations with Shareholders

Communications with shareholders are given high priority. All shareholder enquiries to the Directors are attended to by a Director. There is a regular commentary for shareholders including presentations after the Company's preliminary announcement of the year end results and at the half year, as well as the investor relations section of the Company's website.

The Board also uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Chairmen of the Audit and Remuneration Committees are available at Annual General Meetings to answer questions.

Established procedures ensure the timely release of share price sensitive information and the publication of financial results and regulatory financial statements.

The Group website is now a key avenue of communication with shareholders and others. The website is regularly reviewed and updated internally and in conjunction with the external technical support team.

### Health and Safety

A high standard of health and safety management is promoted at all levels within the Group. The Group's health and safety approach is supported by training programmes at operating businesses, Group health and safety rules and monitoring and auditing to promote a high level of awareness and commitment. The two senior subsidiary Company Directors with direct responsibility have achieved significant health and safety qualifications. Their success has been appropriately recognised.

### Statement by Directors on Compliance with the Provisions of the Combined Code

The Board consider that they have complied throughout the year ended 30 June 2011 with those provisions of the Combined Code which they consider to be practicable and appropriate for a relatively small public company.

## Report on directors' remuneration

This report has been prepared by the Remuneration Committee on behalf of the Board for submission to shareholders.

### Remuneration Committee members

The Remuneration Committee consists of John Hemingway and Norman Saunders. The Remuneration Committee meets as required during the year but at least twice a year.

### Remuneration Committee Responsibilities

The Remuneration Committee provides advice and recommendations to the Board regarding the Company's framework for executive remuneration and its duties include:

- monitoring the remuneration policies applied in the Group having regard to relevant market comparisons and practice;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of Executive Directors of the Company. Its approach is consistent with the Group's overall philosophy that all staff should be competitively rewarded;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of senior executives of the Group; and
- ensuring that the remuneration policy and the Group's practices for Executive Directors facilitate the employment and motivation of top quality personnel and adequately reward individual contributions made to the Group while at the same time remaining appropriate in terms of the Group's performance.

### Policy

The Company has given full consideration to the principles of and has complied as far as possible with the provisions of the Combined Code on Directors' remuneration.

A strategic aim is to align as closely as possible the interests of employees and shareholders. This is achieved by attracting, training, developing and retaining talented staff at all levels throughout the Group underpinned by the provision of highly competitive salaries and benefits to all employees.

Individual salary, bonus and benefit levels for Executive Directors and other senior executives are reviewed annually by the Remuneration Committee and are determined by reference to a range of criteria including:

- personal performance;
- level of responsibility;
- the performance of the Group relative to its competitors; and
- the practice of other listed companies, in particular those operating in similar sectors.

### Remuneration packages

The remuneration package for Executive Directors comprises short term and longer term benefits and post retirement benefits. The Remuneration Committee is empowered to take external advice to help ensure the appropriateness of these benefits, where it considers it appropriate to do so.

Short term benefits comprise annual salary, provision of a company car (or car allowance), life assurance, medical expenses insurance and performance bonuses.

### Directors' service agreements

Each of the Executive Directors has a service agreement which requires not more than twelve months' notice of termination.

The Non-Executive Directors have contracts with the Company terminable at six months' notice.

### Pensions

Pension contributions are paid on a money purchase basis to the personal pension schemes of the Executive Directors. These arrangements are continually reviewed to ensure that they are appropriate. There is no intention to set up an occupational pension scheme.

### Non-Executive Directors

The fees of Non-Executive Directors are set by the Board.

## Report on directors' remuneration continued

### Directors' remuneration

Details of the Directors' remuneration in respect of qualifying services are shown below

	Salary and fees £	Benefits £	Total 2011 £	Total 2010 £	Pension contributions 2011 £	Pension contributions 2010 £
<b>Executives</b>						
Christopher Musselle	154,612	19,065	<b>173,677</b>	159,178	<b>24,930</b>	24,930
John Jones	123,900	21,337	<b>145,237</b>	132,351	–	–
Michael Eyres	100,000	18,816	<b>118,816</b>	120,086	<b>10,000</b>	10,000
<b>Non-Executives</b>						
Michael W Stevens	100,000	–	<b>100,000</b>	50,000	–	–
Norman Saunders	24,120	1,099	<b>25,219</b>	28,097	–	–
John Hemingway	24,120	–	<b>24,120</b>	22,914	–	–
Total	526,752	60,317	<b>587,069</b>	512,626	<b>34,930</b>	34,930

The remuneration for Michael Stevens is payable in accordance with an agreement with Jermyn Consultancy Services Limited for the provision of his services.

Pension contributions were made in respect of 2 Directors (2010: 2).

### Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 11.

On behalf of the Remuneration Committee

**John Hemingway**

20 December 2011

## Independent auditor's report to the members of Artisan (UK) plc

We have audited the financial statements of Artisan (UK) plc for the year ended 30 June 2011 which comprise the Group statement of comprehensive income, the Group statement of changes in equity, the Group and Company statement of financial position, the Group statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 modified, we have considered the adequacy of the disclosures made in note 1 concerning the Group's ability to continue as a going concern.

The Group's loan facility of £25m, of which £16.7m had been drawn as at 30 June 2011 expired on 1 July 2011. The Group's lender has granted further extensions which will expire on 31 January 2012. The Directors are in the process of renegotiating the banking facilities to ensure that suitable facilities remain in place after 31 January 2012. Whilst the Group expects to be able to agree revised loan facilities on acceptable terms a significant uncertainty exists given the absence of any legally binding facility agreement between the Group and their lender.

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

### 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### Geraint Jones (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London  
United Kingdom

20 December 2011

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

## Group statement of comprehensive income

for the year ended 30 June 2011

	Note	2011 £	2010 £
<b>Revenue</b>	2	<b>7,403,852</b>	9,403,279
<b>Cost of sales</b>			
Before exceptional items		<b>(7,009,225)</b>	(9,394,169)
Exceptional items	5	<b>(591,507)</b>	(138,499)
Cost of sales		<b>(7,600,732)</b>	(9,532,668)
<b>Gross loss</b>			
Before exceptional items		<b>394,627</b>	9,110
Exceptional items		<b>(591,507)</b>	(138,499)
<b>Gross loss</b>		<b>(196,880)</b>	(129,389)
Other operating income		<b>366,517</b>	321,589
Administrative expenses		<b>(2,353,319)</b>	(1,988,906)
		<b>(2,183,682)</b>	(1,796,706)
Revaluation surplus on investment properties	10	<b>17,476</b>	325,754
<b>Operating loss</b>			
Before exceptional items		<b>(1,574,699)</b>	(1,332,453)
Exceptional items		<b>(591,507)</b>	(138,499)
<b>Operating loss</b>	4	<b>(2,166,206)</b>	(1,470,952)
Finance income		<b>26,174</b>	22,855
Finance expense	6	<b>(526,617)</b>	(474,507)
<b>Loss before taxation</b>			
Before exceptional items		<b>(2,075,142)</b>	(1,784,105)
Exceptional items		<b>(591,507)</b>	(138,499)
<b>Loss before taxation</b>		<b>(2,666,649)</b>	(1,922,604)
<b>Tax credit</b>			
Before exceptional items		<b>44,860</b>	90,142
Exceptional items		<b>–</b>	–
Tax credit	7	<b>44,860</b>	90,142
<b>Loss for the year attributable to the equity holders of the parent</b>			
Before exceptional items		<b>(2,030,282)</b>	(1,693,963)
Exceptional items		<b>(591,507)</b>	(138,499)
<b>Other comprehensive income</b>		<b>–</b>	–
<b>Loss for the year and total comprehensive expense attributable to the equity holders of the parent</b>		<b>(2,621,789)</b>	(1,832,462)
Basic and diluted loss per share	9	<b>(19.67p)</b>	(13.75p)

The notes on pages 22 to 40 form part of these financial statements.

