



ARTISAN

Report and Accounts 30 June 2008

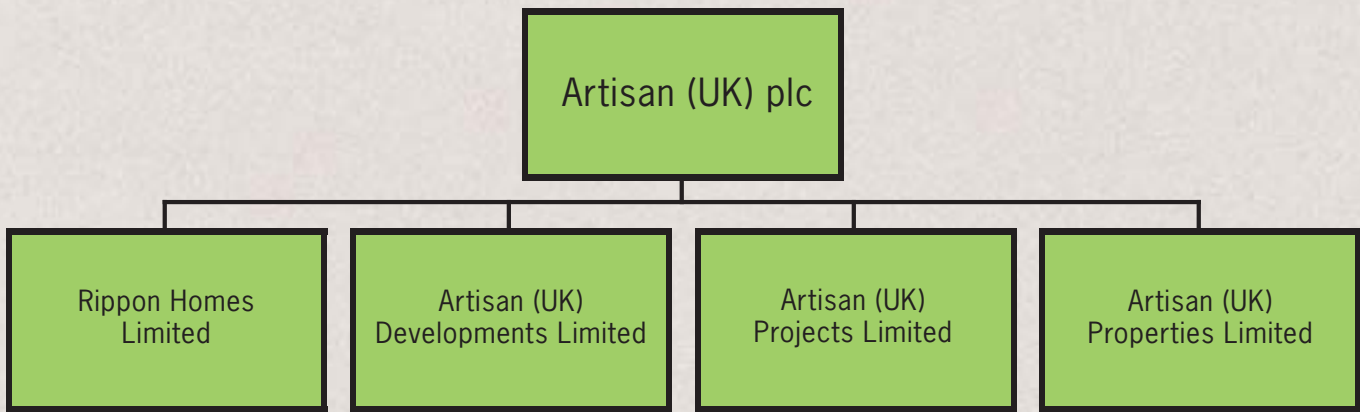
Developing property, building value

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

CORPORATE PROFILE

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, 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 division 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

The company is engaged in property investment activities. It holds selected properties from its ongoing property portfolio where it believes the covenant of the tenant will provide scope for additional attractive returns to the Group. It will also consider selectively acquiring third party properties.

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

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Financial highlights



- Group turnover for the year has reduced to £23.4m (15 months to 30 June 2007: £41.0m) with a limited pro-rata reduction in the commercial business and the greater impact of market conditions in our residential business
- Operating Profit was £1.9m (15 months to 30 June 2007: £3.7m) – Profit before tax at £0.59m (15 months to 30 June 2007: £2.78m)
- Commercial division benefits from strong margin achieved and from forward sale and let contracts – operating profit at £1.7m (2007: £2.4m) before central charges
- Residential division at breakeven before central charges
- Cost cutting programmes introduced to conserve resources in the business
- Final dividend of 0.75p per ordinary share (2007: 1.5p); total dividend for year 1.95p (2007: 2.7p)



Michael W Stevens, Non-executive Chairman, commented:

“The Group currently faces some of the toughest trading conditions in its history, particularly in respect of the residential market, and these results need to be considered in that context. In most respects I am pleased with the results that have been achieved and am convinced that the prudent actions taken by the Board to reshape our operations to current market conditions will stand the Group in good stead.”

Developing property, building value



As property developers, Artisan has two brands with strong regional reputation.

With over 60 years of experience, Rippon Homes is a well established and recognised residential developer in the East Midlands.

Artisan (UK) Developments Limited has an enviable reputation for efficient delivery of both office and industrial developments in East Anglia and Hertfordshire.

The trading divisions are complemented by the Investment Property division which seeks out investment opportunities from the commercial developments.



Developing property, building value



Vantage House: Artisan occupies part of this building as office for the plc and commercial division.



Buildings capable of providing stylish and functional interiors.



The Black Teknigas building developed by Artisan at Colmworth Business Park, owned by Artisan (UK) Properties Limited.

creating space for business



Prestige Living Heritage house at Farnsfield.



Modern and comfortable interior space.



Popular traditional homes in a variety of styles.

living the dream

Chairman's statement

The Group currently faces some of the toughest trading conditions in its history in respect of the residential market and these results for the year to 30 June 2008 need to be considered in that context. In most respects I am pleased with the results that have been achieved and am convinced that the prudent actions taken by the Board to shape our operations to current market conditions stands the Group in good stead.

Group Results

Shareholders should note that the comparative figures quoted below are for the 15 months to 30 June 2007 and as such tend to understate the achievements of the year under review. Group turnover for the year has reduced to £23.4m (15 months to 30 June 2007: £41.0m) as a result of a limited pro-rata reduction in the commercial business, £10.7m (15 months to 30 June 2007: £15.6m) and the greater impact of market conditions in our residential business, whose turnover has dropped to £15.1m (15 months to 30 June 2007: £26.9m). Operating Profit was £1.9m (15 months to 30 June 2007: £3.7m). These results include the revaluation surplus arising on our investment properties amounting to £1.2m (15 months to 30 June 2007: £0.3m).

These results reflect a breakeven position before central costs achieved by Rippon Homes and the strong margin achieved by the Group's commercial development activities, which has benefited from forward sale and let contracts brought forward from the previous year.

Overview

The markets for both our residential and commercial divisions have been difficult and volatile throughout the year. In particular the residential market during the first half of the financial year was difficult, but there was an increase in activity in the first quarter of 2008. However this increase in activity swiftly petered out when the reduction in mortgage availability became more apparent in the final quarter.

The Board foresaw the approach of tougher trading conditions in the second half of 2007 and took steps to position the Group accordingly. In particular the Board has focused on maintaining, first and foremost, a strong cash headroom position. The gross indebtedness is detailed in the operational and financial review, but

as at 30 June 2008 the Group had the benefit of £12.9m (2007: £13.3m) of cash headroom to fund the Group's activities. In addition, further ability to draw loan funds remains as further assets become available to provide security. This has been achieved by curtailing expenditure on land both residential and commercial, and a number of proposed site acquisitions in progress being cancelled. Consequently the Group's headroom is significantly higher than had been previously budgeted by management. New sites have been reassessed and progressed only when reconsidered against current market conditions and the Group's requirements to conserve its resources. Product build has been considerably slowed and whilst generally units in progress are being built through to completion, new build starts are only activated in response to a satisfactory sales reservation on available stock.

Cost reduction programmes

Furthermore in response to market conditions, we swiftly reassessed our sales incentives and negotiating platform so as to stimulate sales in favour of our Rippon product. We are pleased that, although volumes may not be comparable, our prudent policy of carefully selecting and designing sites to appeal to customers' requirements appears to be winning Rippon Homes a satisfactory level of sales compared to its competitors.

We have re-analysed our cost base, and have made considerable savings. In common with other house builders, the largest cost after land and build costs are employment costs. Although over recent years the Board's policy has been to reduce the numbers of direct employees and instead engage sub contractors for each project, we have now been obliged to accelerate this process and create further savings through a redundancy programme that has further reduced headcount. The Board is of course aware of the personal difficulties that it causes individuals and their families and regrets that the continuing difficult market conditions has made these redundancies necessary.

In response to the actions taken by the Board, our bankers have remained supportive, in particular recognising the steps we have taken to maintain a healthy cash headroom. The Board has renegotiated the Group's banking facilities over the year end to extend them for a further year to 1 July 2010.

Chairman's statement continued

Investment Division

During the year Artisan (UK) Properties has completed the leases on two new buildings, which were constructed by the Group's commercial division. One of these buildings is partially occupied by Artisan itself. Whilst the Board remain confident of the value of these investments, as the value of these buildings is calculated with reference to property investment yields, the carrying value of these properties is a little less than we had calculated when the projects were initiated.

