



ARTISAN
(UK) plc

Report and Accounts

30 June 2009

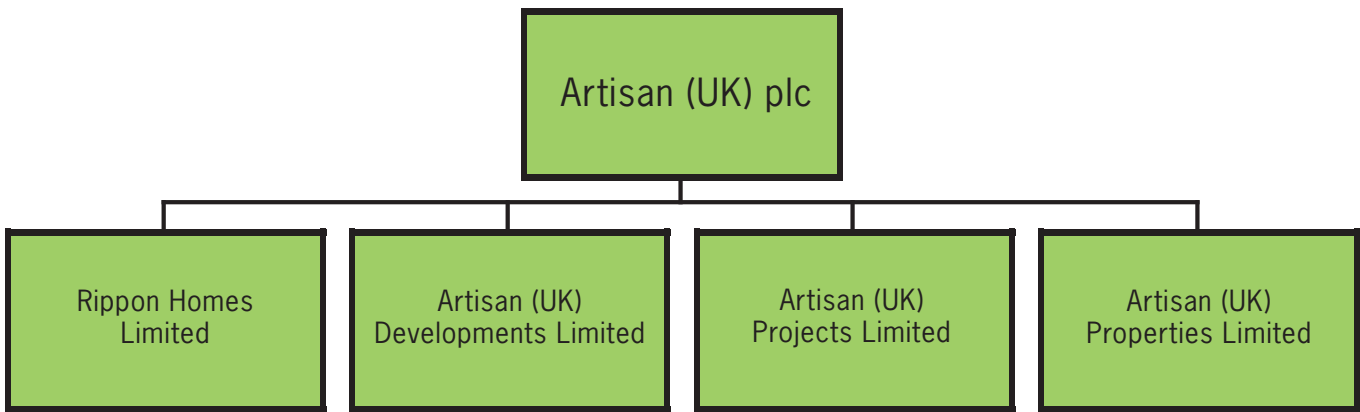


Artisan is a UK based house builder and business park developer.

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, but also for customers commissioning bespoke units.

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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Key Points



- Group turnover for the year reduced to £10.9m (2008: £23.4m)
- Operating loss of £6.8m (2008: profit £1.9m)
- Loss before tax of £8.1m (2008: profit £0.6m)
- Residential division showing signs of improved trading during second half, but not to a level that secures profitability
- Commercial division: benefited from forward sales achieved in previous years: some improvement towards the year end
- Banking agreements renegotiated: reinforced cash position maintains some headroom for Group
- Cost reduction programmes completed within the year

Chairman's Quote

"The markets for both residential and commercial property remain difficult and fragile. Whilst an improvement in customer confidence would be welcome, the most significant improvement required is in mortgage availability. Buyers, without the significant funds required for the increased deposits necessary to obtain most mortgages currently available, need to have access to mortgages requiring lower deposits. Once this availability improves we believe the problem of downward pressure on valuations on agreed property sales will ease.

It is the Board's strong belief that the fundamental characteristic – undersupply of both residential and commercial properties in our local markets – remains strong and that once the economy is in better balance there will be a renewed strong and consistent demand for the Group's products."





ARTISAN (UK)
DEVELOPMENTS

A bespoke warehouse
solution on our mixed
business park in Ipswich



New modern offices
developed for our business
park in Kings Lynn



Clear and light industrial
space built for our mixed
business park in Ipswich



creating space for business



Enhanced specification properties in the heart of Overseal



Exclusive Living Heritage home in the centre of the desirable village of Farnsfield



Modern family homes very close to the centre of Mansfield, developed on regenerated land



A popular four bedroom Rippon Homes house in a traditional style in Mansfield

living the dream

Chairman's statement

Artisan presents its results for the year ended 30 June 2009. Last year I stated that the Group faced some of the toughest trading conditions in its history in respect of the residential market. During the first half of the financial year to 30 June 2009, these tough trading conditions only became worse as the full impact of the economic difficulties on the property markets became apparent with both customer confidence evaporating and customer funding becoming very difficult to obtain. In January 2009 the underlying demand in the residential market prompted renewed customer interest, but after an initial flurry, this has continued only at a more modest level. Commercial customers for our stock items have started to re-emerge towards the end of the financial year. Despite these small signs of an upturn in the second half, volumes remain low and values depressed in the fragile market.

Group results

Group turnover for the year reduced to £10.9m (2008: £23.4m). The commercial business generated turnover of £2.9m (2008: £10.7m) and the residential business turnover of £7.8m (2008: £15.1m). This much reduced level of sales has resulted in an Operating Loss of £2.5m (2008: Profit £2.2m) before exceptional items and an Operating Loss of £6.8m (2008: Profit £1.9m) after exceptional items. It should be noted that the 30 June 2008 full year results included a revaluation surplus arising on our investment properties amounting to £1.2m compared to a writedown of £0.8m in this year's accounts.

Overview

In both the first and second halves of the financial year, the markets for our residential and commercial divisions have continued to be difficult and volatile. It was with some relief that we saw a number of customers returning to the market at the beginning of 2009. This renewed interest was dampened somewhat by the great difficulty in securing mortgage funding and maintaining transactions through to completion in the face of some very cautious mortgage valuations. The initial surge from the few buyers able to fund transactions has slowed to a slightly lower but steady pace. These sales generate cash, but are not yet at a level that will secure profitable trading.

Although Artisan Developments traded reasonably well in the first half of the year, completing forward sales agreed sometime ago, sales of stock items, which are purchases made over a shorter timescale, were very poor for most of the year. Pleasingly, customer enquires improved towards the end of the financial year and stock sales and tenancies have been agreed for completions before and after the year end.

As I have previously advised, the Board foresaw the approach of tougher trading conditions and took steps to create a strong cash headroom position. The benefit of this position has been that it has allowed us to fund the trading losses and to hold funds in respect of bank demands for reduced asset debt ratios. The reduced debt ratios have been part of our successful negotiations with our bank to extend our development facility to 1 July 2011 and adopt a cash covenant in lieu of an interest to profit covenant.

Land purchases have been concentrated on seeking out option and joint venture structures rather than outright acquisitions in order to limit financial exposure.

The inherent quality of our product is of assistance in this market and we have had buyers who have preferred Artisan and Rippon Homes products to cheaper competition.

Marketing

The development divisions have continued to look for innovative ways to promote their products and to negotiate keenly on pricing. To help overcome the lack of mortgage availability to those with restricted funds, we have embarked on a programme of selling some of our lower value properties on a shared equity basis.

Stock values

We have carefully considered the pricing of all stock plots on an individual basis at both the half year and year end. Writing down values in accordance with financial standards combined with some cost increase has resulted in the exceptional losses we have disclosed in the accounts for the year ended 30 June 2009. The basis of providing these writedowns has been to reduce the carrying value to a position whereby our stock will breakeven at gross margin level where there are no future profits expected on a site.

Cost reduction programmes

The management teams have continued to look for cost savings through the year. Production has been substantially reduced with staffing levels reduced accordingly. Unfortunately, we have had to embark on redundancy programmes through the year. The staffing numbers have been reduced by approximately two thirds, but further redundancies have been avoided by virtue of most staff in the Group now working three or four day weeks. The Group Directors have recognised this contribution by staff towards cost saving and have generally agreed temporary salary reductions.

Chairman's statement continued

Investment Division

During the year we have not sought to increase our investment in long term property holdings. The tenants in the existing buildings appear to have settled into the new buildings well and without any significant teething problems, underlining the quality of the products we deliver to customers.