## Group statement of changes in equity

for the year ended 30 June 2011

	Share capital £	Share premium account £	Merger reserve £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Own shares held £	Total £
At 30 June 2009	2,668,291	11,356,683	515,569	91,750	28,044	683,901	(19,065)	15,325,173
Loss for the year	–	–	–	–	–	(1,832,462)	–	(1,832,462)
Total recognised expense for the year	–	–	–	–	–	(1,832,462)	–	(1,832,462)
Credit in respect of employee share schemes	–	–	–	–	–	601	–	601
At 30 June 2010	2,668,291	11,356,683	515,569	91,750	28,044	(1,147,960)	(19,065)	13,493,312
Loss for the year	–	–	–	–	–	(2,621,789)	–	(2,621,789)
<b>At 30 June 2011</b>	<b>2,668,291</b>	<b>11,356,683</b>	<b>515,569</b>	<b>91,750</b>	<b>28,044</b>	<b>(3,769,749)</b>	<b>(19,065)</b>	<b>10,871,523</b>

The notes on pages 22 to 40 form part of these financial statements.

## Group statement of financial position at 30 June 2011

Company number 3630998

	Note	2011 £	2011 £	2010 £	2010 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment properties	10		<b>3,740,668</b>		3,723,192
Property, plant and equipment	11		<b>777,215</b>		801,522
Other receivables	12		<b>539,929</b>		479,793
			<b>5,057,812</b>		5,004,507
<b>Current assets</b>					
Inventories	13	<b>24,590,964</b>		28,397,947	
Trade and other receivables	14	<b>303,601</b>		490,700	
Current tax recoverable				33,872	
Cash and cash equivalents		<b>881</b>		403,874	
		<b>24,895,446</b>		29,326,393	
<b>Total assets</b>			<b>29,953,258</b>		34,330,900
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	15				(18,920,431)
<b>Current liabilities</b>					
Trade and other payables	16	<b>(1,886,604)</b>		(1,686,705)	
Interest bearing loans and borrowings	17	<b>(17,195,131)</b>			
Provisions	18			(230,452)	
		<b>(19,081,735)</b>		(1,917,157)	
<b>Total liabilities</b>			<b>(19,081,735)</b>		(20,837,588)
<b>Net assets</b>			<b>10,871,523</b>		13,493,312
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
Called up share capital	19		<b>2,668,291</b>		2,668,291
Share premium account	20		<b>11,356,683</b>		11,356,683
Merger reserve	20		<b>515,569</b>		515,569
Capital redemption reserve	20		<b>91,750</b>		91,750
Revaluation reserve	20		<b>28,044</b>		28,044
Retained earnings	20		<b>(3,769,749)</b>		(1,147,960)
Own shares	20		<b>(19,065)</b>		(19,065)
<b>Total equity</b>			<b>10,871,523</b>		13,493,312

The financial statements were approved by the Board of Directors and authorised for issue on 20 December 2011.

**Chris Musselle**  
Director

The notes on pages 22 to 40 form part of these financial statements.

## Group statement of cash flows

for the year ended 30 June 2011

	2011 £	2011 £	2010 £	2010 £
<b>Cash flows from operating activities</b>				
Loss before taxation	(2,666,649)		(1,922,604)	
Depreciation	39,545		52,102	
Finance income	(26,174)		(22,855)	
Finance expense	526,617		474,507	
Share based payments charge	–		601	
Profit on disposal of property, plant and equipment	(851)		–	
Revaluation surplus on investment properties	(17,476)		(325,754)	
<b>Operating loss before changes in working capital and provisions</b>	<b>(2,144,988)</b>		<b>(1,744,003)</b>	
Decrease in inventories	3,806,983		5,326,560	
Decrease in trade and other receivables	126,963		101,157	
Decrease in trade and other payables	(20,000)		(1,067,014)	
<b>Cash from operations</b>		<b>1,768,958</b>		2,616,700
Finance income received		26,174		22,855
Finance costs paid		(537,170)		(437,210)
Tax received		78,732		75,388
<b>Net cash from operating activities</b>		<b>1,336,694</b>		2,277,733
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(15,238)		(20,107)	
Proceeds from sale of property, plant and equipment	851		–	
<b>Net cash used in investing activities</b>		<b>(14,387)</b>		(20,107)
<b>Cash flows from financing activities</b>				
Movement on borrowings	(1,725,300)		(1,855,148)	
<b>Net cash used in financing activities</b>		<b>(1,725,300)</b>		(1,855,148)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(402,993)</b>		402,478
<b>Cash and cash equivalents at the beginning of the year</b>		<b>403,874</b>		1,396
<b>Cash and cash equivalents at the end of the year</b>		<b>881</b>		403,874

The notes on pages 22 to 40 form part of these financial statements.

## Notes forming part of the group financial statements for the year ended 30 June 2011

### 1 Significant accounting policies

Artisan (UK) plc (the "Company") is a company incorporated as a public limited company under the Companies Act 1985 and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the Directors on 20 December 2011.

#### Statement of compliance

The Group's consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as endorsed for use in the EU (Endorsed IFRS). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 41 to 46.

#### Basis of preparation

The financial statements are presented in pounds sterling. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements with the exception of certain policies subject to the transitional arrangements of Endorsed IFRS, as detailed below.

#### Change of accounting policy

The Group has previously presented items of income and expense in two separate primary statements, an income statement and a statement of comprehensive income. As permitted by IAS 1, Presentation of Financial Statements, the Group has decided to change its accounting policy and present a single statement of comprehensive income.

#### Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Chairman's statement on pages 3 and 4 and the Operational and Financial review on pages 5 to 8. The principal business risks and uncertainties affecting the Group are set out in the director's report on page 10.

The financial performance of the Group is dependent upon both the wider economic environment in which the Group operates and upon the continued availability of banking facilities enabling it to operate as a going concern for the foreseeable future.

At 30 June 2011 the Group has drawn £14m of bank borrowings under the revolving credit facility, net of offset credit balances, against its revolving credit facility of £25m. There is an additional borrowing of £3.2m drawn on a property loan. These borrowings are secured by fixed and floating charges over the assets of the Group and are due for repayment in full on 31 January 2012. The Directors are required to consider the renewal or repayment of the bank borrowings as part of their going concern assessment.