These buildings have been mainly financed by a new facility from our bankers, who were pleased to fund these investments on satisfactory commercial terms. As part of these arrangements, it was agreed that to support this new facility new equity would be introduced. However after committing to the project and by the time it was appropriate to proceed, the Board was advised that, stock market conditions were not receptive to an equity fund raise. Therefore it was agreed with our bank that as an alternative a convertible loan note, subordinated to their own debt, would be substituted. These funds were provided by Aspen Finance Limited, a company in which I am beneficially interested.

Dividend

The Board has carefully considered whether the dividend programme should be maintained. As background, the Group returned to the payment of dividends in February 2007 with the intention of building a long term programme of dividend payment. The Board has decided that it is appropriate to recommend the payment of a final dividend of 0.75p per ordinary share (2007: final dividend of 1.5p). The results for the year to 30 June 2008 have delivered a profit, although not to the quantum achieved in 2007, and given the overall financial position of the Group the Board has decided that a modest dividend payment is in order despite the current financial turmoil in the markets. If approved by shareholders, the dividend will be paid on 9 December 2008 to shareholders on the register on 21 November 2008. The ex-dividend date is 19 November 2008.

Outlook

The challenging market conditions look set to continue for sometime. Until the mortgage market returns to more normal conditions it is likely that both our residential and commercial divisions will remain under pressure. The Group faces a volatile and uncertain economy which is resulting in a lack of confidence and stagnation amongst both our commercial and residential customers. The Group will continue to be managed to maintain a strong cash position. We have valuable land assets and believe that there is latent demand for our products, that should facilitate a strong turn around when market conditions allow. The positive aspect of our current trading is that there remain some commercial customers who, looking forward, can see a need for new premises and are in early discussions for forward sales and lets, particularly on our newer sites. Property development has always been a cyclical business and the Board remains convinced of the Group's potential in the medium and long term.

This has been a challenging time for the management and staff of the Group and I can only commend the positive attitude that has been adopted in these poor market conditions.

Michael W Stevens
Chairman

15 October 2008

Operational and financial review

Commercial Division

Following a record turnover in 2007, the commercial division produced a strong profit performance in 2008. The division delivered substantial forward sales and forward leases, including the construction of the first two properties for the Group's investment division. The commercial business sold 98,000ft² of commercial property, consisting of 18,000ft² of completed stock units and 80,000ft² of forward sales contracted and in build (2007: 60,000ft² of stock sales; 27,000ft² of forward sales). This is an impressive level of forward sales.

Artisan occupies part of Vantage House, one of the two investment properties, which now provides a useful showcase to demonstrate the appropriate quality of the product Artisan (UK) Developments is able to deliver to prospective clients. Turnover has been achieved because the division has taken steps over the past few years to build its land bank – there may be a slow down in trade at present, but land remains in short supply and the difficulties in obtaining suitable planning permission have not abated. A stock of units is available at each site other than our newest site. Further build of stock units will only be in response to sales progress.

The introduction of business rates on empty properties is a key issue for developers. Whilst in the short term it may drive down rental and sales values, at Artisan we regard it as a pernicious and inequitable scheme since empty properties do not need many of the services for which rates are largely charged. In the longer term we believe it will result in stock shortages (since developers will be discouraged from investing in speculative stock) and consequently drive up property values.

Residential Division

Rippon Homes has had to negotiate hard to complete every sale. Sales of 80 units at an average value of £186,300 (15 months to 30 June 2007: 160 units at an average value of £168,500) is, in current market conditions and we believe in comparison to our regional competitors, an encouraging result. The increase in sale price reflects improved sales of four bedroom units, a configuration which most of our competitors have progressively reduced building. Our view of likely market trends has proven to be correct, with customers favouring these larger units even in a difficult residential market.

A variety of incentives have been used to persuade customers to purchase our houses. The most effective selling tool has been the ability to deal in part exchange properties. However the key competitive advantage at Rippon Homes has been the quality of its product. Rippon Homes has over recent years avoided purchasing sites at prices that would require over-dense plot ratios or a high volume of three storey units to prove commercially viable. This policy has proven attractive to customers, many of whom are willing to purchase a Rippon Homes property, even in the face of some extreme discounts offered by a number of our competitors.

Part exchange stocks are carefully managed and our sales team have proved adept at selling these part exchange properties and not allowing excessive stock to accrue.

We have created new innovative schemes, such as rent to buy, which on the limited scale offered have so far proved popular to customers, to compensate for the limited availability of mortgage funds. This scheme allows occupiers to purchase the house after 12 months at an agreed price, using their rental and Rippon incentive as contributions towards the deposit required. However, a new disincentive to sales is becoming more apparent. Valuers are very nervous of valuing properties for mortgage purposes and are downgrading agreed sales prices. In the tight mortgage market this is causing many sales to collapse.

Investment Properties

Artisan (UK) Properties was pleased to receive the completed buildings for the first two investment properties from the commercial division. These were delivered on time and without difficulty. The properties are fully utilised with the tenants including Artisan in 3,000ft². At present the Group is concentrating on maintaining cash balances, and therefore no further investments are currently contemplated. Nevertheless they will be considered as opportunities arise.

Land stocks

As stated, we have been cautious in buying new land. This has been counter-balanced by slower sales rates. The land stock of owned or secured plots at Rippon Homes is 378 plots (2007: 337). The management at Rippon Homes have addressed a land bank shortage from earlier years and now have a balanced stock level, especially in light of current trading conditions.

Operational and financial review continued

The commercial operation currently holds land, owned or secured of 25,300m² (2007: 21,000m²). By controlling sites, the development team is able to create sales opportunities which can lead to forward sales. Whilst Artisan (UK) Developments is able to demonstrate its track record in delivering finished items, it is important to show confidence in a site by developing speculative stock. This stock is also needed to fulfil short lead time demand for space.

Results

	Residential £m	Commercial £m	Investment £m	Central £m	Total £m
Turnover					
2008 (12 months)	15.1	10.7	0.2	(2.6)	23.4
2007 (15 months)	26.9	15.6	–	(1.5)	41.0
Operating profit before group management charges					
2008 (12 months)	–	1.7	1.5	(1.3)	1.9
2007 (15 months)	2.6	2.4	0.3	(1.6)	3.7

The divisional analysis of profit is before Group management charges. The central column deducts the inter segment trading.

The tax credit for the year is £0.1m resulting in an effective tax rate of (18.5)% (2007: 24.1%). The reduction to standard rate resulting in a recovery of tax is primarily due to the surplus on investment property not being chargeable to tax in the current period and the utilisation of tax losses brought forward.

The net assets have grown 2.8% from £20.9m to £21.4m as a result of the retained profit for the year. There have been no significant changes to share capital during the year.

Debt and Banking

The Group has net borrowings of £19.7m (2007: £10.8m) resulting from the new investment property loan of £4.5m and the balance resulting from increased investment in work-in-progress. The Group has drawn bank debt of £32.6m (2007: £24.1m) resulting in substantial cash balances continuing to be available. The trading conditions have placed a strain on the Group's profitability and our banking arrangements have been re-negotiated since the year end to

reflect this and the market conditions affecting the supply and pricing of credit. Our revised bank facility is split between a LIBOR based facility and a Base Rate based facility. The Base Rate interest margin is adjustable to reflect the LIBOR based cost of funding, but this element of the facility allows positive bank balances in the Group to be offset against drawdown funds for the purposes of interest calculation allowing for an effective management of funding. The gearing ratio is now 91.9%, or 71.1% excluding the new investment property loan (2007: 51.5%).