We have, as a Board, had to consider the carrying values of the properties. We are not immune to the general increase required for investment yields and we have reflected this accordingly by reducing the carrying value of the properties. This has resulted in a £0.8m charge in the Income Statement compared with the surplus of £1.2m achieved in 2008.

Dividend

Although aware that shareholders wish to see a consistent approach to dividend payments, the Board believes that is only sensible and prudent to retain funds within the business whilst we await a return to normal trading conditions and better results. Accordingly no dividend is recommended for the year.

Aspen Finance Limited

In July 2009, Aspen Finance Limited ("Aspen") a company through which I am beneficially interested in the share capital of Artisan (UK) plc made a mandatory offer to shareholders as a result of the conversion of a loan note previously issued to Aspen, increasing Aspen's shareholding to above 30%, thus triggering a mandatory offer to shareholders. As a result of the conversion and acceptances of the offer, Aspen's shareholding is now 69.6% of the voting shares of Artisan. Over 900 shareholders accepted the offer from Aspen Finance Limited. As stated in the offer document, it is Aspen's current intention to retain Artisan's admission to trading on AIM.

Outlook

As I have already highlighted, although the markets for both residential and commercial property remain difficult and fragile, there are signs that the property markets have begun to stabilise with encouraging national market statistics now starting to emerge. Whilst continued improvement in customer confidence would be welcome, the most significant improvement required to improve outlook is in mortgage availability. Buyers need to have access to mortgages requiring lower deposits, particularly first time buyers. Once mortgage availability improves we believe the problem of downward pressure on valuations on agreed property sales will ease.

The differentiation between old properties and the improved environmental performance of new properties is becoming more marked and better recognised by clients, particularly as regards commercial property. We believe this will help drive demand for our product and we are continuing to take steps to ensure that our products meet the exacting demands of the market and that of new legislation.

We also believe that debt funding for the business will become tighter as debt providers seek to reduce debt levels, apply less flexible funding structures and reduce the loan to cost and loan to value ratios. We do retain a positive relationship with our bankers and have their assurance that they wish work with us in providing facilities beyond the existing term for the main development facility. Our business is well backed with valuable assets which we expect to be better appreciated by the market as more normal conditions return.

As stated in the Aspen offer document, it is the Group's intention to review the existing operations and assess future opportunities for growth. Such opportunities may include the use of Artisan as a platform to expand either the Group's residential or commercial property activities, organically or via acquisitions. Shareholders should be aware that this may require additional debt or equity funding, the form of which cannot currently be predicted and may lead to future shareholder dilution.

It is the Board's strong belief that the fundamental characteristic of property development, undersupply of both residential and commercial properties in our local markets, remains strong and that once the economy is better in balance there will be a renewed strong and consistent demand for the Group's product.

Michael W Stevens
Chairman

6 October 2009

Operational and financial review

Residential Division

Whilst Rippon Homes found the year ended 30 June 2008 a difficult year, 2009 proved even more challenging and potential sales reservations have been hard to find. The difficulties in completing mortgage financing and the very cautious approach of valuers has reduced the number of firm reservations and sales achievable. Sales of 41 units at an average value of £189,650 (2008: 80 units at an average value of £186,300) is reflective of the current market conditions across the housebuilding sector. The increase in average price reflects the product offer mix and would have been further improved but for the treatment of shared equity sales as referred to below. Rippon Homes have where possible ensured that four bedroom properties have been offered and sales of these products have been achieved as customers have been able to use equity in their existing properties to meet the restricted mortgage provision.

Rippon Homes has continued to use a wide variety of sales incentives. Much of the promotion has focused on the availability of homes at prices discounted from list price and the availability of part exchange properties. The ability to deal in part exchange properties has been very useful in maintaining sales. Part exchange stocks have been carefully managed to avoid creating an overstock of these properties. At the year end Rippon Homes had a stock of 14 units, which was below the management allowance for part exchange stocks. However as there is a time lag between agreeing a part exchange deal on a new house and the eventual sale, in a falling market this has incurred losses. We have also an exceptional provision against the closing stock at 30 June 2009 of £175,000

We have also started selling houses on a shared equity basis to assist customers who cannot raise the equity required to secure a mortgage. By 30 June 2009 we had completed 2 units on this basis and more will follow in the next financial year. The accounting treatment requires that the estimated implied interest cost of deferring part of the sale value is deducted from turnover. In the current year this is not material, but does depress the turnover figure and reduce the average sale value. If 100% of the sale value was recognised, turnover would increase by £30,500 and the average sale value would be £190,400. Rippon Homes has the benefit of a second charge on the property until the deferred share of the property is settled, ordinarily in up to 10 years.

Finished good stocks increased over the first part of the financial year whilst units in build were brought to completion or near completion.

Production is now on a limited basis and being managed in response to sales. Finished good stocks are now declining and are expected to continue to be reduced over the coming year. However it is a finely balanced management decision, as Rippon Homes requires sufficient units in production to ensure that there is a balanced portfolio available for future sales. In the current market it is unlikely that sales can be achieved on units that are not either nearing completion or complete.

Commercial Division

The commercial division has suffered from the realities of the current market. The turnover achieved has largely been on the strength of previously agreed forward sales. However, towards the end of the financial year there has been increased interest in our stock units resulting in two freehold sales of previously let units in June. We achieved a further sale of an office unit immediately after the year end. Sales interest is continuing into the current financial year. Although we are achieving lower sale prices and shorter let terms than ideal, the financial performance of the sites indicates that no carrying value provisions are appropriate.

New build is currently suspended and will only be re-started once the Board sees more progress in realising existing stock or on the strength of a forward sale or let contract. The construction team has been very significantly reduced and the remaining staff are not only dealing with the ongoing maintenance issues and technical support for sales enquiries, but investigating changes to our standard product to better meet the evolving environmental requirements of customers and regulators.

The commercial business sold 11,700ft² of commercial property (2008: 98,000ft²), consisting of 11,700ft² of completed stock units (2008: 18,000ft²) and nil ft² of forward sales contracted and in build (2008: 80,000ft²). In 2009 revenue was also derived from forward sales contracted in the previous year.

Investment Properties

As stated in the Chairman's statement, the investment properties continue to be occupied by the tenants and Artisan itself. The property investment market has reflected the current economic conditions and seen an increase in investment yields. Therefore, as at the half year, the Board has considered the carrying value of the properties and after informal consultation with valuers, we have decided to reduce the carrying value by a further £300,000 at the

Operational and financial review continued

year end culminating in a total charge to income of £750,000 for the year to 30 June 2009 (2008: surplus £1,207,000).

Whilst we are concentrating on maintaining cash balances through the Group, we have not invested in any further long term investment properties. Any lettings achieved by the trading divisions have been regarded as short term steps prior to achieving a sale of the investment.

Land stocks

We have not made any further land purchases other than the completion of the purchase of the second half of Rippon Homes' Debdale Lane site at the beginning of the financial year. Our management teams have concentrated on seeking option or deferred purchase schemes. A number of these are in progress.

The land stock of owned or secured plots at Rippon Homes is 260 plots (2008: 378). Part of the reduction arises from a site of 52 units that is contracted but subject to agreement on valuation. It is not clear whether or not this site will now proceed and is therefore excluded from the plot number declared for 30 June 2009.

The Commercial operation currently holds land, owned or secured of 18,500m² (2008: 25,300m²). 6,500m² of the reduction relates to a contracted site that management decided during the year not to purchase. Control of land is a key requirement of generating forward sales and lets and it is the intention of management to secure forward sales as an integral part of achieving future growth.

