



ARTISAN
(UK) plc

Report and Accounts

30 June 2010

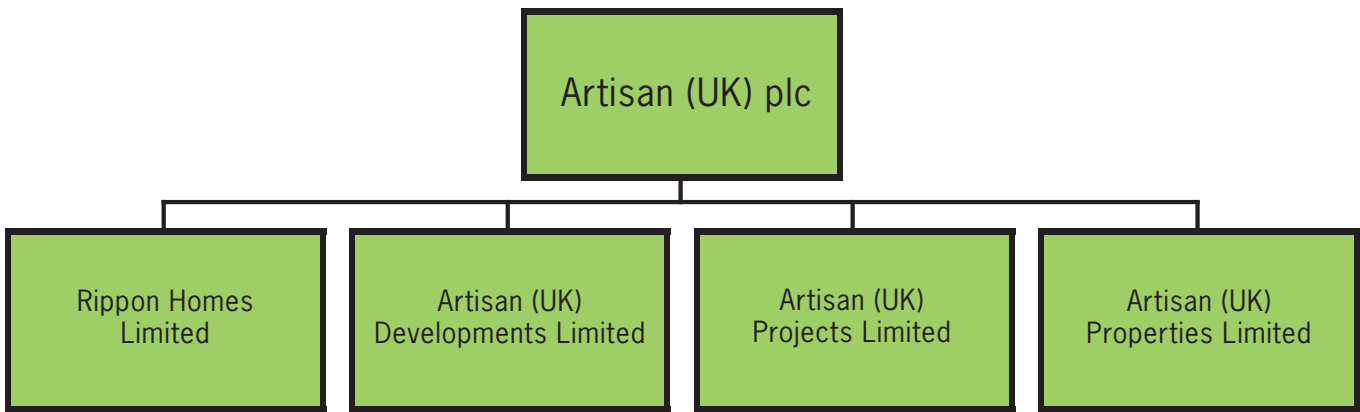


Artisan is a UK based house builder and business park developer.

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 £9.4m (2009: £10.9m)
- Operating loss contained at £1.5m (2009: loss £6.8m)
- Loss before tax reduced to £1.9m (2009: loss £8.1m)
- Residential division: volumes have stabilised due to moderate recovery in residential customer confidence
- Commercial division: signs of forward sales returning despite difficult market conditions
- Board negotiating revised banking agreements for post 1 July 2011

Chairman's Quote

“Although there are signs that sentiment is beginning to improve in our core markets, confidence is fragile. Whilst the Group should benefit from a genuine economic recovery, currently conditions are not in place with factors such as lack of availability of mortgage funding and the hiatus in planning approvals remaining a drag on progress.”



Chairman's statement

In 2009 the Group faced some of the toughest trading conditions in its history in respect of the residential market and these tough trading conditions continued into 2010. In early 2010 there was a limited recovery in residential customer confidence despite the restricted availability of mortgage funds to potential house-buyers. However during the summer months up to our year end of 30 June 2010 we returned to a very low level of activity, as the general election influenced a number of customers to hold on purchases, until the economic and political outlook became clearer. Such transactions as could be agreed were often curtailed by harsh valuation assessments, which in our view were unreasonable, provided by valuers to mortgage providers.

In our commercial division, customers for our stock items started to re-emerge in a modest manner towards the end of the period under review. Encouragingly, we have commenced discussions with parties wishing to procure a new office on a forward sale or let basis. This is reassuring and demonstrates that there are sections of the economy that are able to trade successfully and with confidence for the future.

Group results

Our Group results were much as expected: Group turnover for the year reduced to £9.4m (2009: £10.9m). The commercial business generated turnover of £1.5m (2009: £2.9m) and the residential business turnover of £7.6m (2009: £7.8m). This reduced level of sales has resulted in an Operating loss of £1.3m (2009: loss £2.5m) before exceptional items and an Operating loss of £1.5m (2009: loss £6.8m) after exceptional items. The results benefit from some modest recovery in the investment market and include a surplus £0.3m compared to a revaluation writedown of £0.8m in the 30 June 2009 results. This reflects a moderate return in investor confidence which is welcome and bodes well for future investment yields.