On 1 August 2008 the Group issued £1.75m of convertible loan note to Aspen Finance Limited. As disclosed in this report and accounts Michael W Stevens has a beneficial interest in the shares held by Aspen Finance Limited. The issue of the Loan Notes fulfils an existing commitment agreed in 2007 on the part of Artisan to its bankers to support new funding for the Artisan Group's investment property. Although this was originally envisaged as equity funding, the Directors believed that the current market conditions were not conducive to equity fund raising and a convertible loan note structure was agreed as an alternative.

The Loan Notes are convertible at any time, at the holder's option, into ordinary shares of 20p each in the capital of the Company ("Ordinary Shares"). The conversion price is:

- (1) until 30 June 2009, 34.125p per Ordinary Share, being the average mid-market closing price of the Ordinary Shares over the previous ten dealing days;
- (2) from 1 July 2009 to 30 June 2010, 80p per Ordinary Share;
- (3) from 1 July 2010 to 30 June 2011, 85p per Ordinary Share; and
- (4) after 1 July 2011, 90p per Ordinary Share.

The loan notes are subordinated to the banking facilities provided by National Westminster Bank plc, as part of The Royal Bank of Scotland plc, to the Company, but are otherwise repayable on 1 July 2012. In the meantime, the Loan Notes carry interest at a rate 1.25% above the National Westminster Bank plc Base Rate, from time to time, the same rate of interest as payable by the Group in respect of its investment property bank funding.

If, as a result of converting the Loan Notes, Aspen Finance Limited acquired 30% or more of the voting rights in relation to the Company, it would be obliged to make an offer to the other shareholders to acquire their shares in accordance with Rule 9 of the Takeover Code.

Work in Progress

Work-in-progress has increased from £34.8m to £39.1m at the year end reflecting continued investment in both residential and commercial stocks. As indicated in the segmental analysis within the notes to the accounts, the larger part of the Group assets are invested in the residential activities reflecting the greater volume of trade and the greater cost of residential land. In addition, the commercial operations are able to negotiate some of their sales on a forward basis, which can reduce the level of investment required. The nature of the residential market is that, more than ever, customers wish to view their potential purchase prior to commitment and it is therefore essential to maintain a stock of finished properties with sufficient range of product types across the various sites.

Chris Musselle
Chief Executive
15 October 2008

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 Stoy Hayward LLP

55 Baker Street,
London W1U 7EU

Registrar

Capita Registrars

The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Nominated adviser

Brewin Dolphin Limited

Lisbon Street,
Leeds LS1 4LX

Stockbroker

Brewin Dolphin Limited

Lisbon Street,
Leeds LS1 4LX

Legal advisers

Thomson Webb & Corfield

16 Union Road,
Cambridge CB2 1HE

Bankers

The Royal Bank of Scotland plc

Corporate Banking,
Conqueror House,
Vision Park,
Chivers Way,
Histon,
Cambridge CB24 9NL

Report of the directors for the year ended 30 June 2008

The Directors present their report together with the audited financial statements for the year ended 30 June 2008.

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, Operational and Financial Reviews on pages 5 to 9 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 1985.

Principal risks and uncertainties

The Group is funded by significant levels of debt and 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 dependant upon the continued willingness and ability of the Group's bank to provide debt funding to the Group.

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 does not operate on a high percentage of forward-sales which allows it to respond to market conditions when setting prices. Conversely, our business model for commercial development is weighted towards achieving forward sales as this has the advantage that we are able to build units to meet our customers' exact requirements in terms of size and specification whilst at the same time limiting our exposure to unsold stock. However, speculative development of our general office and industrial product remains essential.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst land is available there is no doubt that it is challenging to secure suitable sites on acceptable terms. We have a team of experienced land buyers tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases.

The planning process is uncertain. Where possible land acquisition terms are linked to the grant of planning permission. However, the

timing of planning permission can become elongated and this can affect the delivery of intended sales within any given accounting year.

As detailed in note 22 on page 40 the main risk arising from the Group's financial instruments is interest rate risk as the group's borrowings are at floating rates of interest. 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 as expected.

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.

Approximately 54% of our homes sold in the year were built on brown-field sites and all of the new plots acquired during the year are situated on brown or partially brown land. 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 15, 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 that show the number of recorded accidents for the year were approximately 67% of the external benchmark figure for the Group.

Results and dividends

The income statement is set out on page 20 and shows the profit for the year. The Group profit for the year after taxation amounted to £699,255 (15 months ended 30 June 2007 – £2,111,877).

The Directors have proposed a final dividend of 0.75p (2007: 1.5p) per ordinary share of 20p, amounting to £61,490. An interim dividend of 1.2p per ordinary share of 20p amounting to £98,384 was paid during the year (2007: 1.2p, £98,384).

Directors

The following Directors have held office during the year:

Michael Stevens
Christopher Musselle
Norman Saunders
John Hemingway
John Jones
Michael Eyres (appointed 20 July 2007)

Report of the directors continued

Directors' shareholdings

The Directors at 30 June 2008 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2008	2007	2008	2007
Michael Stevens	2,422,908	2,422,908	–	–
Christopher Musselle	19,200	19,200	187,499	187,499
John Jones	5,400	5,400	87,500	87,500
Michael Eyres	–	–	12,500	12,500
Norman Saunders	1,050	1,050	–	–
John Hemingway	–	–	–	–

Indemnification of directors

Qualifying third party indemnity provisions (as defined in Section 309B(i) of the Companies Act 1985) are in force for all Directors who held office during the year.

Substantial shareholders

At 14 October 2008 the Company has been notified of the following interests in its issued share capital:

	2008	Ordinary shares of 20p each	2007	2007
		2008		
Aspen Finance Limited	2,422,908	29.5%	2,422,908	29.5%

Michael Stevens, a director, is beneficially interested in the shares held by Aspen Finance Limited as a director of Aspen Finance Limited and a potential beneficiary of its parent company, Okaba Management Inc.

In addition, on 1 August 2008 the Company issued £1.75m of convertible loan notes to Aspen Finance Limited. The loan notes are subordinated to the banking facilities provided by The Royal Bank of Scotland plc to the Company, but are otherwise repayable on 1 July 2012. The loan notes carry interest at a rate of 1.25% above The Royal Bank of Scotland plc's base rate and are convertible at any time, at the holder's option, into Ordinary Shares of 20p each in the capital of the Company. The conversion price is:

- (1) until 30 June 2009, 34.125p per Ordinary Share;
- (2) from 1 July 2009 to 30 June 2010, 80p per Ordinary Share;
- (3) from 1 July 2010 to 30 June 2011, 85p per Ordinary Share;
- (4) after 30 June 2011, 90p per Ordinary share.

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 2008 was 33 days (30 June 2007 – 17 days).

Directors' Responsibilities for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985.

The directors have prepared the financial statements for the Group in accordance with International Financial Reporting Standards as endorsed by the European Union (Endorsed IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare the Parent Company accounts in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a

fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent Company financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group'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 Group'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

After making appropriate enquiries, 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.

Annual general meeting

The Annual General Meeting of the Company will be held at the offices of Brewin Dolphin Limited, 12 Smithfield Street, London, EC1A 9BD on 11 November 2008 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 Stoy Hayward 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

15 October 2008

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 2008 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 16 to 18.

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.

- 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.

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 2008 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.

The auditors are required to report to the Company's members on that part of this remuneration report which is subject to audit and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985. This report is therefore presented in two sections: unaudited information and audited information.

Unaudited information

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;
- 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; and
- monitoring the Group's employee share schemes in relation to legislative and market developments and determining within the overall remuneration policy the level of options or awards under such schemes, and making recommendations for the grant of options.

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, post retirement benefits and share options. 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.