The Directors are in the process of renegotiating the banking facilities to ensure that suitable facilities remain in place after 31 January 2012. Negotiations have been ongoing for some time and those negotiations are now at an advanced stage. As part of those negotiations, updated valuations in respect of stock and work in progress and properties have been prepared and final pricing of the facility will be dependent on the assessment of the outcome of those valuations. Our lender remains supportive of the Group and has provided a temporary waiver of a potential covenant breach together with an extension to the facility referred to above, in order to give sufficient time to complete an agreement of working capital requirements compared with a desire to reduce loan to value ratios and conclude negotiations and documentation of the new facility. These negotiations are linked to the requirement for new equity or similar. Our lender remains supportive of the Group and the Directors are confident that a successful conclusion to the negotiations can be reached. However, 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 financial statements do not include the adjustments that would be necessary if the Group was unable to continue as a going concern. Such adjustments would include presenting assets at their recoverable amounts which would be likely to result in further provisions to the current carrying amounts in the financial statements.

The Directors however consider it appropriate to prepare the Group financial statements on the going concern basis given their belief that sufficient funding will be available for a period of 12 months from the date of approval of these financial statements.

## 1 Significant accounting policies (continued)

### Adoption of new and revised standards and interpretations

#### Standards and interpretations effective during the year

The following new and revised standards and interpretations have been adopted in the current financial year. Their adoption has not had any significant impact on these financial statements and has not required any additional disclosures but may affect the accounting for future transactions:

- **Improvements to IFRSs 2009** (effective for accounting periods beginning on or after 1 January 2010).
- **IFRS 2 Amendment** – Group Cash-settled Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010).
- **IAS 32 Amendment** – Classification of Rights Issues (effective for accounting periods beginning on or after 1 February 2010).
- **IFRIC 19** – Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2011).
- **IFRS 1 Amendment** – Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010) and Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (effective for accounting periods beginning on or after 1 July 2010).

#### Standards and interpretations in issue but not yet effective

At the date of issue of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

- **IAS 24 Amendment** – Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011).
- **IFRIC 14 Amendment & IAS 19** – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011).
- **Improvements to IFRSs 2010** (effective for accounting periods beginning on or after 1 January 2011).
- **IFRS 7 Amendment** – Transfers of Financial Assets (effective for accounting periods beginning on or after 1 July 2011).
- **IFRS 1 Amendment** – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (effective for accounting periods beginning on or after 1 July 2011).
- **IAS 12 Amendment** – Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012).
- **IAS 1 Amendment** – Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012).
- **IFRS 9** – Financial Instruments (effective for accounting periods beginning on or after 1 January 2013).

- **IFRS 10** – Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 11** – Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 12** – Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 13** – Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 27** – Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 28** – Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 19** – Employee Benefits (effective for accounting periods beginning on or after 1 January 2013).

The Group is currently assessing the impact of the standards and interpretations in issue but not yet effective.

#### Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights that presently are exercisable or convertible are taken into account. The results of any subsidiaries sold or acquired are included in the Group statement of comprehensive income up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

The consolidated financial statements incorporate the results of business combinations using the purchase method other than as disclosed below. On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition statement of comprehensive income.

The Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that took place before the date of transition to IFRS and, therefore, business combinations effected before 1 April 2005, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated. As a result, the opening balance sheet under IFRS included £2,454,760 in respect of goodwill arising from past business combinations accounted for using the acquisition method under UK GAAP and a merger reserve of £515,569 following the creation of Artisan (UK) plc from the de-merger of Dean Corporation plc and the simultaneous acquisition of Artisan (UK) Developments Limited by the Group.

## Notes forming part of the group financial statements continued for the year ended 30 June 2011

### 1 Significant accounting policies (continued)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is stated exclusive of VAT and represents the value of work done and properties sold, excluding part exchange properties, the profit or loss on which is included within cost of sales. Revenue consists of sales of trading and development properties, together with gross rental income receivable on investment properties. Revenue does not include the sales of investment properties, for which the profits or losses on sale are shown separately, and rents receivable on development properties, which are shown as other operating income.

In respect of sales of property, revenue and profit are recognised upon legal completion of the legal transfer of title to the customer. Profit or loss is calculated with reference to each site or phase within a site.

Revenue recognised on properties sold under shared equity schemes is reduced by the interest income implicit in the transaction.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the statement of comprehensive income revenue and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. Losses are recognised as soon as they are foreseen.

#### Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income for the period in which they arise.

Property occupied by the Group for its own purposes is included in property, plant and equipment and stated at fair value. Changes in fair value are accounted for as set out in the accounting policy "Property, plant and equipment".

#### Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation with the exception of owner occupied property which is stated at fair value with changes in fair value recognised directly in the statement of comprehensive income. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. It is calculated at the following rates:

Freehold buildings	–	2% per annum on the straight line basis
Motor vehicles	–	20-25% per annum on the straight line or reducing balance basis
Fixtures and fittings	–	15-25% per annum on the straight line or reducing balance basis
Plant and machinery	–	15-25% per annum on the straight line or reducing balance basis

Freehold land is not depreciated. Residual value and expected useful life are re-assessed annually.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Work in progress includes materials and labour costs and an appropriate proportion of overheads incurred on developments in progress or awaiting sale at the balance sheet date.

Land held for building is stated at the lower of cost and net realisable value. Cost comprises land cost and direct materials and labour.

Net realisable value is the amount that the Group expects to realise from the sale of inventory 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 Group'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.

#### Leases

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 statement of comprehensive income on a straight-line basis over the term of each lease. Lease incentives are charged to operating profit on a straight line basis over the full term of the lease.

## 1 Significant accounting policies (continued)

### Taxation

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of the transaction, affects neither taxable profit nor the accounting profit. Deferred tax is calculated at the rates of taxation enacted or substantively enacted at the balance sheet date.

### Dividends

Dividends are recorded in the year in which they become legally payable.

### Sales and marketing costs

Costs relating to sales and marketing activities are written off as incurred.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

### Operating profit

Operating profit is stated after crediting all items of operating income, after charging all items of operating expenditure, and also after crediting or charging all changes in value of investment properties. It is stated before crediting or charging financial income or expenditure.

### Exceptional items

Exceptional items comprise items of income and expense that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods.

### Borrowings

Borrowings are recognised initially at fair value and subsequently at amortised cost. Borrowing costs are charged as an expense over the period for which they are attributable.

### Retirement benefit costs

The Group operates defined contribution pension schemes for employees. Contributions are charged to the statement of comprehensive income in the year in which they become payable.

### Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

#### i. Trade and other receivables

Trade receivables on normal terms do not carry any interest and are stated at their nominal value less any allowance for impairment. The effect of discounting on these financial instruments is not considered to be material. Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable.

Trade receivables on extended terms granted in respect of sales under shared equity schemes are secured by way of a second legal charge on the respective property and are stated at their fair value based on the discounted present value of the expected future cash inflow. The difference between the initial fair value and the expected future cash inflow is credited over the deferral term to the statement of comprehensive income as finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date. Credit risk is accounted for in determining fair values and appropriate discount factors are applied. Gains and losses arising from changes in fair value of the asset over their term are recognised in the statement of comprehensive income as other operating income or charges.

#### ii. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

## Notes forming part of the group financial statements continued for the year ended 30 June 2011

### 1 Significant accounting policies (continued)

#### Financial liabilities

The Group financial liabilities consist of the following:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Owing to the short term nature of these liabilities, there are no significant difference between the carrying amounts of these liabilities and their fair values.

- Bank borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

#### Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Groups ordinary shares are classified as equity instruments.