Overview

This year has seen a continuance of the same problems that created the trading difficulties in the market last year.

On the residential side of the business, we have responded to this by considering at length the product we offer. The most feasible customers are those that have accrued equity in their existing properties, which usually excludes buyers of smaller properties. Additionally there are customers trading down, having accepted the worth of their existing property in the current market and have equity. We have therefore concentrated production on our four bedroom

units and bungalows. We have been very successful in marketing bungalows and generating a good return from these products. We have also been seeking to vary planning permission on existing sites to improve the product mix.

Until customer confidence returns and mortgage funding is more broadly available the market will continue to be difficult. Central government must take the lead in creating a more stable environment in which consumers can look forward with a greater degree of certainty, and the terms which lenders need to adhere are clear and so can lend with greater confidence. Further support and funding availability needs to be given to those who through relationship break-ups find themselves re-entering the market at lower price points, as well as first time buyers.

Artisan (UK) Developments has found the market for stock properties difficult as customers lack the confidence to commit to purchases. Market prices have stabilized and we have managed to complete a restricted number of sales at discounted prices. After a period of inactivity we are seeing some return to forward sale and forward let negotiations. These are being carefully negotiated and we are seeing that where there is a good tenant covenant, investors can be keen to support a new development.

Land purchases have concentrated on seeking out option and joint venture structures rather than outright acquisitions. This limits financial exposure and works within our banking terms.

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

Marketing

Our development divisions continue to provide innovative ways to promote our products and will negotiate keenly on pricing. Last year we offered to help overcome the lack of mortgage availability to those with restricted funds, by embarking on a programme of selling some of our lower value properties on a shared equity basis. This has been successful and will continue on a modest basis into the new financial year.

Stock values

We have again carefully considered the pricing of all stock plots on an individual basis at both the half year and year end. Last year there

Chairman's statement continued

was a requirement to write down the carrying value of some residential property stock. Following the same exercise this year a much smaller writing down of stock was required. It was apparent that whilst some stock items varied from estimate, the provision required was materially accurate.

Investment Division

The tenants in our investment buildings have continued to adhere to the lease terms without apparent difficulty and the buildings have performed well.

The Board has considered the carrying values of the properties. Following the reduction in carrying values last year in response to the increase in investment yields, we have seen the market stabilise and modestly improve in the current year. This has resulted in a £0.3m surplus in the income statement compared with the charge of £0.8m recognised in 2009. During the year we have not sought to increase our investment in long term property holdings, concentrating our funds on the trading activities.

Dividend

The Board believes that it is sensible to retain funds within the business whilst we await a return to normal trading conditions and better results. We believe shareholders will recognise this approach as prudent. Accordingly, no dividend is recommended for the year.

Outlook

The markets for both residential and commercial property remain fragile and, as indicated, an improvement in mortgage funding and consumer confidence is necessary before we can expect any significant improvement in trading results. However there is now better clarity as to which segments of the market can consider property purchase in both the residential and commercial arenas. Mature buyers with funds and equity available lead the residential market and certain industry groups, particularly those in finance and insurance sectors are active in the commercial sector.

Artisan (UK) Developments have suffered from leasehold competition where landlords fearful of the punitive empty business rate costs have led a downward spiral in short term rental values. However some customers have, correctly in our opinion, seen this squeeze as a short term phenomenon and a better opportunity being to acquire high quality business premises at very commercial prices.

It is our view that the development pipeline will lead to stock shortages in the future. To compound this we also believe that the planning system has gone from bad to worse at present. The reduction in staff numbers in planning departments and the central government's cancellation of planning number targets has led to a hiatus in planning approvals, causing in some regions significant delay in obtaining planning for new schemes. This in our view is likely to lead to the next pricing bubble when the market returns, as the demand demographics suggest customer demand for product will not abate.