Audited information**Directors' remuneration**

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

	Salary and fees £	Bonus £	Benefits £	Pension contributions £	Total 2008 £	Total 2007 £
Executives						
Christopher Musselle	162,750	–	20,336	16,666	199,752	296,905
John Jones	123,900	–	20,429	–	144,329	186,681
Michael Eyres	94,863	23,017	18,506	9,479	145,865	–
Non-Executives						
Michael Stevens	90,000	–	–	–	90,000	85,000
Norman Saunders	24,120	–	4,118	–	28,238	32,844
John Hemingway	24,120	–	–	–	24,120	27,900
Total year ended 30 June 2008	519,753	23,017	63,389	26,145	632,304	
Total 15 months ended 30 June 2007	474,395	90,000	46,110	18,825		629,330

Pension contributions of £18,825 were paid in the prior period in respect of Christopher Musselle.

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

Michael Eyres' remuneration is in respect of the period commencing from the date of his appointment as a director on 20 July 2007.

Pension contributions were made in respect of 2 directors (2007 – 1).

Share price performance

The closing mid-market price of the company's shares on 30 June 2008 was 31.0p per share and the high and low prices during the year were 167.5p and 30.0p respectively.

Share options

The Company believes that share ownership by Executive Directors and senior executives strengthens the links between their personal interest and those of investors.

At 30 June 2008 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

	At 30 June 2007 (or date of appointment if later) and 30 June 2008	Exercise price	Date from which exercisable	Expiry date	Conditions
Approved scheme					
Christopher Musselle	12,500	120p	1 April 2007	1 April 2014	(a)
John Jones	12,500	120p	1 April 2007	1 April 2014	(a)
Michael Eyres	12,500	120p	1 April 2007	1 April 2014	(a)
Unapproved scheme					
Christopher Musselle	22,916	120p	1 April 2007	1 April 2010	(b)
	22,917	120p	1 April 2007	1 April 2010	(c)
	22,916	152p	31 July 2008	30 July 2011	(c)
	22,917	152p	31 July 2008	30 July 2011	(d)
	22,916	150p	24 July 2009	23 July 2012	(d)
	22,917	150p	24 July 2009	23 July 2012	(e)
	37,500	640p	17 May 2003	18 May 2010	
	12,500	120p	1 April 2007	1 April 2010	(b)
	12,500	120p	1 April 2007	1 April 2010	(c)
	12,500	152p	31 July 2008	30 July 2011	(c)
John Jones	12,500	152p	31 July 2008	30 July 2011	(d)
	12,500	150p	24 July 2009	23 July 2012	(d)
	12,500	150p	24 July 2009	23 July 2012	(e)
	12,500	150p	24 July 2009	23 July 2012	(e)

Report on directors' remuneration continued

No options were granted or exercised during the year (2007 – None).

Under the authority allowed in the existing Approved and Unapproved Executive Share Option schemes, share options have been issued to the Executive Directors of Artisan (UK) plc and other senior management of the trading companies within the Group. The number and terms of the share options were carefully considered by the Remuneration Committee and issued to help ensure that the interests of senior management of the Group are maintained alongside those of the shareholders. The Remuneration Committee believe that a principal interest of the shareholders is share price growth and accordingly the exercise of the shares is conditional upon share price growth in Artisan (UK) plc.

Conditions

- a) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding the threshold price for a consecutive period of 30 days prior to the date of exercise.

The threshold price is:

- until 6 April 2007 170p
- until 31 March 2008 190p
- until 31 March 2009 220p
- After 31 March 2009 the option lapses

These options may be exercised between three and ten years after the options were granted.

- b) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 170p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- c) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 190p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- d) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 220p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- e) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 260p ('the threshold price') for a consecutive period of 90 days prior to third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.

If the conditions of the unapproved options are not satisfied by the third anniversary of the date of grant, then the options will nonetheless be exercisable if the conditions of any options subsequently issued under the Unapproved scheme are fulfilled.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 12 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

John Hemingway

15 October 2008

Report of the independent auditors to the shareholders of Artisan (UK) plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Artisan (UK) plc for the year ended 30 June 2008 which comprise the Group income statement, the Group statement of changes in equity, the Group and Company balance sheets, the Group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Corporate Profile, Financial Highlights, Chairman's Statement, Operational and Financial Reviews, Directors and Advisers, Directors' Report, Corporate Governance Statement and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30 June 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

15 October 2008

Group income statement

for the year ended 30 June 2008

	Note	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Revenue	2	23,412,951	41,032,156
Cost of sales		(20,372,792)	(35,093,001)
Gross profit		3,040,159	5,939,155
Other operating income		475,946	410,264
Administrative expenses		(2,823,869)	(2,913,381)
		692,236	3,436,038
Revaluation surplus on investment properties	10	1,207,111	261,684
Operating profit	4	1,899,347	3,697,722
Finance income		13,893	18,829
Finance expense	5	(1,323,007)	(933,642)
Profit before taxation		590,233	2,782,909
Tax credit/(expense)	6	109,022	(671,032)
Profit for the year attributable to the equity holders of the parent		699,255	2,111,877
Basic and diluted earnings per share	8	8.51p	25.71p

The notes on pages 24 to 42 form part of these financial statements.

Group statement of changes in equity

	Share capital £	Share premium account £	Merger reserve £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Own shares held £	Total £
At 1 April 2006	1,642,647	10,356,668	515,569	91,750	–	6,207,148	–	18,813,782
Profit and total income and expense recognised for the period	–	–	–	–	–	2,111,877	–	2,111,877
Dividends paid	–	–	–	–	–	(98,384)	–	(98,384)
Issue of shares	3	15	–	–	–	–	–	18
Purchase of own shares	–	–	–	–	–	–	(19,065)	(19,065)
Credit in respect of employee share schemes	–	–	–	–	–	51,957	–	51,957
At 30 June 2007	1,642,650	10,356,683	515,569	91,750	–	8,272,598	(19,065)	20,860,185
Revaluation of owner occupied property and net income recognised directly in equity	–	–	–	–	74,840	–	–	74,840
Profit for the year	–	–	–	–	–	699,255	–	699,255
Total recognised income and expense for the year	–	–	–	–	74,840	699,255	–	774,095
Dividends paid	–	–	–	–	–	(221,364)	–	(221,364)
Credit in respect of employee share schemes	–	–	–	–	–	22,572	–	22,572
At 30 June 2008	1,642,650	10,356,683	515,569	91,750	74,840	8,773,061	(19,065)	21,435,488

The notes on pages 24 to 42 form part of these financial statements.

Group balance sheet

at 30 June 2008

	Note	2008 £	2007 £
ASSETS			
Non-current assets			
Intangible assets	9	2,454,760	2,454,760
Investment properties	10	4,147,850	1,515,897
Property, plant and equipment	11	955,039	437,058
Other receivables	12	394,634	–
		7,952,283	4,407,715
Current assets			
Inventories	13	39,101,427	34,792,561
Trade and other receivables	14	1,118,454	1,478,042
Current tax recoverable		99,733	–
Cash and cash equivalents		1,497	1,126
		40,321,111	36,271,729
Total assets		48,273,394	40,679,444
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	15	(19,704,561)	(10,752,945)
Current liabilities			
Trade and other payables	16	(6,689,273)	(8,098,715)
Current tax provisions		–	(523,527)
Provisions	18	(444,072)	(444,072)
		(7,133,345)	(9,066,314)
Total liabilities		(26,837,906)	(19,819,259)
Net assets		21,435,488	20,860,185
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Called up share capital	19	1,642,650	1,642,650
Share premium account	20	10,356,683	10,356,683
Merger reserve	20	515,569	515,569
Capital redemption reserve	20	91,750	91,750
Revaluation reserve	20	74,840	–
Retained earnings	20	8,773,061	8,272,598
Own shares	20	(19,065)	(19,065)
Total equity		21,435,488	20,860,185

The financial statements were approved by the Board of Directors and authorised for issue on 15 October 2008.