The tax credit for the year is £27,000 resulting in an effective tax rate of 0.3% (2008: 18.5%). The reduction to standard rate is primarily a result of unrelieved trading losses carried forward for which no deferred tax asset has been recognised and a lack of tax relief on the goodwill impairment.

The exceptional items may be analysed as follows:

	2009 £m	2008 £m
Goodwill impairment	2.5	–
Staff reduction costs	0.1	0.1
Land contract withdrawal	0.1	–
Residential land provisions	1.4	0.3
Part exchange stock write downs	0.2	–
Total	4.3	0.4

The net assets have reduced from £21.4m to £15.3m as a result of the trading losses for the year and exceptional items including goodwill impairment.

Share capital has increased in the year as a result of the conversion of the convertible loan note of £1.75m issued to Aspen Finance Limited in August 2008. 5,128,205 new shares were issued at a conversion price of 34.125p which reflected the market price of the Company's shares at the date of issue of the loan note. The share

Results

	Residential £m	Commercial £m	Investment £m	Central £m	Total £m
Revenue					
2009	7.8	2.9	0.3	(0.1)	10.9
2008	15.1	10.7	0.2	(2.6)	23.4
Operating (loss)/profit before group management charges and exceptional items					
2009	1.4	–	(0.5)	(3.4)	(2.5)
2008	0.3	1.7	1.5	(1.3)	2.2

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

price was 39.50p at the date of conversion, and this is the fair value of the conversion for the purposes of the financial reporting standards.

Debt and Banking

The Group has net borrowings of £20.8m (2008: £19.7m). The Group has drawn bank debt of £29.9m (2008: £32.6m) resulting in substantial cash balances which, although reduced, provide funds for continuing trading and debt reduction. Trading conditions resulted in the Group breaching its EBIT to interest covenant at 31 December 2008. Since then the banking facilities have been renegotiated and new terms agreed in respect of the development facilities. The development facility was extended to 1 July 2011. The terms of the investment property loan are also expected to be varied after the year end as our bank seeks to reduce the level of debt provided by varying the loan to value terms and also seeks to increase its margins.

Our revised development bank facility is split between a LIBOR based facility and a base rate based facility. The base rate interest margin was 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 renegotiated margins at the year end are Base Rate plus 3.25% and LIBOR plus 2.25% for the respective sub-divisions of the development loan. We have agreed with our bank that the Interest to EBIT covenant is replaced by a cash covenant; a more appropriate control in these difficult markets. The cash covenant requires Artisan to maintain, on a rolling quarterly basis, a minimum 1 to 1 ratio in respect of cash receipts to payments (excluding loan repayments). The gearing ratio is now 135.6%, (2008: 91.9%).

On 1 August 2008 the Group issued a convertible loan note to Aspen Finance Limited raising £1.75m before costs. As disclosed in this report and accounts Michael W Stevens has a beneficial interest in the shares held by Aspen Finance Limited. As has been already stated, this loan note was converted into share capital in June 2009.

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

Work in Progress

Work-in-progress has reduced from £39.1m to £33.7m, reflecting the exceptional provisions and a build slow down in both divisions compared with sales. The key management issue is to maintain sufficient but not excessive stocks of product available for purchase. The nature of the residential market is that most customers are able to choose from available competing product, and therefore a reasonable and varied selection of product across sites is required. This is also true of many commercial customers, particularly for our smaller premises.

It is the sales to customers at short notice where we are seeing some renewed enthusiasm rather than in the forward sale market and we have finished product available to meet customer demands which is providing cash receipts to fund ongoing costs.

Chris Musselle
Chief Executive
6 October 2009

Directors and advisers

Directors

Michael W Stevens

Non-Executive Chairman

Christopher Musselle

Chief Executive and Finance Director

John Jones

Executive Director

Michael Eyres

Executive Director

Norman Saunders

Non-Executive Director

John Hemingway

Non-Executive Director

Secretary and registered office**Philip Speer**

Vantage House,
Vantage Park,
Washingley Road,
Huntingdon,
Cambridgeshire PE29 6SR

Company number

3630998 Registered in England and Wales

Auditors**BDO LLP**

55 Baker Street,
London W1U 7EU

Registrar**Capita Registrars**

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

Nominated adviser**Altium Capital Limited**

5 Ralli Courts,
West Riverside,
Manchester M3 5FT

Stockbroker**Altium Capital Limited**

5 Ralli Courts,
West Riverside,
Manchester M3 5FT

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 2009

The Directors present their report together with the audited financial statements for the year ended 30 June 2009.

Principal activities, review of the business and future developments

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

The Chairman's Statement and Operational and Financial Review on pages 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 2006.

Principal risks and uncertainties

The Group is funded by significant levels of debt and consequently the Group seeks to maintain an open and regular dialogue with its bankers. The Group is reliant on the continued provision of debt facilities. It is particularly relevant to note that, in the current economic climate, the Group is dependant upon the continued willingness and ability of the Group's bank to provide debt funding to the Group. Also, it can be expected that funders will want to reduce loan to cost and loan to value ratios and this could reduce the level of funding available 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 where possible as this has the advantage that we are able to build units to meet our customers' exact requirements in terms of size and specification whilst at the same time limiting our exposure to unsold stock. However, speculative development of our general office and industrial product remains essential and this will result in the holding of stock properties.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst land is available there is no doubt that it is challenging to secure suitable sites on acceptable terms. We have an experienced management team tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases. Dependent on market conditions, holding land over a period of time can result in significant profits or losses.

The planning process is uncertain. Where possible land acquisition terms are linked to the grant of planning permission. However, the timing of planning permission can become elongated and this can affect the delivery of intended sales within any given accounting year.

As detailed in note 23 on page 42 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.

Environment

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

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

Approximately 46% 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 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 32.

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 which show that there were no major accidents reported for the year and minor accidents were significantly lower than the external benchmark figure for the Group.

Results and dividends

The income statement is set out on page 20 and shows the loss for the year. The Group loss for the year after taxation amounted to £8,037,858 (2008: profit £699,255).

The Directors do not propose to pay a final dividend for the year (2008: £61,490). No interim dividend was paid during the year (2008: £98,384).

Directors

The following Directors have held office during the year:

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

Report of the directors continued

Directors' shareholdings

The Directors at 30 June 2009 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2009	2008	2009	2008
Michael Stevens	7,551,113	2,422,908	–	–
Christopher Musselle	19,200	19,200	175,000	187,499
John Jones	5,400	5,400	75,000	87,500
Michael Eyres	300	300	–	12,500
Norman Saunders	1,050	1,050	–	–
John Hemingway	–	–	–	–

Indemnification of directors

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

Substantial shareholders

At 6 October 2009 the Company has been notified of the following interests in its issued share capital:

	2009	Ordinary shares of 20p each		2008
		2009	2008	
Aspen Finance Limited	9,268,721	69.5%	2,422,908	29.5%

Aspen Finance Limited is a related party (see note 24).

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 2009 was 13 days (2008: 33 days).

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the financial statements for the Company in accordance with UK Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website. 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

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern. After making appropriate enquiries, 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. In arriving at this conclusion, two of the principal areas for considerations were:

Cash flow

The Group has analysed its cash flow requirements over the next 12 months in detail and has also assessed the potential cash flows for the following year. The cash flow includes estimates for a number of key variables including the timing of property sales and the price levels that may be achieved. The cash flow is stress tested to ensure that the Group can withstand reasonable changes in circumstances that could adversely affect its cash flows.