For the purposes of capital management, the Group considers its capital to comprise its ordinary share capital, share premium and retained earnings less the own share reserve. Neither the merger reserve, capital redemption reserve nor the revaluation reserve is considered as capital. There have been no changes in what the Group considers to be capital since the previous period.

The Group is not subject to any externally imposed capital requirements, other than the Companies Act requirement for public limited companies to have £50,000 of capital at nominal value.

#### Accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates.

Key sources of estimation and uncertainty:

#### i. Going concern

The Group has prepared forecasts which have been reviewed by the Directors, based on estimates and judgements of the market conditions faced by the Group, including residential and commercial demand, customer funding availability, selling prices and the levels of finance available. Many factors will influence customer demand including interest rates, the perception of bank funding availability and stability, employment prospects and the overall level of economic activity in the UK economy.

The Directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months based on the expectation that the Group's current revolving credit facility, which expires on 31 January 2012 will be replaced by a new facility on acceptable terms, and such expectation is based on additional assumptions which have been made regarding the likely terms of any new facility in place after that date. It is expected that any new facility will require further debt or equity funding to aid the growth of the Group and Aspen Finance Limited has stated its intention to support the Company in this connection. Accordingly the Board has adopted the going concern basis for preparation of these financial statements. Further details of the Board's assessment are set out on page 22.

#### ii. Carrying value of land and work in progress and estimation of costs to complete

The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. Judgements and estimates have been made by management in relation to both the net realisable value and cost of inventories.

Net realisable value is the net amount that the Group expects to realise from the sale of inventory in the ordinary course of business, i.e. assuming sites are completed and sold in line with the Group's intended development plans. As residential development in particular is speculative by nature, most inventories are not covered by forward sale contracts, hence it is necessary to make judgements about likely future sales values. The estimate of net realisable value adopted assumes a going concern basis is appropriate and that a disposal of land and work in progress as opposed to finished stock would result in lower values.

### 1 Significant accounting policies (continued)

Furthermore due to the nature of the Group's activity, and in particular the size and length of the development cycle, the Group 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 Group also has to consider the proportion of overheads that it is appropriate to allocate to inventories.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and review inventory carrying values and ensure the appropriateness of the estimates made.

#### iii. Part exchange properties

The carrying values of part exchange properties are assessed based on external valuations completed on the properties. These valuations are based on the prevailing market conditions in the second hand housing market and to the extent that housing market price levels change, the values of the part exchange properties may vary. Part exchange property values at the end of the financial period were based on recent valuations and realistic market expectations.

#### iv. Provisions and contingencies

When evaluating the impact of potential liabilities from claims against the Group, the Directors take professional advice, as appropriate, to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2011

#### 2 Segmental analysis

The Group operates through its three principal business segments which form the basis upon which the Group reports for management and statutory purposes. The Group does not operate outside the United Kingdom. The business segments are as follows:

Residential development	Residential house development mainly in the East Midlands, Lincolnshire and Yorkshire areas
Commercial development	Business park development concentrated in East Anglia and Hertfordshire.
Property investment	Property investment activities throughout the UK
Central and other	Represents unallocated Group overheads and consolidation adjustments

#### Year ended 30 June 2011

	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
<b>Income statement</b>					
<b>Revenue</b>					
External revenue	6,573,182	533,336	297,334	–	7,403,852
Inter-segment revenue	–	–	43,500	(43,500)	–
	<b>6,573,182</b>	<b>533,336</b>	<b>340,834</b>	<b>(43,500)</b>	<b>7,403,852</b>
<b>Segment result</b>					
Segment result before central charges and exceptional items	(634,002)	(466,429)	278,536	(752,804)	(1,574,699)
Exceptional items	(460,671)	(130,836)	–	–	(591,507)
Segment result before central charges but after exceptional items	(1,094,673)	(597,265)	278,536	(752,804)	(2,166,206)
Central charges	(374,995)	(343,249)	(169,246)	887,490	–
Segment result after central charges and exceptional items	(1,469,668)	(940,514)	109,290	134,686	(2,166,206)
Finance income	26,005	20,389	–	(20,220)	26,174
Finance expense	(413,051)	(222,529)	(109,244)	218,207	(526,617)
Loss before taxation	(1,856,714)	(1,142,654)	46	332,673	(2,666,649)
Taxation	44,860	–	–	–	44,860
Loss after taxation	(1,811,854)	(1,142,654)	46	332,673	(2,621,789)
Transactions between segments are accounted for at market value.					
<b>Statement of financial position</b>					
<b>Assets</b>					
Segment assets	17,907,269	9,782,816	4,914,307	(2,651,134)	29,953,258
<b>Liabilities</b>					
Segment liabilities	16,667,540	10,984,047	4,007,139	(12,576,991)	19,081,735
<b>Segment net assets/(liabilities)</b>	<b>1,239,729</b>	<b>(1,201,231)</b>	<b>907,168</b>	<b>9,925,857</b>	<b>10,871,523</b>
<b>Other information</b>					
Capital expenditure	5,022	824	–	9,392	15,238
Depreciation of property plant and equipment	28,533	8,297	–	2,715	39,545

**2 Segmental analysis (continued)****Year ended 30 June 2010**

<b>Income statement</b>	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
<b>Revenue</b>					
External revenue	7,633,730	1,472,215	297,334	–	9,403,279
Inter-segment revenue	–	–	43,500	(43,500)	–
	7,633,730	1,472,215	340,834	(43,500)	9,403,279
<b>Segment result</b>					
Segment result before central charges and exceptional items	(904,296)	(531,559)	603,894	(500,492)	(1,332,453)
Exceptional items	(138,499)	–	–	–	(138,499)
Segment result before central charges but after exceptional items	(1,042,795)	(531,559)	603,894	(500,492)	(1,470,952)
Central charges	(388,438)	(356,167)	(107,692)	852,297	–
Segment result after central charges and exceptional items	(1,431,233)	(887,726)	496,202	351,805	(1,470,952)
Finance income	19,916	25,091	3,851	(26,003)	22,855
Finance expense	(421,815)	(222,638)	(95,140)	265,086	(474,507)
Loss before taxation	(1,833,132)	(1,085,273)	404,913	590,888	(1,922,604)
Taxation	4,462	41,002	(11,592)	56,270	90,142
Loss after taxation	(1,828,670)	(1,044,271)	393,321	647,158	(1,832,462)
<b>Statement of financial position</b>					
<b>Assets</b>					
Segment assets	20,702,223	11,721,496	5,210,743	(3,303,562)	34,330,900
<b>Liabilities</b>					
Segment liabilities	17,650,640	11,780,073	4,303,621	(12,896,746)	20,837,588
<b>Segment net assets/(liabilities)</b>	3,051,583	(58,577)	907,122	9,593,184	13,493,312
<b>Other information</b>					
Capital expenditure	18,599	114	–	1,394	20,107
Depreciation of property plant and equipment	40,139	10,389	–	1,574	52,102

**Major customers**

During the years ended 30 June 2011 and 2010 no one customer accounted for 10% or more of the Group's revenue.

## Notes forming part of the group financial statements continued

for the year ended 30 June 2011

### 3 Employees

	2011 £	2010 £
Staff costs, including directors, consist of:		
Wages and salaries	<b>1,776,238</b>	1,635,746
Social security costs	<b>160,299</b>	144,634
Equity settled share-based payments	–	601
Other pension costs	<b>92,055</b>	78,383
	<b>2,028,592</b>	1,859,364

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' remuneration on pages 15 to 16.