Chris Musselle
Director

The notes on pages 24 to 42 form part of these financial statements.

Group cash flow statement

for the year ended 30 June 2008

	Year ended 30 June 2008 £	Year ended 30 June 2008 £	15 months ended 30 June 2007 £	15 months ended 30 June 2007 £
Cash flows from operating activities				
Profit before taxation	590,233		2,782,909	
Depreciation	69,909		59,598	
Finance income	(13,893)		(18,829)	
Finance expense	1,323,007		933,642	
Profit on disposal of current asset investment	–		(309)	
Share based payments charge	22,572		51,957	
Profit on disposal of property, plant and equipment	(1,281)		(3,190)	
Revaluation surplus on investment properties	(1,207,111)		(261,684)	
Profit on sale of investment property	(145,537)		–	
Operating profit before changes in working capital and provisions	637,899		3,544,094	
Increase in inventories	(4,308,866)		(5,428,981)	
Increase in trade and other receivables	(35,046)		(235,957)	
Decrease in trade and other payables	(1,227,624)		(205,997)	
Decrease in provisions	–		(3,673)	
Cash used by operations	(4,933,637)		(2,330,514)	
Finance income received	13,893		18,829	
Finance costs paid	(1,293,597)		(898,818)	
Tax paid	(514,238)		(486,025)	
Net cash used in operating activities	(6,727,579)		(3,696,528)	
Cash flows from investing activities				
Purchase of property, plant and equipment	(44,387)		(145,850)	
Capital expenditure on investment properties	(2,449,981)		(238,767)	
Proceeds from sale of investment property	490,538		–	
Proceeds from sale of property, plant and equipment	1,528		5,163	
Proceeds from sale of current asset investment	–		1,309	
Net cash used in investing activities	(2,002,302)		(378,145)	
Cash flows from financing activities				
Dividends paid	(221,364)		(98,384)	
Proceeds from the issue of ordinary share capital	–		18	
Purchase of own shares	–		(19,065)	
Movement on borrowings	8,951,616		4,189,880	
Net cash from financing activities	8,730,252		4,072,449	
Net increase/(decrease) in cash and cash equivalents	371		(2,224)	
Cash and cash equivalents at the beginning of the year	1,126		3,350	
Cash and cash equivalents at the end of the year	1,497		1,126	

The notes on pages 24 to 42 form part of these financial statements.

Notes forming part of the Group financial statements for the year ended 30 June 2008

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 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the directors on 15 October 2008.

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 43 to 48.

Basis of preparation

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.

The financial statements are presented in pounds sterling.

Adoption of new and revised standards and interpretations Standards and interpretations effective during the year

In the current year the Group adopted IFRS 7 Financial Instruments: Disclosures which is effective for accounting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures in the financial statements concerning the Group's financial instruments and management of capital (see note 22). The adoption has no impact on the profit or net assets for either the current or comparative period for the Group.

Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"; IFRIC 8 "Scope of IFRS 2"; IFRIC 9 "Reassessment of Embedded Derivatives"; IFRIC 10 "Interim Reporting and Impairment"; and IFRIC 11 "IFRS 2 Group and Treasury Share Transactions". The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

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:

- **IFRS 8 Operating Segments** (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 1 Amendment** – Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)
- **IAS 23 Amendment** – Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 2 Amendment** – Share Based Payments: vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 32 Amendment** relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 1 Amendment** – First time adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 27 Amendment** – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).
- **IFRS 3 Amendment** – Business Combinations (effective for accounting periods beginning on or after 1 July 2009).
- **IFRIC 12 Service Concession Arrangements** (effective for accounting periods beginning on or after 1 January 2008).
- **IFRIC 13 Customer Loyalty Programmes** (effective for accounting periods beginning on or after 1 July 2008).
- **IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset – Minimum Funding Requirements and their interaction** (effective for accounting periods beginning on or after 1 January 2008).

The adoption of IFRS 8 is anticipated only to change certain disclosures made in the financial statements. IFRS 8 requires segmental information to be reported in financial statements based on how that information is reported internally which, for the Group, is not expected to be materially different to the current segmental disclosures.

IAS 23 Borrowing Costs currently permits two approaches to accounting for borrowing costs. The benchmark treatment is to charge them as an expense in the year in which they are incurred, with a permitted alternative treatment being to add borrowing costs to the carrying value of a qualifying asset. The revision to IAS 23 requires interest to be capitalised in certain circumstances. The impact for the Group will be to defer the expensing of borrowing costs in line with the sale of finished stocks and work in progress rather than writing them off as incurred. The Group expects to adopt this revision when it comes into effect for the year ending 30 June 2010.

1 Significant accounting policies (continued)

The Group is currently assessing the impact of the remaining standards and interpretations but does not expect that their adoption will have a material impact on the consolidated results or financial position of the Group.

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 income statement 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 income statement.

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 includes £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.

Revenue recognition

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.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the income statement 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.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the separable identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset.

In accordance with the transitional rules of IFRS 1, goodwill arising before 1 April 2005 has been frozen at its net book value as at that date. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment, with any impairment losses being recognised immediately in the income statement.

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 income statement 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 equity. 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:

Notes forming part of the Group financial statements continued for the year ended 30 June 2008

1 Significant accounting policies (continued)

Freehold buildings	– 2% per annum on the straight line basis
Leasehold improvements	– 25% 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 actual or estimated net selling price.

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 income statement 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.

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.

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 income statement in the year in which they become payable.

Share-based payment

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 and not vested by 1 April 2005 in accordance with IFRS 2 and IFRS 1.

1 Significant accounting policies (continued)

Calculation of the fair value of share options at the date of grant is undertaken using an appropriate method of calculation and charged to the income statement over the vesting period. Market vesting conditions are factored into the calculation of the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market condition. The fair value of the options currently in existence has been calculated using the Monte Carlo simulation model, based upon publicly available market data at the point of grant.

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. Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision 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, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

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.

Financial liabilities

The Group financial liabilities consist only of financial liabilities measured at amortised cost and 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 Group's ordinary shares are classified as equity instruments.

For the purposes 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. 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. As residential development in particular is speculative by nature, most inventories are not covered by forward sale contracts. 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.

Notes forming part of the Group financial statements continued for the year ended 30 June 2008

1 Significant accounting policies (continued)

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.

ii. 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.

iii. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Further details of impairment are set out in note 9.

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.

2 Segmental analysis

The Group operates through its three principal business segments: Residential Development, Commercial Development and Property Investment. These segments form the basis of the primary segmental reporting information set out below:

Year ended 30 June 2008

	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Income statement					
Revenue					
External revenue	14,905,807	8,380,617	126,527	–	23,412,951
Inter-segment revenue	228,000	2,326,741	24,551	(2,579,292)	–
	15,133,807	10,707,358	151,078	(2,579,292)	23,412,951
Segment result					
Segment result before central charges	(29,760)	1,761,505	1,458,971	(253,151)	2,937,565
Central charges	(606,098)	(406,046)	(99,133)	–	(1,111,277)
Segment result after central charges	(635,858)	1,355,459	1,359,838	(253,151)	1,826,288
Unallocated corporate expenses					(566,612)
Unallocated corporate income					639,671
Finance expense					(1,323,007)
Finance income					13,893
Profit before taxation					590,233
Tax credit					109,022
Profit after taxation					699,255

2 Segmental analysis (continued)**Year ended 30 June 2008 (continued)**

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	17,114	25,915	–	–	43,029
Unallocated corporate capital expenditure					1,358
Total capital expenditure					44,387
Depreciation of property plant and equipment	54,429	13,199	–	–	67,628
Unallocated corporate depreciation of property, plant and equipment					2,281
Total depreciation of property, plant and equipment					69,909
Balance Sheet					
Assets					
Segment assets	37,424,217	10,919,174	5,456,301	(13,074,653)	40,725,039
Unallocated corporate assets					7,548,355
Consolidated total assets					48,273,394
Liabilities					
Segment liabilities	4,694,884	1,606,660	126,395	(7)	6,427,932
Unallocated corporate liabilities					705,413
Net borrowings					19,704,561
Consolidated total liabilities					26,837,906

The Group does not operate outside the United Kingdom and hence no geographical segmental analysis is required.