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

Bank facilities

The Group maintains a regular dialogue with its bank and has the assurance that they wish to work with us to take the development facility forward beyond its current term which expires on 1 July 2011. The bank may wish to alter the structure of the facilities as part of the negotiation for extending the facility.

Annual general meeting

The Annual General Meeting of the Company will be held at the offices of Altium Capital Limited, 30 St James's Square, London, SW1Y 4AL on 24 November 2009 at 12.00 pm. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re appoint them will be proposed at the annual general meeting.

By order of the Board

Philip Speer**Secretary**

6 October 2009

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 2009 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.

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

Health and Safety

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

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

The Board consider that they have complied throughout the year ended 30 June 2009 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 2006. 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 £	Benefits £	Total 2009 £	Total 2008 £	Pension contributions 2009 £	Pension contributions 2008 £
Executives						
Christopher Musselle	157,845	20,512	178,357	183,086	16,272	16,666
John Jones	119,770	20,512	140,282	144,329	–	–
Michael Eyres	100,000	19,862	119,862	136,386	10,000	9,479
Non-Executives						
Michael Stevens	83,333	–	83,333	90,000	–	–
Norman Saunders	23,718	4,264	27,982	28,238	–	–
John Hemingway	23,718	–	23,718	24,120	–	–
Total	508,384	65,150	573,534	606,159	26,272	26,145

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

In the prior year Michael Eyres' remuneration is in respect of the period commencing from the date of his appointment as a director on 20 July 2008.

Pension contributions were made in respect of 2 directors (2008: 2).

To reflect current market conditions and the short time working affecting employees generally throughout the Group, the Board has agreed the following temporary reductions to base salaries and fees, effective for the period 1 May 2009 to 31 December 2009:

	Amount waived
Jermyn Consultancy Limited (fees in respect of Michael Stevens)	100%
Christopher Musselle	20%
John Jones	20%
Norman Saunders	10%
John Hemingway	10%

Share price performance

The closing mid-market price of the company's shares on 30 June 2009 was 36p per share and the high and low prices during the year were 50p and 19p 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 2009 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

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

Report on directors' remuneration continued

No options were granted or exercised during the year (2008: None).

Under the authority allowed in the existing Unapproved Executive Share Option scheme, share options have been issued to certain of the Executive Directors of Artisan (UK) plc. 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 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.
- b) 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.
- c) 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.
- d) 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

6 October 2009

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 2009 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. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company’s members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and the parent company’s affairs as at 30 June 2009 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company’s financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Geraint Jones (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London
United Kingdom

6 October 2009

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

Group income statement

for the year ended 30 June 2009

	Note	2009 £	2008 £
Revenue	2	10,926,592	23,412,951
Cost of sales			
Before exceptional items		(10,172,288)	(20,064,578)
Exceptional items	5	(1,684,184)	(308,214)
Cost of sales		(11,856,472)	(20,372,792)
Gross (loss)/profit			
Before exceptional items		754,304	3,348,373
Exceptional items		(1,684,184)	(308,214)
Gross (loss)/profit		(929,880)	3,040,159
Other operating income		343,345	475,946
Administrative expenses			
Before exceptional items		(2,846,302)	(2,782,470)
Exceptional items	5	(2,610,124)	(41,399)
Administrative expenses		(5,456,426)	(2,823,869)
Revaluation (deficit)/surplus on investment properties	11	(6,042,961) (750,412)	692,236 1,207,111
Operating (loss)/profit			
Before exceptional items		(2,499,065)	2,248,960
Exceptional items		(4,294,308)	(349,613)
Operating (loss)/profit	4	(6,793,373)	1,899,347
Finance income		29,279	13,893
Finance expense	6	(1,301,189)	(1,323,007)
(Loss)/profit before taxation			
Before exceptional items		(3,770,975)	939,846
Exceptional items		(4,294,308)	(349,613)
(Loss)/profit before taxation		(8,065,283)	590,233
Tax credit			
Before exceptional items		12,823	88,061
Exceptional items		14,602	20,961
Tax credit	7	27,425	109,022
(Loss)/profit for the year attributable to the equity holders of the parent			
Before exceptional items		(3,758,152)	1,027,907
Exceptional items		(4,279,706)	(328,652)
(Loss)/profit for the year attributable to the equity holders of the parent		(8,037,858)	699,255
Basic and diluted (loss)/earnings per share	9	(97.21p)	8.53p

The notes on pages 24 to 45 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 July 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
Revaluation of owner occupied property and net income recognised directly in equity	–	–	–	–	(46,796)	–	–	(46,796)
Loss for the year	–	–	–	–	–	(8,037,858)	–	(8,037,858)
Total recognised income and expense for the year	–	–	–	–	(46,796)	(8,037,858)	–	(8,084,654)
Dividends paid	–	–	–	–	–	(61,490)	–	(61,490)
Issue of shares	1,025,641	1,000,000	–	–	–	–	–	2,025,641
Credit in respect of employee share schemes	–	–	–	–	–	10,188	–	10,188
At 30 June 2009	2,668,291	11,356,683	515,569	91,750	28,044	683,901	(19,065)	15,325,173

The notes on pages 24 to 45 form part of these financial statements.

Group balance sheet at 30 June 2009

Company number 3630998

	Note	2009 £	2009 £	2008 £	2008 £
ASSETS					
Non-current assets					
Intangible assets	10		–		2,454,760
Investment properties	11		3,397,438		4,147,850
Property, plant and equipment	12		833,517		955,039
Other receivables	13		393,245		394,634
			4,624,200		7,952,283
Current assets					
Inventories	14	33,724,507		39,101,427	
Trade and other receivables	15	678,405		1,118,454	
Current tax recoverable		19,118		99,733	
Cash and cash equivalents		1,396		1,497	
		34,423,426		40,321,111	
Total assets			39,047,626		48,273,394
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	16	(19,441,807)		(19,704,561)	
Current liabilities					
Trade and other payables	17	(2,502,802)		(6,689,273)	
Interest bearing loans and borrowings	18	(1,333,772)		–	
Provisions	19	(444,072)		(444,072)	
		(4,280,646)		(7,133,345)	
Total liabilities			(23,722,453)		(26,837,906)
Net assets			15,325,173		21,435,488
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
Called up share capital	20	2,668,291		1,642,650	
Share premium account	21	11,356,683		10,356,683	
Merger reserve	21	515,569		515,569	
Capital redemption reserve	21	91,750		91,750	
Revaluation reserve	21	28,044		74,840	
Retained earnings	21	683,901		8,773,061	
Own shares	21	(19,065)		(19,065)	
Total equity			15,325,173		21,435,488

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2009.

Chris Musselle
Director

The notes on pages 24 to 45 form part of these financial statements.