	2011 Number	2010 Number
The average number of employees, including directors, during the year was:		
Administration	<b>22</b>	22
Operations	<b>33</b>	31
	<b>55</b>	53

### 4 Operating loss

	2011 £	2010 £
This has been arrived at after charging/(crediting):		
Depreciation	<b>39,545</b>	52,102
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	<b>19,000</b>	21,000
– the subsidiaries' annual accounts	<b>45,000</b>	50,000
Fees payable to the Company's auditor for other services:		
– tax compliance	<b>18,000</b>	22,000
Hire of plant and machinery	<b>33,535</b>	25,775
Other operating lease rentals – vehicles	<b>18,640</b>	33,072
– land and buildings	<b>286,758</b>	288,084
Impairment charge, net of reversals, in respect of carrying value of inventories	<b>591,507</b>	138,499
Rent receivable	<b>(659,685)</b>	(614,756)
Profit on sale of property, plant and equipment	<b>(851)</b>	–
Equity settled share-based payments	–	601

During the year overhead costs totalling £101,014 (2010: £130,241) were allocated from administrative expenses to work-in-progress.

**5 Exceptional items**

	2011 £	2010 £
<b>Costs charged to cost of sales</b>		
Inventory impairment charge	<b>591,507</b>	138,499

Further details of inventory impairment charges are provided in note 13.

**6 Finance expense**

	2011 £	2010 £
Bank overdrafts and loans repayable within 5 years	<b>526,617</b>	474,507

**7 Tax credit**

	2011 £	2010 £
<b>Recognised in the income statement</b>		
<i>Current tax</i>		
UK corporation tax on loss for the year	–	(33,872)
Adjustment in respect of prior periods	<b>(44,860)</b>	(56,270)
<b>Total tax credit reported in the income statement</b>	<b>(44,860)</b>	(90,142)

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

	2011 £	2010 £
Loss before tax	<b>(2,666,649)</b>	(1,922,604)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 27.5% (2010 – 28%)	<b>(733,328)</b>	(538,329)
Effects of:		
Expenses not deductible for tax purposes	<b>38,317</b>	27,863
Change in fair value of investment properties	<b>(5,952)</b>	(91,211)
Depreciation for the year in deficit/(excess) of capital allowances	<b>7,528</b>	6,641
Utilisation of tax losses brought forward	<b>(54,446)</b>	(130,039)
Unrelieved trading losses for the year carried forward	<b>810,114</b>	750,415
Movement in provision	<b>(61,999)</b>	(59,814)
Other	<b>(234)</b>	602
Adjustment in respect of prior periods	<b>(44,860)</b>	–
<b>Tax credit for the year</b>	<b>(44,860)</b>	(33,872)

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £13.8m (2010: £11.0m) available for set off against future years profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses may be carried forward indefinitely.

**8 Dividends**

No interim dividend was paid (2010: Nil p per ordinary share). The Directors do not propose to pay a final dividend for the year (2010: Nil p per ordinary share).

## Notes forming part of the group financial statements continued for the year ended 30 June 2011

### 9 Earnings per share

The basic earnings per share is calculated by dividing the loss after taxation by the weighted average number of shares (excluding treasury shares) in issue.

	2011 Number	2010 Number
The weighted average number of shares (excluding treasury shares) were:		
Basic weighted average number of shares (excluding treasury shares)	<b>13,326,863</b>	13,326,863

There were no dilutive potential ordinary shares in 2011 or 2010.

### 10 Investment properties

	2011 £	2010 £
<i>Fair value</i>		
At beginning of year	<b>3,723,192</b>	3,397,438
Revaluations included in income statement	<b>17,476</b>	325,754
At end of year	<b>3,740,668</b>	3,723,192

As at 30 June 2011, the historical cost of investment property owned by the Group was £2,779,931 (2010: £2,779,931).

The fair values of the Group's investment properties at 30 June 2011 have been arrived at on the basis of open market value by the Directors, who are suitably experienced and having regard to professional advice.

During the year £294,334 (2010: £294,334) was recognised in the income statement as revenue in respect of rental income from investment properties. Direct operating expenses arising from investment properties amounted to £4,163 (2010: £4,163).

**11 Property, plant and equipment**

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2010	812,354	193,843	104,651	219,061	1,329,909
Additions	–	1,490	8,200	5,548	15,238
Disposals	–	(12,500)	–	–	(12,500)
<b>At 30 June 2011</b>	<b>812,354</b>	<b>182,833</b>	<b>112,851</b>	<b>224,609</b>	<b>1,332,647</b>
<i>Depreciation</i>					
At 1 July 2010	58,402	192,259	86,608	191,118	528,387
Provided for the year	5,773	1,009	10,042	22,721	39,545
Disposals	–	(12,500)	–	–	(12,500)
<b>At 30 June 2011</b>	<b>64,175</b>	<b>180,768</b>	<b>96,650</b>	<b>213,839</b>	<b>555,432</b>
<i>Net book value</i>					
<b>At 30 June 2011</b>	<b>748,179</b>	<b>2,065</b>	<b>16,201</b>	<b>10,770</b>	<b>777,215</b>
At 30 June 2010	753,952	1,584	18,043	27,943	801,522
<i>Cost or valuation</i>					
At 1 July 2009	812,354	192,732	88,031	216,685	1,309,802
Additions	–	1,111	16,620	2,376	20,107
<b>At 30 June 2010</b>	<b>812,354</b>	<b>193,843</b>	<b>104,651</b>	<b>219,061</b>	<b>1,329,909</b>
<i>Depreciation</i>					
At 1 July 2009	52,629	191,051	72,468	160,137	476,285
Provided for the year	5,773	1,208	14,140	30,981	52,102
<b>At 30 June 2010</b>	<b>58,402</b>	<b>192,259</b>	<b>86,608</b>	<b>191,118</b>	<b>528,387</b>
<i>Net book value</i>					
<b>At 30 June 2010</b>	<b>753,952</b>	<b>1,584</b>	<b>18,043</b>	<b>27,943</b>	<b>801,522</b>
At 30 June 2009	759,725	1,681	15,563	56,548	833,517

**12 Other receivables**

	2011 £	2010 £
Trade receivables	232,683	143,418
Other receivables	307,246	336,375
	<b>539,929</b>	479,793

Other receivables represent the value of unamortised lease incentives and letting fees on investment properties. The director's believe there is no material difference between the carrying value and fair value of other receivables.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2011

#### 13 Inventories

	2011 £	2010 £
Raw materials and consumables	<b>23,345</b>	25,478
Land held for development	<b>10,925,715</b>	11,822,237
Work in progress	<b>1,191,119</b>	4,208,305
Completed developments and houses for sale	<b>12,450,785</b>	12,341,927
	<b>24,590,964</b>	28,397,947

Inventories with a carrying amount of £24,590,964 (2010: £28,397,947) have been pledged as security for the Group's bank borrowings.