15 months ended 30 June 2007

Income statement	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Revenue					
External revenue	26,961,175	14,070,981	–	–	41,032,156
Inter-segment revenue	–	1,512,276	–	(1,512,276)	–
	26,961,175	15,583,257	–	(1,512,276)	41,032,156
Segment result					
Segment result before central charges	2,575,694	2,421,118	261,580	(278,852)	4,979,540
Central charges	(823,592)	(571,331)	(53,858)	–	(1,448,781)
Segment result after central charges	1,752,102	1,849,787	207,722	(278,852)	3,530,759
Unallocated corporate expenses					(693,648)
Unallocated corporate income					860,611
Finance expense					(933,642)
Finance income					18,829
Profit before taxation					2,782,909
Tax expense					(671,032)
Profit after taxation					2,111,877

Notes forming part of the Group financial statements continued

for the year ended 30 June 2008

2 Segmental analysis (continued)

15 months ended 30 June 2007 (continued)

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	115,897	26,200	–	–	142,097
Unallocated corporate capital expenditure					3,753
Total capital expenditure					145,850
Depreciation of property plant and equipment	46,917	7,977	–	–	54,894
Unallocated corporate depreciation of property, plant and equipment					4,704
Total depreciation of property, plant and equipment					59,598

Balance sheet

Assets

Segment assets	36,992,095	9,979,405	1,533,070	(13,333,388)	35,171,182
Unallocated corporate assets					5,508,262
Consolidated total assets					40,679,444

Liabilities

Segment liabilities	5,032,517	3,096,404	3,001	(8)	8,131,914
Unallocated corporate liabilities					934,400
Net borrowings					10,752,945
Consolidated total liabilities					19,819,259

3 Employees

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Staff costs, including directors, consist of:		
Wages and salaries	3,782,825	4,577,688
Social security costs	356,332	454,070
Equity settled share-based payments	22,572	51,957
Other pension costs	104,346	116,619
	4,266,075	5,200,334

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 16 to 18.

	Year ended 30 June 2008 Number	15 months ended 30 June 2007 Number
The average number of employees, including directors, during the year was:		
Administration	34	35
Operations	78	85
	112	120

4 Operating profit

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
This has been arrived at after charging/(crediting):		
Depreciation	69,909	59,598
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	20,000	17,000
– the subsidiaries' annual accounts	63,000	78,000
Fees payable to the Company's auditor for other services:		
– tax compliance	29,000	32,000
– tax advisory	1,750	5,500
– other services not covered above	–	14,500
Hire of plant and machinery	73,911	77,526
Other operating lease rentals – vehicles	64,027	103,113
– land and buildings	343,453	352,344
Impairment in carrying value of inventories	272,247	–
Rent receivable	(456,935)	(400,264)
Profit on sale of investment property	(145,537)	–
Exceptional recovery of costs in respect of the sale of group undertakings in previous periods	–	(10,000)
Profit on sale of property, plant and equipment	(1,281)	(3,190)
Equity settled share-based payments	22,572	51,957

During the year overhead costs totalling £780,792 (15 months ended 30 June 2007 – £1,504,527) were allocated from administrative expenses to work-in-progress.

5 Finance expense

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Bank overdrafts and loans repayable within 5 years	1,320,974	929,407
Other interest	2,033	4,235
	1,323,007	933,642

Notes forming part of the Group financial statements continued

for the year ended 30 June 2008

6 Tax (credit)/expense

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Recognised in the income statement		
<i>Current tax</i>		
UK corporation tax on profits for the year	(108,039)	525,110
Adjustment in respect of prior periods	(983)	(25,258)
Total current tax	(109,022)	499,852
<i>Deferred tax expense</i>		
Reversal of temporary differences	–	171,180
Total tax (credit)/expense reported in the income statement	(109,022)	671,032

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

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Profit before tax	590,233	2,782,909
Profit on ordinary activities at the standard rate of corporation tax in the UK of 29.5% (2007 – 30%)	174,119	834,873
Effects of:		
Expenses not deductible for tax purposes	30,581	45,274
Non-taxable income	(330,372)	(957)
Depreciation for the year in excess of capital allowances	4,832	(1,907)
Utilisation of tax losses brought forward	(196,964)	(148,191)
Unrelieved trading losses for the year carried forward	187,703	–
Claim for land remediation tax relief	(27,570)	(24,791)
Small companies rate relief	–	(5,011)
Adjustment in respect of previous periods	(983)	(25,258)
Other	49,632	(3,000)
Tax (credit)/charge for the year	(109,022)	671,032

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £3.9 million (30 June 2007 – £3.3 million) 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.

No deferred tax liability has been recognised in respect of valuation gains on investment properties during the year due to the availability of substantial capital losses within the Group against which capital gains on disposal could be offset.

7 Dividends

Amounts paid to equity holders in the year:

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Final dividend for the period ended 30 June 2007 of 1.5p (year ended 31 March 2006 – Nil p) per share	122,980	–
Interim dividend for the year ended 30 June 2008 of 1.2p (15 months ended 30 June 2007 – 1.2p) per share	98,384	98,384
	221,364	98,384

The Directors have proposed a final dividend for the year of 0.75p (2007: 1.5p) per ordinary share amounting to £61,490 (2007: £122,980). This dividend has not been accrued at the balance sheet date.

8 Earnings per share

The basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of shares in issue.

	Year ended 30 June 2008 Number	15 months ended 30 June 2007 Number
The weighted average number of shares were:		
Basic weighted average number of shares	8,213,250	8,213,242

There were no dilutive potential ordinary shares in 2008 or 2007. Options outstanding in the year are set out in note 21.

9 Intangible non-current assets

	£
Goodwill	
<i>Carrying value</i>	
At 1 July 2007 and 30 June 2008	2,454,760
<i>Carrying value</i>	
At 1 April 2006 and 30 June 2007	2,454,760

Goodwill relates to the acquisition of Rippon Homes Limited in 2000. This balance had been subject to an annual impairment review and continues to be maintained at the 31 March 2005 carrying value, being the value at the date of transition to IFRS.

Impairment reviews are carried out using value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to Rippon. The growth rates are based on management's strategic plan for the business and reflect significant further investment in the land bank.

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the coming year and extrapolates cash flows for the following four years, thereafter year five cash flows are assumed to grow at 2.5 per cent (2007: nil per cent) per annum in perpetuity. The rate used to discount the forecast cash flows is 8.9 per cent (2007: 9.5 per cent).

Notes forming part of the Group financial statements continued for the year ended 30 June 2008

10 Investment properties

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
<i>Fair value</i>		
At beginning of period	1,515,897	–
Additions – transfer from trading stock	–	804,218
– capital expenditure	2,238,753	449,995
Transfer to property, plant and equipment in respect of owner occupied property	(468,910)	–
Disposals	(345,001)	–
	2,940,739	1,254,213
Revaluations included in income statement	1,207,111	261,684
At end of year	4,147,850	1,515,897

As at 30 June 2008, the historical cost of investment property owned by the Group was £2,779,931 (2007 £1,254,213).