Group cash flow statement

for the year ended 30 June 2009

	2009 £	2009 £	2008 £	2008 £
Cash flows from operating activities				
(Loss)/profit before taxation	(8,065,283)		590,233	
Goodwill impairment charge	2,454,760		–	
Depreciation	64,145		69,909	
Finance income	(29,279)		(13,893)	
Finance expense	1,301,189		1,323,007	
Share based payments charge	10,188		22,572	
Loss/(profit) on disposal of property, plant and equipment	2,267		(1,281)	
Revaluation deficit/(surplus) on investment properties	750,412		(1,207,111)	
Profit on sale of investment property	–		(145,537)	
Operating (loss)/profit before changes in working capital and provisions	(3,511,601)		637,899	
Decrease/(increase) in inventories	5,376,920		(4,308,866)	
Decrease/(increase) in trade and other receivables	441,438		(35,046)	
Decrease in trade and other payables	(4,050,322)		(1,227,624)	
Cash used by operations	(1,743,565)		(4,933,637)	
Finance income received	29,279		13,893	
Finance costs paid	(1,161,697)		(1,293,597)	
Tax received/(paid)	108,040		(514,238)	
Net cash used in operating activities	(2,767,943)		(6,727,579)	
Cash flows from investing activities				
Purchase of property, plant and equipment	(4,186)		(44,387)	
Capital expenditure on investment properties	–		(2,449,981)	
Proceeds from sale of investment property	–		490,538	
Proceeds from sale of property, plant and equipment	12,500		1,528	
Net cash from/(used) in investing activities	8,314		(2,002,302)	
Cash flows from financing activities				
Dividends paid	(61,490)		(221,364)	
Proceeds from the issue of ordinary share capital	1,750,000		–	
Movement on borrowings	1,071,018		8,951,616	
Net cash from financing activities	2,759,528		8,730,252	
Net (decrease)/increase in cash and cash equivalents	(101)		371	
Cash and cash equivalents at the beginning of the year	1,497		1,126	
Cash and cash equivalents at the end of the year	1,396		1,497	

The notes on pages 24 to 45 form part of these financial statements.

Notes forming part of the group financial statements for the year ended 30 June 2009

1 Significant accounting policies

Artisan (UK) plc (the "Company") is a company incorporated as a public limited company under the Companies Act 2006 and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the directors on 6 October 2009.

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 46 to 51.

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 and have been prepared on the going concern basis. Further information on going concern is provided in the Director's Report on page 13 and the note on Accounting estimates and judgements on page 28.

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

There were no new standards and interpretations effective during the year that had a significant impact on the Group.

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).
- **IFRS 7 Amendment** – Improving Disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 1 and IAS 27 Amendments** – Cost of an Investment in a subsidiary, jointly controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009).
- **IFRIC 16** – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008).
- **IFRIC 15** – Agreements for the Construction of Real Estates (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 3 Revised** – Business Combinations (effective for accounting periods beginning on or after 1 July 2009).
- **IAS 27 Amendment** – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).
- **IAS 39 Amendment** – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009).
- **IFRIC 17** – Distributions of Non cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).
- **IFRIC 18** – Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).
- **IFRS 1 Amendment** – Additional Exemptions for First time Adopters (effective for accounting periods beginning on or after 1 January 2010).
- **IFRS 2 Amendment** – Group Cash settled Share based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010).
- **Improvements to IFRSs 2009** (effective for accounting periods beginning on or after 1 January 2009).
- **Improvements to IFRSs 2010** (effective for accounting periods beginning on or after 1 January 2010).

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.

1 Significant accounting policies (continued)

IAS 23, Borrowing Costs, permitted two approaches to accounting for borrowing costs. The benchmark treatment was to charge borrowing costs as an expense in the year in which they were incurred, with a permitted alternative treatment being to add borrowing costs to the carrying value of a qualifying asset. The revision to IAS 23 which will apply to the Group for the accounting period beginning on 1 July 2009 requires borrowing costs 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 inventories rather than writing them off as incurred. The adoption of the Revision to IAS 23 is not expected to have a significant impact in the year to 30 June 2010 because the transitional provisions mean that it will only apply to new sites acquired after 1 July 2009. Also the Group is assessing whether or not there is a requirement to apply the Revision to IAS 23 to the Residential side of the business as this may fall under the exemption in IAS 23 (4) regarding inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis.

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 under IFRS included £2,454,760 in respect of goodwill arising from past business combinations accounted for using the acquisition method under UK GAAP and a merger reserve of £515,569 following the creation of Artisan (UK) plc from the de-merger of Dean Corporation plc and the simultaneous acquisition of Artisan (UK) Developments Limited by the Group.

Revenue recognition

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

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

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

1 Significant accounting policies (continued)

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:

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.

Exceptional items

Exceptional items comprise items of income and expense that are material in amount and unlikely to recur and which, individually or, if of a similar type, in aggregate, merit separate disclosure if the financial statements are to give a true and fair view.

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.

1 Significant accounting policies (continued)

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.

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 Groups financial assets are a reasonable approximation of their fair values.

i. Trade and other receivables

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

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

ii. Cash and cash equivalents

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

Financial liabilities

The Group financial liabilities consist of the following:

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

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

- Bank borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.
- Convertible loan notes – the convertible loan note issued during the year is considered to be a hybrid financial instrument comprising a financial liability (loan) and an embedded derivative (share option). At the date of issue both elements were included in the balance sheet as liabilities and held at fair value. The fair value of the loan element was estimated using the prevailing market interest rate for similar non convertible debt. Subsequently the loan element was accounted for at amortised cost. The fair value of the share option element was estimated using the binomial option pricing model with subsequent changes in fair value being recognised in the income statement. On conversion of the loan note to equity, the fair value of the equity was calculated based on the share price in the market on the day immediately prior to the issue of the new shares. The difference between the fair value of the equity issued and the carrying value of the loan note immediately prior to conversion is recognised within finance costs in the income statement.

Share capital

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

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

1 Significant accounting policies (continued)

Accounting estimates and judgements

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

Key sources of estimation and uncertainty:

i. Going concern

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

The directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months over the available funding and minimum covenant levels in the Group's revised bank facility agreements. The Board has also previously announced the potential for further debt or equity raising to aid the growth of the Group. Accordingly the Board has adopted the going concern basis for preparation of these financial statements.

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

The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. 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.

The Group also has to consider the proportion of overheads that it is appropriate to allocate to inventories.

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

iii. Part exchange properties

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

iv. 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 10.

v. 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 2009

	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Income statement					
Revenue					
External revenue	7,775,778	2,853,480	297,334	–	10,926,592
Inter-segment revenue	–	–	43,500	(43,500)	–
	7,775,778	2,853,480	340,834	(43,500)	10,926,592
Segment result					
Segment result before central charges and exceptional items	1,354,531	(5,964)	(490,724)	–	857,843
Exceptional items	(4,173,360)	(113,267)	–	–	(4,286,627)
Segment result before central charges but after exceptional items	(2,818,829)	(119,231)	(490,724)	–	(3,428,784)
Central charges	(474,730)	(398,050)	(94,819)	–	(967,599)
Segment result after central charges and exceptional items	(3,293,559)	(517,281)	(585,543)	–	(4,396,383)
Unallocated corporate expenses					
Before exceptional items					(3,007,818)
Exceptional items					(7,681)
Unallocated corporate expenses					(3,015,499)
Unallocated corporate income					618,509
Finance expense					(1,301,189)
Finance income					29,279
Loss before taxation					(8,065,283)
Tax credit					
Before exceptional items					12,823
Exceptional items					14,602
Tax credit					27,425
Loss after taxation					(8,037,858)

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

2 Segmental analysis (continued)

Year ended 30 June 2009 (continued)

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	3,026	830	–	–	3,856
Unallocated corporate capital expenditure					330
Total capital expenditure					4,186
Depreciation of property plant and equipment	46,809	15,664	–	–	62,473
Unallocated corporate depreciation of property, plant and equipment					1,672
Total depreciation of property, plant and equipment					64,145
Balance Sheet					
Assets					
Segment assets	25,057,668	11,280,352	4,548,239	(206,632)	40,679,627
Unallocated corporate assets					(1,632,001)
Consolidated total assets					39,047,626
Liabilities					
Segment liabilities	1,491,574	642,029	108,614	(6)	2,242,211
Unallocated corporate liabilities					704,663
Net borrowings					20,775,579
Consolidated total liabilities					23,722,453

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

2 Segmental analysis (continued)**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 and exceptional items	313,893	1,767,465	1,458,971	(253,151)	3,287,178
Exceptional items	(343,653)	(5,960)	–	–	(349,613)
Segment result before central charges but after exceptional items	(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					(1,070,677)
Unallocated corporate income					1,143,736
Finance expense					(1,323,007)
Finance income					13,893
Profit before taxation					590,233
Tax credit					
Before exceptional items					88,061
Exceptional items					20,961
Tax credit					109,022
Profit after taxation					699,255

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

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.