During the year ended 30 June 2011, the Group conducted a further net realisable value review of its inventories. The review compared the estimated net realisable value of each of the Group's development sites with its balance sheet carrying-value. Where the estimated net realisable value of an individual site was less than its carrying-value within the balance sheet, the Group impaired the inventory value of the site. The impairment review resulted in a further impairment charge of £614,151 (2010: £260,197) in the year and a reversal of £22,644 (2010: £121,698) on inventories that were written down in previous accounting periods. The net impairment charge of £591,507 is included within exceptional items (note 5).

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 upon local market conditions and considered the current prices being achieved upon each site for each product type.

Although the impairment of inventories was based upon the current prices being achieved or anticipated prices by the Group in the difficult conditions within the UK housing market, if the UK housing market were to deteriorate or improve beyond management expectations in the future then further adjustments to the carrying-value of inventories may be required.

Following these impairment charges £6,335,468 (2010: £5,087,415) of inventories are valued at net realisable value rather than at historical cost.

#### 14 Trade and other receivables

	2011 £	2010 £
Trade receivables	<b>28,105</b>	91,227
Amounts recoverable on contracts	–	33,632
Other receivables	<b>49,818</b>	47,217
Prepayments and accrued income	<b>225,678</b>	318,624
	<b>303,601</b>	490,700

All trade and other receivables are non-interest bearing. Further disclosures relating to financial instruments are set out in note 21.

#### 15 Non-current liabilities

	2011 £	2010 £
Bank loans (secured – see note 17)	–	18,920,431

**16 Trade and other payables**

	2011 £	2010 £
Trade payables	426,169	190,423
Other taxes and social security	68,352	68,750
Other payables	12,320	14,707
Retentions	431,115	453,316
Accruals and deferred income	948,648	959,509
	<b>1,886,604</b>	1,686,705

The directors consider that the carrying value of trade and other payables included within current liabilities approximate to fair value as a result of the short maturity period of the amounts held at the year end.

**17 Borrowings**

	2011 £	2010 £
Are repayable as follows:		
In less than one year:		
Bank borrowings	17,195,131	–
In more than one year but not more than two years:		
Bank borrowings	–	18,920,431
	<b>17,195,131</b>	18,920,431

The bank loans are secured by a fixed and floating charge over the assets of the Group. Set-off is available to the bank between the Company and its Group company members by virtue of the bank holding a debenture from each company together with a cross corporate guarantee.

The Directors consider that the carrying value of borrowings equate to fair value because interest on borrowings is charged at floating rates of interest. The interest rate profile of the borrowings is as follows:

	Currency	Nominal interest rate	Year of maturity	2011 £	2010 £
Bank borrowings:					
Revolving credit	GBP	base + 3.25%	2011	1,655,693	4,526,292
Revolving credit	GBP	LIBOR + 2.25%	2011	15,000,000	15,000,000
Investment property facility	GBP	LIBOR + 2.25%	2012	3,173,529	3,173,529
Less:					
Credit balances				(2,634,091)	(3,779,390)
				<b>17,195,131</b>	18,920,431

**18 Provisions**

	2011 £	2010 £
<b>Provision for claims</b>		
At beginning of year	230,452	444,072
Release to income statement in year	(9,650)	(175,000)
Utilised in the year	(220,802)	(38,620)
At end of year	–	230,452

Provisions for claims represent residual costs in connection with the sale of Bickerton Construction Limited, including those relating to an indemnity provided. This matter was settled during the year.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2011

#### 19 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
13,341,455 (2010: 13,341,455) ordinary shares of 20p (2010: 20p) each	<b>2,668,291</b>	2,668,291

#### 20 Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium account – the share premium account arose on the issue of shares by the Company at a premium to their nominal value.

Merger reserve – the merger reserve arose following the creation of Artisan (UK) plc from the de-merger of Dean Corporation plc and the simultaneous acquisition of Artisan (UK) Developments Limited by the Group.

Capital redemption reserve – the capital redemption reserve arises upon the purchase and cancellation by the Company from time to time of shares in the Company.

Revaluation reserve – the revaluation reserve arises from the revaluation of owner occupied property from cost to fair value.

Retained earnings – the retained earnings represent profits made by the Group that have not been distributed to shareholders.

Own shares – the own shares reserve represents the cost of fractional entitlement shares purchased pursuant to the Capital Reorganisation approved at a general meeting of the Company held on 19 January 2008.

#### 21 Financial instruments

##### Financial risk management

The Group's financial instruments comprise bank loans, cash and various items such as trade receivables and trade payables that arise directly from its operations. Cash and bank loans are used to finance the Group's operations and finance its acquisitions. The categories of the Group's financial assets and liabilities are summarised below.

##### Financial assets classified as loans and receivables

	2011 £	2010 £
Non-current financial assets		
Trade receivables	<b>232,683</b>	143,418
Current financial assets		
Cash and cash equivalents	<b>881</b>	403,874
Trade receivables	<b>28,105</b>	91,227
Amounts recoverable on contracts	–	33,632
Other receivables	<b>19,498</b>	41,141
Prepayments	<b>15,901</b>	27,683
Total current financial assets	<b>64,385</b>	597,557
Total financial assets	<b>297,068</b>	740,975

There is no material difference between the carrying value and fair value of the Group's aggregate financial assets.

**21 Financial instruments (continued)****Financial liabilities measured at amortised cost**

	2011 £	2010 £
Non-current financial liabilities		
Loans and borrowings	–	18,920,431
Current financial liabilities		
Loans and borrowings	<b>17,195,131</b>	–
Trade payables	<b>426,169</b>	190,423
Other payables	<b>6,000</b>	14,707
Retentions	<b>431,115</b>	453,316
Accrued charges	<b>863,733</b>	874,594
Provisions	–	230,452
<b>Total current financial liabilities</b>	<b>18,922,148</b>	1,763,492
<b>Total financial liabilities</b>	<b>18,922,148</b>	20,683,923

Financial assets and liabilities carried at fair value are categorised with the hierarchical classification of IFRS7 Revised (as defined within the standard) as follows:

	2011 Level 3 £	2010 Level 3 £
<b>Financial assets</b>		
Non-current financial assets		
Trade receivables	<b>232,683</b>	143,418

There are no level 1 or level 2 financial assets or liabilities. The following table sets out the changes in level 3 instruments over the year:

	2011 Level 3 £	2010 Level 3 £
<b>Non-current financial assets – trade receivables</b>		
At beginning of year	<b>143,418</b>	27,741
Additions	<b>63,500</b>	97,492
Gains and losses recognised in profit or loss (finance income)	<b>25,765</b>	18,185
At end of year	<b>232,683</b>	143,418

Level 3 inputs are sensitive to the assumptions made when determining fair value, principally the discount rate used to discount cash flows and the annual rate of change in house prices. However, reasonably possible alternative assumptions would not have a material impact on the carrying value of the asset shown in the statement of financial position.

The Group has exposure to the following risks from the use of its financial instruments:

- Market risk
- Credit risk
- Liquidity risk

## Notes forming part of the group financial statements continued for the year ended 30 June 2011

### 21 Financial instruments (continued)

#### Market risk

Market risk represents the potential for changes in interest rates and foreign exchange rates to affect the Group's profit and the value of its financial instruments. It also includes the effect of the level of UK house prices and commercial property values which are in turn affected by factors such as employment levels, interest rates, the supply of suitable land, availability of consumer funding and consumer confidence.

#### Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business as all of the Group's borrowings are at variable rates of interest, based on either the base rate or LIBOR plus a lending margin. This margin may vary from time to time as the result of the Group's Banker's own risk assessment in the light of varying levels of profitability and cash flows generated by the Group. The Board consider on an ongoing basis whether any form of hedging is appropriate in relation to interest rate risk, in the light of likely cash flows and indebtedness, interest rate movements and other macro economic factors looking ahead. At 30 June 2011, the Group had no hedging arrangements in place.

The interest rate profile of the Group's interest bearing financial instruments is set out in note 17.

Sensitivity analysis for the year ended 30 June 2011 indicates that a general increase of one percentage point in interest rates applying for the full year would increase the Group's loss after tax by approximately £186,000 (2010: £192,000).

#### Exchange rate risk

The Group has no exposure to exchange rate risk as all financial assets and liabilities are denominated in sterling.

#### Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group has a minimal exposure to credit risk from trade receivables on the residential side of the business given the nature and legal framework of the UK housing industry. In the vast majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies. However, some credit risk arises through the use of shared equity schemes. To mitigate the risk the Group is selective in deciding which customers can be accepted for the scheme and a second charge is taken over the property concerned.

Credit risk also arises from local authority bonds and advance payments although these are considered to be of low risk.

On the commercial side of the business the Group is exposed to credit risk from credit sales on forward sale build contracts where the customer has purchased land and entered into a contract for the development of a building. It is the Group's policy, implemented locally, to assess the credit risk of major customers before entering into such contracts. The risk is managed by receiving staged payments as the development progresses.

On the property investment side of the business the Group is exposed to credit risk relating to the payment of rents. Tenant's covenants are considered carefully before entering into lease agreements. This risk is mitigated by the use of rent deposits and client guarantees where appropriate and possible.

Credit risk analysed by segment is as follows:

	2011 £	2010 £
Residential	270,362	228,145
Commercial	1,202	35,831
Property investment	–	73,488
Other	25,504	403,511
	<b>297,068</b>	740,975

The Group's credit risk is distributed over a number of parties. The maximum credit risk should any single party fail to perform is £23,236 (2010: £33,632). At 30 June 2011 the Group had £30,094 (2010: £75,700) of receivables past due. The Group has reviewed the items that comprise this balance and believes that these amounts will be recovered, accordingly no provision against impairment is considered necessary.

## 21 Financial instruments (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

Projections are prepared on a regular basis to ensure that covenant compliance and medium to longer-term liquidity is maintained. Longer-term projections are also used to identify strategic funding requirements.

As the Group's liquidity is largely derived from the revolving credit facility and the investment property loan, the continued willingness and ability of the Group's bankers to provide these facilities is crucial to the Group's continued ability to trade. The Group manages this risk by maintaining a regular dialogue with the Group's bankers and providing reliable and early information to the bank on the Group's trading progress and cash flow requirements in order that the Group's funding requirements are matched to the banks appetite for lending.

Compliance with banking covenants is also key to ensuring that the facilities remain in place. At the date of this report the Group's lender has provided a temporary waiver of a potential financial covenant breach through to 31 January 2012, based on the covenant tests in our current facility. By 31 January 2012 we expect to have agreed and entered into a new facility agreement which will entail new covenants.

The Group's policy on the payment of trade payables is set out in the director's report on page 11. Trade and other payables and retentions fall due for payment within one year. Details of the maturity and security of loans and borrowings are disclosed in note 17.

The Group has revolving credit facilities committed until 31 January 2012, at a competitive rate linked partly to the base rate and partly to LIBOR. Un-drawn committed facilities at the reporting date amount to £13,344,307 (2010: £10,473,708).

### Capital management

The Group aims to maintain a balance between debt and equity that will both maximise shareholder return and keep financial risk to an acceptable level. It also aims to maintain sufficient capital to facilitate future growth.

## 22 Related parties

Artisan (UK) plc ("Artisan") is the intermediate holding company for the Artisan Group. At 30 June 2011 Aspen Finance Limited ("Aspen") owned 69.5% of the share capital of Artisan (UK) plc. Aspen is a private limited company, registered in England and Wales, whose principal activity is to act as a holding company for an investment in Artisan. The financial statements of Aspen are available from the Registrar of Companies, Companies House Crown Way, Cardiff, CF14 3UZ.

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, and his family. The Board understand that the Brownis Trust is the ultimate controlling party.

During the year Artisan provided accounting support to Aspen in respect of the production of consolidated financial statements for Aspen. A fee of £2,000 is payable for this work (2010: £2,000). £2,000 was owed by Aspen at the year end (2010: £2,000).

Transactions between Artisan and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2011

#### 22 Related parties (continued)

##### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual Directors is provided in the Directors Remuneration Report on pages 15 to 16.

	2011 £	2010 £
Short-term employee benefits	587,069	512,626
Post-employment benefits	34,930	34,930
Equity settled share-based payments	–	601
	<b>621,999</b>	548,157

#### 23 Contingent liabilities and commitments

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2011, bonds in issue amount to £856,179 (2010: £1,058,715).

On occasion the Group receives claims in the normal course of its business. Where appropriate, when evaluating the impact of potential liabilities arising from such claims, the Directors take professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims.

At the year end the Directors are unaware of any material liability that is not provided within the financial statements.

#### 24 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

	2011 Land and buildings £	2011 Other £	2010 Land and buildings £	2010 Other £
Expiring:				
Within one year	148,583	3,836	1,200	9,722
Between two and five years	10,800	6,543	16,292	10,946
After five years	496,625	–	1,700,767	–

#### 25 Events after the reporting period date

After the end of the year one of the Group's investment properties was sold for £3,350,000, realising a small profit compared to carrying value. Following the sale borrowings of £2,246,000 which had been secured against the property were repaid.

## Company balance sheet

at 30 June 2011

Company number 3630998

	Note	2011 £	2011 £	2010 £	2010 £
<b>Fixed assets</b>					
Tangible assets	4		9,207		2,530
Investments	5		2,949,510		5,812,278
			<b>2,958,717</b>		5,814,808
<b>Current assets</b>					
Debtors	6	26,784,425		29,064,427	
Cash at bank and in hand		62		403,511	
		<b>26,784,487</b>		29,467,938	
<b>Creditors: amounts falling due within one year</b>	7	<b>16,662,091</b>		825,971	
<b>Net current assets</b>			<b>10,122,396</b>		28,641,967
<b>Total assets less current liabilities</b>			<b>13,081,113</b>		34,456,775
<b>Creditors: amounts falling due after more than one year</b>	8		–		18,655,523
<b>Provisions for liabilities</b>	10		–		230,452
<b>Net assets</b>			<b>13,081,113</b>		15,570,800
<b>Capital and reserves</b>					
Called up share capital	11		2,668,291		2,668,291
Share premium account	12		11,081,042		11,081,042
Merger reserve	12		689,328		689,328
Capital redemption reserve	12		91,750		91,750
Profit and loss account	12		(1,430,233)		1,059,454
Own shares	12		(19,065)		(19,065)
<b>Shareholders' funds</b>	13		<b>13,081,113</b>		15,570,800

The financial statements were approved by the Board of Directors and authorised for issue on 20 December 2011.

**Chris Musselle**  
Director

The notes on pages 42 to 46 form part of these financial statements.