The fair values of the Group's investment properties at 30 June 2008 have been arrived at on the basis of open market value by the directors, who are suitably experienced, having regard to professional advice and sales evidence during the year.

During the year £123,777 (15 months ended 30 June 2007 – £nil) 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 £2,200 (15 months ended 30 June 2007 – £nil)

11 Property, plant and equipment

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>						
At 1 July 2007	315,400	1,714	192,326	131,405	260,013	900,858
Additions	–	–	340	8,000	36,047	44,387
Transfer from investment properties in respect of owner occupied property	468,910	–	–	–	–	468,910
Disposals	–	(1,714)	–	(21,098)	(82,019)	(104,831)
Revaluation surplus	74,840	–	–	–	–	74,840
At 30 June 2008	859,150	–	192,666	118,307	214,041	1,384,164
<i>Depreciation</i>						
At 1 July 2007	41,083	1,573	179,869	63,494	177,781	463,800
Provided for the year	5,773	32	5,659	26,249	32,196	69,909
Eliminated on disposals	–	(1,605)	–	(21,098)	(81,881)	(104,584)
At 30 June 2008	46,856	–	185,528	68,645	128,096	429,125
<i>Net book value</i>						
At 30 June 2008	812,294	–	7,138	49,662	85,945	955,039
At 30 June 2007	274,317	141	12,457	67,911	82,232	437,058

11 Property, plant and equipment (continued)

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>						
At 1 April 2006	315,400	1,714	176,236	115,128	184,034	792,512
Additions	–	–	16,540	49,359	79,951	145,850
Disposals	–	–	(450)	(33,082)	(3,972)	(37,504)
At 30 June 2007	315,400	1,714	192,326	131,405	260,013	900,858
<i>Depreciation</i>						
At 1 April 2006	33,867	1,477	175,154	73,412	155,823	439,733
Provided for the period	7,216	96	5,165	23,164	23,957	59,598
Eliminated on disposals	–	–	(450)	(33,082)	(1,999)	(35,531)
At 30 June 2007	41,083	1,573	179,869	63,494	177,781	463,800
<i>Net book value</i>						
At 30 June 2007	274,317	141	12,457	67,911	82,232	437,058
At 31 March 2006	281,533	237	1,082	41,716	28,211	352,779

12 Other receivables

	2008 £	2007 £
Other receivables	394,634	–

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.

13 Inventories

	2008 £	2007 £
Raw materials and consumables	30,435	23,870
Land held for development	12,867,252	13,416,722
Work in progress	8,516,965	11,416,222
Completed developments and houses for sale	17,686,775	9,935,747
	39,101,427	34,792,561

Inventories with a carrying amount of £39,101,427 (30 June 2007 – £34,792,561) have been pledged as security for the Group's bank borrowings.

14 Trade and other receivables

	2008 £	2007 £
Trade receivables	243,622	118,946
Amounts recoverable on contracts	179,238	661,321
Other receivables	243,861	263,942
Prepayments and accrued income	451,733	433,833
	1,118,454	1,478,042

All trade and other receivables are non-interest bearing. Further disclosures relating to financial instruments are set out in note 22.

Notes forming part of the Group financial statements continued

for the year ended 30 June 2008

15 Non-current liabilities

	2008 £	2007 £
Bank loans (secured – see note 17)	19,704,561	10,752,945

16 Trade and other payables

	2008 £	2007 £
Trade payables	2,249,673	1,835,845
Other taxes and social security	137,655	173,224
Other payables	107,223	227,347
Retentions	876,488	773,445
Accruals and deferred income	3,318,234	5,088,854
	6,689,273	8,098,715

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

	2008 £	2007 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	15,242,061	10,752,945
After two years but within five years		
Bank borrowings	4,462,500	–
	19,704,561	10,752,945

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	2008 £	2007 £
Bank borrowings					
Revolving credit	GBP	base + 1.40%	2009	15,242,061	10,752,945
Investment property facility	GBP	base + 1.25%	2012	4,462,500	–
				19,704,561	10,752,945

18 Provisions

	2008 £	2007 £
Provision for claims		
At beginning of year	444,072	447,745
Utilised during the year	–	(3,673)
At end of year	444,072	444,072

Provisions for claims represent residual costs in connection with the sale of Bickerton Construction Limited, including those relating to an indemnity provided. The provision made is the directors' best estimate of the Group liabilities having taken legal advice.

19 Share capital

	2008 £	2007 £
Authorised		
25,000,000 (30 June 2007 – 25,000,000) ordinary shares of 20p (30 June 2007 – 20p) each	5,000,000	5,000,000
Allotted, called up and fully paid		
8,213,250 (30 June 2007 – 8,213,250) ordinary shares of 20p (30 June 2007 – 20p) each	1,642,650	1,642,650

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 2007.

Notes forming part of the Group financial statements continued

for the year ended 30 June 2008

21 Share-based payments

Equity-settled share option schemes

The Group has Approved and Unapproved Executive Share Option schemes in place for the Executive Directors of Artisan (UK) plc and other senior management of the trading companies within the Group. Options are exercisable at a price calculated as the average closing share price of the Company in the week prior to the date of grant and exercise is conditional upon the closing mid-market price of the Company's shares exceeding a threshold price for a specified period prior to the date of exercise. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant in the case of the Approved Scheme and 6 years for the Unapproved Scheme then the options expire. Options are generally forfeited if the director or employee leaves the Group.

Options granted, exercised and lapsed under the employee share option scheme were as follows:

	1 July 2007	Granted in period	Surrendered in period	30 June 2008	Exercise price range
Approved scheme	68,750	–	–	68,750	£1.20
Unapproved scheme	250,000	–	–	250,000	£1.20–£6.40

The options outstanding at 30 June 2008 had a weighted average exercise price of £1.95 (2007: £1.95) and a weighted average remaining contractual life of 3.4 years (2007: 4.4 years).

The fair value of the options currently in existence has been calculated using the Monte Carlo simulation model and the following assumptions:

	Approved Scheme 2004 award	Unapproved Scheme 2004 award	Unapproved Scheme 2005 award	Unapproved Scheme 2006 award
Date of grant	1-Apr-04	1-Apr-04	18-Jul-05	24-Jul-06
Share price at grant	100.0p	100.0p	156.0p	150.0p
Exercise price	120.0p	120.0p	152.0p	150.0p
Expected term	5 years	3 years	3 years	3 years
Expected volatility	80%	80%	51.5%	43%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	4.70%	4.60%	4.10%	4.76%
Value per option	64.0p	46.2p	55.2p	40.4p

The expected volatility is based on a forward weighted average historical volatility of the Company's share price over a period commensurate with the expected term but adjusted for any extraordinary one off events that distort the underlying trend. The risk free rate is based on the implied yield of zero coupon government bonds. The expected terms are based on management's best estimate taking into account historical behaviour and the underlying terms of the schemes.

The total charge for the year relating to equity settled share-based payments was £22,572 (2007 – £51,957).

Further details on share option schemes are provided in the Report on Directors' Remuneration on pages 16 to 18.

22 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 raise finance for the Group's operations and acquisitions. The categories of the Group's financial assets and liabilities are summarised below.

Financial assets classified as loans and receivables

	2008 £	2007 £
Current financial assets		
Cash and cash equivalents	1,497	1,126
Trade receivables	243,622	118,946
Amounts recoverable on contracts	179,238	661,321
Other receivables	243,861	263,942
Prepayments	111,370	134,488
Total current financial assets	779,588	1,179,823

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

Financial liabilities measured at amortised cost

	2008 £	2007 £
Non-current financial liabilities		
Loans and borrowings	19,704,561	10,752,945
Current financial liabilities		
Trade payables	2,249,673	1,803,492
Other payables	107,223	327,143
Retentions	876,488	773,445
Accrued charges	3,233,319	5,021,411
Provisions	444,072	444,072
Total current financial liabilities	6,910,775	8,369,563
Total financial liabilities	26,615,336	19,122,508

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

- Market risk
- Credit risk
- Liquidity risk

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 and consumer confidence.