3 Employees

	2009 £	2008 £
Wages and salaries	2,453,785	3,782,825
Social security costs	239,804	356,332
Equity settled share-based payments	10,188	22,572
Other pension costs	94,698	104,346
	2,798,475	4,266,075

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.

	2009 Number	2008 Number
The average number of employees, including directors, during the year was:		
Administration	27	34
Operations	47	78
	74	112

4 Operating (loss)/profit

	2009 £	2008 £
This has been arrived at after charging/(crediting):		
Depreciation	64,145	69,909
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	20,000	20,000
– the subsidiaries' annual accounts	63,000	63,000
Fees payable to the Company's auditor for other services:		
– tax compliance	27,000	29,000
– tax advisory	–	1,750
– other services not covered above	18,078	–
Hire of plant and machinery	55,990	73,911
Other operating lease rentals – vehicles	50,479	64,027
– land and buildings	306,179	343,453
Impairment charge in respect of carrying value of inventories	1,594,012	272,247
Rent receivable	(640,679)	(456,935)
Profit on sale of investment property	–	(145,537)
Loss/(profit) on sale of property, plant and equipment	2,267	(1,281)
Equity settled share-based payments	10,188	22,572

During the year overhead costs totalling £148,906 (2008: £780,792) were allocated from administrative expenses to work-in-progress.

5 Exceptional items

	2009 £	2008 £
Costs charged to cost of sales		
Inventory impairment charge	1,594,012	272,247
Redundancy costs	–	35,967
Withdrawal from land purchase contracts	90,172	–
Total costs charged to cost of sales	1,684,184	308,214
Costs charged to administrative expenses		
Goodwill impairment charge	2,454,760	–
Redundancy costs	147,683	41,399
Costs of liquidating group undertaking	7,681	–
Total costs charged to administrative expenses	2,610,124	41,399
Total exceptional costs	4,294,308	349,613

The exceptional items reflect the actions taken in response to a significant deterioration in market conditions. These actions include write downs to the carrying value of inventories to net realisable value, a goodwill impairment charge, aborted costs following the withdrawal from land purchase contracts and redundancy costs resulting from a reduction in headcount across the Group. The costs of liquidation of group undertaking relate to the winding up of a dormant overseas subsidiary.

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

6 Finance expense

	2009 £	2008 £
Bank overdrafts and loans repayable within 5 years	916,332	1,320,974
Convertible loan note interest based on amortised cost	116,696	–
Change in fair value of financial derivative	28,314	–
Loss on conversion of loan note	239,482	–
Other interest	365	2,033
	1,301,189	1,323,007

7 Tax credit

	2009 £	2008 £
Recognised in the income statement		
<i>Current tax</i>		
UK corporation tax on (loss)/profit for the year	(27,425)	(108,039)
Adjustment in respect of prior periods	–	(983)
Total tax credit reported in the income statement	(27,425)	(109,022)

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

	2009 £	2008 £
(Loss)/profit before tax	(8,065,283)	590,233
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008: 29.5%)	(2,258,279)	174,119
Effects of:		
Expenses not deductible for tax purposes	144,729	30,581
Goodwill impairment	687,333	–
Change in fair value of investment properties	217,106	(330,372)
Depreciation for the year in excess of capital allowances	(31,766)	4,832
Utilisation of tax losses brought forward	(139,625)	(196,964)
Unrelieved trading losses for the year carried forward	1,358,010	187,703
Claim for land remediation tax relief	–	(27,570)
Adjustment in respect of previous periods	–	(983)
Other	(4,933)	49,632
Tax credit for the year	(27,425)	(109,022)

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £8.4 million (2008: £3.9 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.

8 Dividends

Amounts paid to equity holders in the year:

	2009 £	2008 £
Final dividend for the year ended 30 June 2008 of 0.75p (2008: 1.5p) per share	61,490	122,980
Interim dividend for the year ended 30 June 2009 of Nil p (2008: 1.2p) per share	–	98,384
	61,490	221,364

The Directors do not propose to pay a final dividend for the year (2008: 0.75p per ordinary share).

9 Earnings per share

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

	2009 Number	2008 Number
The weighted average number of shares (excluding treasury shares) were:		
Basic weighted average number of shares (excluding treasury shares)	8,268,907	8,198,658

There were no dilutive potential ordinary shares in 2009 or 2008. Options outstanding in the year are set out in note 22.

10 Intangible non-current assets

£

Goodwill

Carrying value

At 1 July 2008	2,454,760
Impairment loss recognised in the year	(2,454,760)

At 30 June 2009

–

The Group is required to test goodwill for impairment on an annual basis or sooner when there are indicators that it might be impaired. The goodwill extant at 1 July 2008 related entirely to the acquisition of Rippon Homes Limited. A significant downturn in the housing market in the second half of 2008, coupled with a banking crisis which resulted in much reduced mortgage availability and reduced consumer confidence, led to the Group performing a full impairment test on the goodwill at the half year reporting date. As a result of this impairment testing the Group fully impaired the goodwill at that date.

The impairment review was 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 strategic plan for the business and reflect intended 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 2.0 per cent (2008: 2.5 per cent) per annum in perpetuity. The rate used to discount the forecast cash flows is 8.23 per cent (2008: 8.9 per cent).

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

11 Investment properties

	2009 £	2008 £
<i>Fair value</i>		
At beginning of year	4,147,850	1,515,897
Additions – capital expenditure	–	2,238,753
Transfer to property, plant and equipment in respect of owner occupied property	–	(468,910)
Disposals	–	(345,001)
	4,147,850	2,940,739
Revaluations included in income statement	(750,412)	1,207,111
At end of year	3,397,438	4,147,850

As at 30 June 2009, the historical cost of investment property owned by the Group was £2,779,931 (2008: £2,779,931).

The fair values of the Group's investment properties at 30 June 2009 have been arrived at on the basis of open market value by the directors, who are suitably experienced and having regard to professional advice.

During the year £294,334 (2008: £123,777) 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 £15,106 (2008: £2,200).

12 Property, plant and equipment

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2008	859,150	192,666	118,307	214,041	1,384,164
Additions	–	406	–	3,780	4,186
Disposals	–	(340)	(30,276)	(1,136)	(31,752)
Revaluation deficit	(46,796)	–	–	–	(46,796)
At 30 June 2009	812,354	192,732	88,031	216,685	1,309,802
<i>Depreciation</i>					
At 1 July 2008	46,856	185,528	68,645	128,096	429,125
Provided for the year	5,773	5,615	19,580	33,177	64,145
Eliminated on disposals	–	(92)	(15,757)	(1,136)	(16,985)
At 30 June 2009	52,629	191,051	72,468	160,137	476,285
<i>Net book value</i>					
At 30 June 2009	759,725	1,681	15,563	56,548	833,517
At 30 June 2008	812,294	7,138	49,662	85,945	955,039

12 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 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

13 Other receivables

	2009 £	2008 £
Trade receivables	27,741	–
Other receivables	365,504	394,634
	393,245	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.