## Notes forming part of the company financial statements for the year ended 30 June 2011

### 1 Accounting policies

The following principal accounting policies have been applied:

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK GAAP.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. It is calculated at the following rates:

Fixtures and fittings	–	25% per annum on the straight line basis
Motor vehicles	–	25% per annum on the straight line basis

#### Fixed asset investments

Investments are included in the balance sheet at cost less any provision for impairment. The Company assess investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If such an indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is written down to the recoverable amount. An impairment loss is recognised immediately in the profit and loss account. If the impairment is not considered to be a permanent diminution in value it may reverse in a future period to the extent that it is no longer considered necessary.

#### Own shares

The cost of the Company's investment in its own shares is shown as a reduction in shareholders' funds in retained earnings.

#### Share-based payments

In accordance with the transitional provisions FRS 20 has been applied to share options granted after 7 November 2002 that had not vested at 1 April 2006. The Company grants equity-settled share-based payments under the Approved and Unapproved share option schemes. The fair value of these grants is spread on a straight line basis over the vesting period, as adjusted for any leavers to the schemes.

#### Financial instruments

The Company's principal financial assets and liabilities are cash at bank and borrowings. Cash at bank is carried in the balance sheet at nominal value. Borrowings are recognised initially at net proceeds less issue costs and subsequently at amortised cost.

#### Operating leases

When assets are financed by operating leases, their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease, or over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate where incentives to enter into a lease are given.

#### 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.

**2 Directors and employees**

	2011 £	2010 £
Staff costs, including directors, consist of:		
Wages and salaries	<b>359,764</b>	292,752
Social security costs	<b>27,651</b>	24,354
Equity settled share-based payments	–	601
Other pension costs	<b>37,391</b>	30,615
	<b>424,806</b>	348,322

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 15 to 16.

	2011 Number	2010 Number
The average number of employees, including directors, during the year was:		
Administration	<b>7</b>	7

**3 Profit for the financial year**

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £2,489,687 (2010: £881,843).

The auditors' remuneration for audit services to the Company was £19,000 (2010: £21,000).

**4 Tangible assets**

	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>			
At 1 July 2010	17,269	–	17,269
Additions	1,192	8,200	9,392
<b>At 30 June 2011</b>	<b>18,461</b>	<b>8,200</b>	<b>26,661</b>
<i>Depreciation</i>			
At 1 July 2010	14,739	–	14,739
Provided for the year	1,519	1,196	2,715
<b>At 30 June 2011</b>	<b>16,258</b>	<b>1,196</b>	<b>17,454</b>
<i>Net book value</i>			
<b>At 30 June 2011</b>	<b>2,203</b>	<b>7,004</b>	<b>9,207</b>
At 30 June 2010	2,530	–	2,530

## Notes forming part of the company financial statements continued

for the year ended 30 June 2011

### 5 Fixed asset investments

	Subsidiary undertakings £
<i>Cost</i>	
At 1 July 2010 and 30 June 2011	<b>10,450,179</b>
<i>Provision for impairment</i>	
At 1 July 2010	4,637,901
Charge for the year	2,862,768
<b>At 30 June 2011</b>	<b>7,500,669</b>
<i>Net book value</i>	
<b>At 30 June 2011</b>	<b>2,949,510</b>
At 30 June 2010	5,812,278

The Company recognised an impairment charge of £2,862,768 (2010: £1,472,731) against the carrying value of its investment in a subsidiary company. The impairment reflects the decrease in the value of assets in the subsidiary following a downturn in the UK housing market.

In the opinion of the Directors the aggregate value of the Company's investments are not less than the amount included in the balance sheet.

At 30 June 2011 the principal subsidiary undertakings all of which are included within the consolidated financial statements, were:

Name	Class of share capital held	Proportion held	Nature of business
Artisan (UK) Developments Limited	Ordinary	100%	Commercial property development
Rippon Homes Limited	Ordinary	100%	House building and development
Artisan (UK) Projects Limited	Ordinary	100%	Building construction
Artisan (UK) Properties Limited	Ordinary	100%	Property sales and letting

All the above companies are registered in England and Wales.

### 6 Debtors

	2011 £	2010 £
Trade debtors	<b>25,442</b>	–
Amounts owed from subsidiary undertakings	<b>26,703,768</b>	28,932,680
Other debtors	<b>9,545</b>	13,151
Prepayments and accrued income	<b>45,670</b>	118,596
	<b>26,784,425</b>	29,064,427

All amounts shown under debtors fall due for payment within one year.

**7 Creditors: amounts falling due within one year**

	2011 £	2010 £
Bank loans (secured – see note 9)	<b>15,905,559</b>	–
Trade creditors	<b>55,574</b>	30,173
Amounts owed to subsidiary undertakings	<b>618,879</b>	660,947
Other taxes and social security	<b>24,980</b>	24,285
Accruals and deferred income	<b>57,099</b>	110,566
	<b>16,662,091</b>	825,971

**8 Creditors: amounts falling due after more than one year**

	2011 £	2010 £
Bank loans (secured – see note 9)	–	18,655,523

**9 Borrowings**

	2011 £	2010 £
Are repayable as follows:		
In less than one year:		
Bank borrowings	<b>15,905,559</b>	–
In more than one year but not more than two years:		
Bank borrowings	–	18,655,523

The bank loans are secured by a fixed and floating charge over the assets of the Group. Set-off is available to the bank between the Company and its group company members by virtue of the bank holding a debenture from each company together with a cross corporate guarantee.

**10 Provisions for liabilities**

	2011 £	2010 £
Provision for claims		
At beginning of year	<b>230,452</b>	444,072
Release to profit and loss in year	<b>(9,650)</b>	(175,000)
Utilised in year	<b>(220,802)</b>	(38,620)
At end of year	–	230,452

Details of provisions for liabilities are included in note 18 to the consolidated financial statements.

**11 Share capital**

Details of the share capital of the Company are included in note 19 to the consolidated financial statements.

**12 Reserves**

	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £	Own shares held £
At 1 July 2010	11,081,042	689,328	91,750	1,059,454	(19,065)
Loss for the year	–	–	–	(2,489,687)	–
<b>At 30 June 2011</b>	<b>11,081,042</b>	<b>689,328</b>	<b>91,750</b>	<b>(1,430,233)</b>	<b>(19,065)</b>

## Notes forming part of the company financial statements continued

for the year ended 30 June 2011

### 13 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the year	<b>(2,489,687)</b>	(881,843)
Equity settled share-based payments	–	601
Net movement in shareholders' funds	<b>(2,489,687)</b>	(881,242)
Opening shareholders' funds	<b>15,570,800</b>	16,452,042
Closing shareholders' funds	<b>13,081,113</b>	15,570,800

### 14 Contingent liabilities and commitments

A cross 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 2011, bank borrowings of group company members covered by the Company's cross guarantee amounted to £1,289,573 (2010: £264,909).

### 15 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	2011 Land and buildings £	2010 Land and buildings £
Expiring:		
Within one year	<b>143,791</b>	–

### 16 Related party disclosure

See note 22 to the Group financial statements.

ARTISAN (UK)  
DEVELOPMENTS LIMITED

ARTISAN (UK)  
PROJECTS LIMITED

ARTISAN (UK) plc

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ARTISAN (UK)  
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