Notes forming part of the Group financial statements continued for the year ended 30 June 2008

22 Financial instruments (continued)

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 the base rate 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 2008, 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 2008 indicates that a general increase of one percentage point in interest rates applying for the full year would reduce the Group's profit after tax by approximately £193,000 (15 months ended 30 June 2007: £144,000).

Exchange rate risk

The Group has no significant exposure to exchange rate risk as virtually 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. 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.

Credit risk analysed by segment is as follows:

	2008 £	2007 £
Residential	366,948	477,210
Commercial	339,450	678,796
Property investment	72,498	–
Central	692	23,817
	779,588	1,179,823

The Group's credit risk is distributed over a number of parties. The maximum credit risk should any single party fail to perform is £246,529 (2007: £444,715). At 30 June 2008 the Group had £102,082 (30 June 2007: £37,182) of receivables past due. The Group has reviewed the items that comprise this balance, and believes that these amounts will be recovered.

22 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.

The Group's policy on the payment of trade payables is set out in the Directors' Report on page 12. 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.

At the balance sheet date the Group had revolving credit facilities committed until July 2009, at a competitive rate linked to the base rate. Un-drawn committed facilities at the reporting date amount to £11,889,919 (2007: £5,941,689). Subsequent to the year end the revolving credit facilities were renegotiated resulting in a new facility expiring on 1 July 2010.

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.

23 Related parties

Artisan (UK) plc is the parent company and ultimate controlling party of the Group.

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

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 16 to 18.

	2008 £	2007 £
Short-term employee benefits	606,159	610,505
Post-employment benefits	26,145	18,825
Equity settled share-based payments	22,572	41,462
	654,876	670,792

24 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 2008, bonds in issue amount to £1,326,375 (30 June 2007 £1,052,777).

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.

Notes forming part of the Group financial statements continued for the year ended 30 June 2008

25 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
Expiring:				
Within one year	5,350	37,173	2,359	16,743
Between two and five years	12,038	59,101	32,775	75,670
After five years	2,127,467	–	2,035,736	–

26 Events after the balance sheet date

On 1 August 2008 the Company issued £1.75m of convertible loan notes to Aspen Finance Limited. For further details refer to page 12 of these financial statements.

Company balance sheet

at 30 June 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	4		4,052		5,091
Investments	5		10,452,149		10,452,149
			10,456,201		10,457,240
Current assets					
Debtors	6	28,879,437		24,348,226	
Cash at bank and in hand		140		305	
		28,879,577		24,348,531	
Creditors: amounts falling due within one year	7	2,424,512		1,565,232	
Net current assets			26,455,065		22,783,299
Total assets less current liabilities			36,911,266		33,240,539
Creditors: amounts falling due after more than one year	8		19,857,093		18,579,420
Provisions for liabilities	10		444,072		444,072
Net assets			16,610,101		14,217,047
Capital and reserves					
Called up share capital	11		1,642,650		1,642,650
Share premium account	12		10,356,683		10,356,683
Merger reserve	12		689,328		689,328
Capital redemption reserve	12		91,750		91,750
Profit and loss account	12		3,848,755		1,455,701
Own shares	12		(19,065)		(19,065)
Shareholders' funds	13		16,610,101		14,217,047

The financial statements were approved by the Board of Directors and authorised for issue on 15 October 2008

Chris Musselle
Director

The notes on pages 44 to 48 form part of these financial statements.

Notes forming part of the Company financial statements for the year ended 30 June 2008

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:

Leasehold improvements –	25% per annum on the straight line basis
Fixtures and fittings –	25% per annum on the straight line basis

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any allowance for impairment.

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.

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

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Staff costs, including directors, consist of:		
Wages and salaries	385,123	556,294
Social security costs	31,275	51,030
Equity settled share-based payments	22,572	51,957
Other pension costs	21,575	24,557
	460,545	683,838

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 16 to 18.

	Year ended 30 June 2008 Number	15 months ended 30 June 2007 Number
The average number of employees, including directors, during the period was:		
Administration	7	6

3 Profit for the financial period

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £2,591,846 (15 months ended 30 June 2007 – £696,303).

The auditors' remuneration for audit services to the Company was £20,000 (15 months ended 30 June 2007 – £17,000).

4 Tangible assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Total £
<i>Cost</i>			
At 1 July 2007	1,714	36,083	37,797
Additions	–	1,358	1,358
Disposals	(1,714)	(21,896)	(23,610)
At 30 June 2008	–	15,545	15,545
<i>Depreciation</i>			
At 1 July 2007	1,573	31,133	32,706
Provided for the year	32	2,249	2,281
Disposals	(1,605)	(21,889)	(23,494)
At 30 June 2008	–	11,493	11,493
<i>Net book value</i>			
At 30 June 2008	–	4,052	4,052
At 30 June 2007	141	4,950	5,091

Notes forming part of the Company financial statements continued

for the year ended 30 June 2008

5 Fixed asset investments

Subsidiary
undertakings
£

<i>Cost</i>	
At 1 July 2007 and 30 June 2008	11,452,149
<i>Provisions</i>	
At 1 July 2007 and 30 June 2008	1,000,000
<i>Net book value</i>	
At 30 June 2008 and 30 June 2007	10,452,149

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 2008 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

	2008 £	2007 £
Trade debtors	–	23,019
Amounts owed from subsidiary undertakings	28,738,082	24,214,611
Other debtors	91,060	4,494
Prepayments and accrued income	50,295	106,102
	28,879,437	24,348,226

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

7 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	43,507	23,491
Amounts owed to subsidiary undertakings	2,030,818	1,085,453
Other taxes and social security	22,555	16,103
Accruals and deferred income	327,632	440,185
	2,424,512	1,565,232

8 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans (secured – see note 9)	19,857,093	18,579,420

9 Borrowings

	2008 £	2007 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	19,857,093	18,579,420

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

	Provision for claims £
At 1 July 2007 and 30 June 2008	444,072

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 2007	10,356,683	689,328	91,750	1,455,701	(19,065)
Retained profit for the year	–	–	–	2,591,846	–
Dividends paid	–	–	–	(221,364)	–
Equity settled share-based payments	–	–	–	22,572	–
At 30 June 2008	10,356,683	689,328	91,750	3,848,755	(19,065)

13 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2008 £	15 months ended 30 June 2007 £
Profit for the year	2,591,846	696,303
Dividends paid	(221,364)	–
Shares issued in year	–	18
Own shares acquired in year	–	(19,065)
Equity settled share-based payments	22,572	51,957
Net movement in shareholders' funds	2,393,054	729,213
Opening shareholders' funds	14,217,047	13,487,834
Closing shareholders' funds	16,610,101	14,217,047

Notes forming part of the Company financial statements continued

for the year ended 30 June 2008

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 2008, bank borrowings of group company members covered by the Company's cross guarantee amounted to £Nil (30 June 2007 – £Nil).

In the normal course of business the Company has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2008, bonds in issue amount to £8,613 (30 June 2007 £8,613).

15 Leasing commitments

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

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
Expiring:				
Within one year	–	5,921	1,096	969
Between two and five years	–	6,681	–	7,105

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ARTISAN (UK)
PROJECTS LIMITED

ARTISAN (UK)
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RIPPON HOMES LIMITED

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