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

14 Inventories

	2009 £	2008 £
Raw materials and consumables	24,217	30,435
Land held for development	12,819,227	12,867,252
Work in progress	3,150,417	8,516,965
Completed developments and houses for sale	17,730,646	17,686,775
	33,724,507	39,101,427

Inventories with a carrying amount of £33,724,507 (2008: £39,101,427) have been pledged as security for the Group's bank borrowings.

During the year ended 30 June 2009, the Group conducted a net realisable value review of its inventories. The review compared the estimated net realisable value of each of the Group's development sites with its balance sheet carrying-value. Where the estimated net realisable value of an individual site was less than its carrying-value within the balance sheet, the Group impaired the inventory value of the site. The impairment review resulted in a total impairment charge of £1,594,012 included within exceptional items (note 5).

The key judgement in estimating the net realisable value of the sites was the estimation of likely sales prices and estimated costs to complete. Sales prices were estimated on a site-by-site basis based upon local market conditions and considered the current prices being achieved upon each site for each product type.

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

Following these impairments £11,481,929 (2008: £3,744,414) of these inventories are valued at net realisable value rather than at historical cost.

15 Trade and other receivables

	2009 £	2008 £
Trade receivables	28,177	243,622
Amounts recoverable on contracts	33,632	179,238
Other receivables	41,903	243,861
Prepayments and accrued income	574,693	451,733
	678,405	1,118,454

All trade and other receivables are non-interest bearing. Further disclosures relating to financial instruments are set out in note 23.

16 Non-current liabilities

	2009 £	2008 £
Bank loans (secured – see note 18)	19,441,807	19,704,561

17 Trade and other payables

	2009 £	2008 £
Trade payables	238,203	2,249,673
Other taxes and social security	127,059	137,655
Other payables	5,068	107,223
Retentions	578,542	876,488
Accruals and deferred income	1,553,930	3,318,234
	2,502,802	6,689,273

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.

18 Borrowings

	2009 £	2008 £
Are repayable as follows:		
In less than one year:		
Bank borrowings	1,333,772	–
In more than one year but not more than two years:		
Bank borrowings	–	15,242,061
After two years but within five years		
Bank borrowings	19,441,807	4,462,500
	20,775,579	19,704,561

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	2009 £	2008 £
Bank borrowings					
Revolving credit	GBP	base + 3.25%	2011	1,478,829	15,242,061
Revolving credit	GBP	LIBOR + 2.25%	2011	15,000,000	–
Investment property facility	GBP	base + 1.25%	2012	4,296,750	4,462,500
				20,775,579	19,704,561

19 Provisions

	2009 £	2008 £
Provision for claims		
At beginning and 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.

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

20 Share capital

	2009 £	2008 £
Authorised 25,000,000 (2008: 25,000,000) ordinary shares of 20p (2008: 20p) each	5,000,000	5,000,000
Allotted, called up and fully paid 13,341,455 (2008: 8,213,250) ordinary shares of 20p (2008: 20p) each	2,668,291	1,642,650

On 26 June 2009 the Company issued 5,128,205 ordinary shares of 20 pence each in the Company to Aspen Finance Limited, following Aspen's decision to convert the loan note (see note 24). The market price of the Company's shares on the close of business the day before the issue of shares was 39.5 pence and this has been used to determine the fair value of the shares issued.

21 Reserves

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

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

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

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

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

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

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

22 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 2008	Granted in year	Lapsed in year	30 June 2009	Exercise price range
Approved scheme	68,750	–	(68,750)	–	–
Unapproved scheme	250,000	–	–	250,000	£1.20-£6.40

The options outstanding at 30 June 2009 had a weighted average exercise price of £2.16 (2008: £1.95) and a weighted average remaining contractual life of 1.8 years (2008: 3.4 years).

22 Share-based payments (continued)

Equity-settled share option schemes (continued)

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

	Unapproved Scheme 2004 award	Unapproved Scheme 2005 award	Unapproved Scheme 2006 award
Date of grant	1-Apr-2004	18-Jul-2005	24-Jul-2006
Share price at grant	100.0p	156.0p	150.0p
Exercise price	120.0p	152.0p	150.0p
Expected term	3 years	3 years	3 years
Expected volatility	80%	51.5%	43%
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	4.60%	4.10%	4.76%
Value per option	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 £10,188 (2008: £22,472).

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

23 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

	2009 £	2008 £
Non-current financial assets		
Trade receivables	27,741	—
Current financial assets		
Cash and cash equivalents	1,396	1,497
Trade receivables	28,177	243,622
Amounts recoverable on contracts	33,632	179,238
Other receivables	41,903	243,861
Prepayments	28,748	111,370
Total current financial assets	133,856	779,588
Total financial assets	161,597	779,588

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

23 Financial instruments (continued)

Financial liabilities measured at amortised cost

	2009 £	2008 £
Non-current financial liabilities		
Loans and borrowings	19,441,807	19,704,561
Current financial liabilities		
Loans and borrowings	1,333,772	–
Trade payables	238,203	2,249,673
Other payables	5,068	107,223
Retentions	578,542	876,488
Accrued charges	1,469,015	3,233,319
Provisions	444,072	444,072
Total current financial liabilities	4,068,672	6,910,775
Total financial liabilities	23,510,479	26,615,336

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, availability of consumer funding and consumer confidence.

Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business as all of the Group's borrowings are at variable rates of interest, based on the base rate or LIBOR plus a lending margin. This margin may vary from time to time as the result of the Group's Banker's own risk assessment in the light of varying levels of profitability and cash flows generated by the Group. The Board consider on an ongoing basis whether any form of hedging is appropriate in relation to interest rate risk, in the light of likely cash flows and indebtedness, interest rate movements and other macro economic factors looking ahead. At 30 June 2009, 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 18.

Sensitivity analysis for the year ended 30 June 2009 indicates that a general increase of one percentage point in interest rates applying for the full year would increase the Group's loss after tax by approximately £240,000 (2008: £193,000).

Exchange rate risk

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

23 Financial instruments (continued)

Credit risk

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

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

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

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

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

Credit risk analysed by segment is as follows:

	2009 £	2008 £
Residential	116,125	366,948
Commercial	44,233	339,450
Property investment	884	72,498
Central	355	692
	161,597	779,588

The Group's credit risk is distributed over a number of parties. The maximum credit risk should any single party fail to perform is £33,632 (2008: £213,971). At 30 June 2009 the Group had £3,896 (2008: £102,082) of receivables past due. The Group has reviewed the items that comprise this balance and believes that these amounts will be recovered.

Notes forming part of the group financial statements continued for the year ended 30 June 2009

23 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 and in order that the Group funding requirements are matched to the banks appetite for debt provision.

The Group has negotiated revised banking covenants appropriate to the current trading conditions. Principal amongst these are a cash covenant that requires the Group to at least balance cash payments with cash receipts on a rolling quarterly basis. This risk is managed by carefully estimating expected cash flows and managing around this expectation.

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 18.

The Group has revolving credit facilities committed until July 2011, at a competitive rate linked partly to the base rate and partly to LIBOR. Un-drawn committed facilities at the reporting date amount to £4,350,150 (2008: £11,889,919).

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.

24 Related parties

Artisan (UK) plc is the intermediate holding company for the Artisan Group. At 30 June 2009 Aspen Finance Limited ("Aspen") owned 56.6% of the share capital of Artisan (UK) plc. Aspen is a private limited company whose principal activity is to act as a holding company for an investment in Artisan. Aspen is wholly owned by Aspen Group Inc which in turn is owned by the Brownis Trust. Michael Stevens, the non-executive Chairman of Artisan, is the settler of the Brownis Trust and the beneficiaries comprise certain members of his family.

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

- (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.

On 22 June 2009 Aspen served notice on the Company to convert the £1,750,000 of loan notes it held into Ordinary Shares of 20 pence each in the share capital of the Company at a conversion price of 34.125 pence per Ordinary Share. As a result 5,128,205 new ordinary shares of 20p were issued to Aspen on 26 June 2009. The fair value of the shares issued was £2,025,641 (see note 20).

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

24 Related parties (continued)**Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual directors is provided in the Directors Remuneration Report on pages 16 to 18.

	2009 £	2008 £
Short-term employee benefits	573,534	606,159
Post-employment benefits	26,272	26,145
Equity settled share-based payments	10,188	22,572
	609,994	654,876

25 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 2009, bonds in issue amount to £990,982 (2008: £1,326,375).

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.

26 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
Expiring:				
Within one year	6,000	8,286	5,350	37,173
Between two and five years	28,750	34,151	12,038	59,101
After five years	1,914,117	—	2,127,467	—

27 Events after the balance sheet date

As a consequence of the conversion of the convertible loan note on 26 June 2009 (see note 24), Aspen Finance Limited ("Aspen") was required under Rule 9 of the City Code to make a mandatory cash offer for the whole of the issued share capital of Artisan not already owned by Aspen. This offer closed on 19 August 2009 and as a result of the conversion of the loan note and acceptances by other shareholders Aspen's holding in the Group has increased to 69.5% of the shares in issue at the date of this report.

Company balance sheet

at 30 June 2009

Company number 3630998

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	4		2,710		4,052
Investments	5		8,285,008		10,452,149
			8,287,718		10,456,201
Current assets					
Debtors	6	31,164,028		28,879,437	
Cash at bank and in hand		355		140	
		31,164,383		28,879,577	
Creditors: amounts falling due within one year	7	2,424,677		2,424,512	
Net current assets			28,739,706		26,455,065
Total assets less current liabilities			37,027,424		36,911,266
Creditors: amounts falling due after more than one year	8		20,131,310		19,857,093
Provisions for liabilities	10		444,072		444,072
Net assets			16,452,042		16,610,101
Capital and reserves					
Called up share capital	11		2,668,291		1,642,650
Share premium account	12		11,081,042		10,356,683
Merger reserve	12		689,328		689,328
Capital redemption reserve	12		91,750		91,750
Profit and loss account	12		1,940,696		3,848,755
Own shares	12		(19,065)		(19,065)
Shareholders' funds	13		16,452,042		16,610,101

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2009

Chris Musselle
Director

The notes on pages 47 to 51 form part of these financial statements.

Notes forming part of the company financial statements

for the year ended 30 June 2009

1 Accounting policies

The following principal accounting policies have been applied:

Basis of preparation

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

Tangible fixed assets and depreciation

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

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

Fixed asset investments

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

Own shares

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

Share-based payments

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

Financial instruments

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

The convertible loan note issued during the year is considered to be a hybrid financial instrument comprising a financial liability (loan) and an embedded derivative (share option). At the date of issue both elements were included in the balance sheet as liabilities and held at fair value. The fair value of the loan element was estimated using the prevailing market interest rate for similar non convertible debt. Subsequently the loan element was accounted for at amortised cost. On conversion of the loan note to equity, the difference between the nominal value of the equity issued and the contracted conversion price is credited to the share premium account.

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.

Notes forming part of the company financial statements continued

for the year ended 30 June 2009

2 Directors and employees

	2009 £	2008 £
Staff costs, including directors, consist of:		
Wages and salaries	342,516	385,123
Social security costs	25,707	31,275
Equity settled share-based payments	10,188	22,572
Other pension costs	20,456	21,575
	398,867	460,545

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.

	2009 Number	2008 Number
The average number of employees, including directors, during the year was:		
Administration	7	7

3 Loss for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £1,856,757 (2008: profit £2,591,846).

The auditors' remuneration for audit services to the Company was £20,000 (2008: £20,000).

4 Tangible assets

	Equipment, fixtures and fittings £
<i>Cost</i>	
At 1 July 2008	15,545
Additions	330
At 30 June 2009	15,875
<i>Depreciation</i>	
At 1 July 2008	11,493
Provided for the year	1,672
At 30 June 2009	13,165
<i>Net book value</i>	
At 30 June 2009	2,710
At 30 June 2008	4,052

5 Fixed asset investments

	Subsidiary undertakings £
<i>Cost</i>	
At 1 July 2008	11,452,149
Additions	137,142
Disposals	(139,113)
At 30 June 2009	11,450,178
<i>Provision for impairment</i>	
At 1 July 2008	1,000,000
Charge for the year	2,165,170
At 30 June 2009	3,165,170
<i>Net book value</i>	
At 30 June 2009	8,285,008
At 30 June 2008	10,452,149

During the year, as part of the process of liquidating the Group's dormant Spanish subsidiary, further shares were acquired in the subsidiary company in settlement of an intra-group loan from the parent company.

In addition the Company recognised an impairment charge of £2,165,170 (2008: £Nil) against the carrying value of its investment in a UK subsidiary company. The impairment reflects the decrease in the value of assets in the subsidiary following a downturn in the UK housing market.

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

At 30 June 2009 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

	2009 £	2008 £
Amounts owed from subsidiary undertakings	30,916,935	28,738,082
Other debtors	26,744	91,060
Prepayments and accrued income	220,349	50,295
	31,164,028	28,879,437

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

Notes forming part of the company financial statements continued

for the year ended 30 June 2009

7 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	26,577	43,507
Amounts owed to subsidiary undertakings	2,096,050	2,030,818
Other taxes and social security	20,174	22,555
Accruals and deferred income	281,876	327,632
	2,424,677	2,424,512

8 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank loans (secured - see note 9)	20,131,310	19,857,093

9 Borrowings

	2009 £	2008 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	–	19,857,093
In more than two years but not more than five years:		
Bank borrowings	20,131,810	–

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 2008 and 30 June 2009	444,072

Details of provisions for liabilities are included in note 19 to the consolidated financial statements.

11 Share capital

Details of the share capital of the Company are included in note 20 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 2008	10,356,683	689,328	91,750	3,848,755	(19,065)
Loss for the year	–	–	–	(1,856,757)	–
Premium arising on issue of shares	724,359	–	–	–	–
Dividends paid	–	–	–	(61,490)	–
Equity settled share-based payments	–	–	–	10,188	–
At 30 June 2009	11,081,042	689,328	91,750	1,940,696	(19,065)

13 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
(Loss)/profit for the year	(1,856,757)	2,591,846
Dividends paid	(61,490)	(221,364)
Shares issued in year	1,750,000	–
Equity settled share-based payments	10,188	22,572
Net movement in shareholders' funds	(158,059)	2,393,054
Opening shareholders' funds	16,610,101	14,217,047
Closing shareholders' funds	16,452,042	16,610,101

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 2009, bank borrowings of group company members covered by the Company's cross guarantee amounted to £Nil (2008: £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 2009, bonds in issue amount to £Nil (2008: £8,613).

15 Leasing commitments

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

	2009 Other £	2008 Other £
Expiring:		
Within one year	1,661	5,921
Between two and five years	–	6,681

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ARTISAN (UK)
PROJECTS LIMITED

ARTISAN (UK) plc

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