Based on the current market conditions and difficult outlook, it is the Group's intention to review the existing operations and assess what is the best structure for the Group going forward. Combined with the need to maintain banking covenants and renew banking facilities, shareholders should be aware that additional debt or equity funding may be required which could lead to future shareholder dilution, the restructuring of the Group's subsidiary operations or possible mergers. The board has given careful consideration to the going concern basis upon which these accounts are prepared as explained in greater detail in the operational and financial review, directors report and note 1 of the accounting policies.

It is the Board's belief that the fundamental characteristics of property development remain strong and that given time the Group can benefit from any long term recovery in the economy.

Michael W Stevens
Chairman

12 October 2010

Operational and financial review

Residential Division

Following two difficult years to 30 June 2009, 2010 has continued to challenge Rippon Homes. Financially feasible customers have been hard to find whilst difficulties in completing mortgage financing and the very cautious approach of valuers has reduced the number of firm reservations and sales achievable. Sales of 44 units at an average value of £173,500 (2009: 41 units at an average value of £189,650) reflects the market conditions across the housebuilding sector. The decrease in average price reflects the sales of shared equity units and the requirement to account for the finance income implicit in the deferred payment arrangement. Adjusting for this, the average sales value is £176,075 per unit. The product mix has varied mainly in two complementary ways: at the lower end of the price scale we have sold 8 units under shared equity which has been the most successful way to stimulate sales activity for the smaller properties; at the other end of the scale we have seen demand for our four bedroom units and bungalows – a re-introduced product. More bungalow sales will follow in 2010. Bungalows have not been popular with developers for a while because of the relatively high build cost and less efficient use of land, however, Rippon Homes has successfully found sites suitable for bungalows which have proved popular with customers.

Rippon Homes continues to use a wide variety of sales incentives. Much of the promotion has focused on the availability of homes at prices at a discount 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, though there remains a cost in managing the part exchange scheme. The management team look to ensure that the cost of trading a part exchange property is reflected in the deal to sell the original property. At the year end Rippon Homes had a stock of 11 units (2009: 14 units), which was below the management allowance for part exchange stocks. Last year because of the time lag between agreeing a part exchange deal on a new house and the eventual sale, losses were incurred. This year we have no exceptional provision against the closing stock at 30 June 2010 (2009: exceptional provision of £175,000).

As indicated above we have been selling houses on a shared equity basis to assist customers who cannot raise the equity required to secure a mortgage. By 30 June 2010 we had completed 6 units (2009: 2 units) on this basis. The Group therefore has an interest in

a total of 8 and more are expected to 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 and recognised as interest receivable over the term.

Encouragingly, after severely reducing production in 2009, Rippon Homes has restarted some production to deliver product for sale. The level of production is monitored against sales progress, although some anticipation is needed due to production taking the usual 5 to 9 months to deliver units for sale. Finished good stocks are now at a level required to maintain current sales levels.

Commercial Division

The commercial division continues to suffer from the realities of the current market. 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 and a freehold sale in June. We achieved a further sale of an office unit shortly after the year end. Sales interest remains slow with potential customers reluctant to rush towards commitment. Although we are achieving lower sale prices on stock units than hitherto, the financial performance of the sites indicates that no carrying value provisions are required. Potential forward sale discussions are at indicative prices above those we can achieve for stock units. The commercial division will not enter into a forward sale contract unless it can anticipate a reasonable margin.

Therefore new build remains suspended and will only be re-started once the Board sees more progress in realising existing stock and better prices, or on the strength of a forward sale or let contract. The significantly reduced construction team has been working on a short time basis, providing technical support for sales enquiries and cost benefit guidance and feasibility for energy saving schemes.

The commercial business sold 9,700 ft² of commercial property (2009: 11,700ft²), all consisting of completed stock units as in 2009.

Investment Properties

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 improvement 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 increase the carrying value by a further

Operational and financial review continued

£301,000 which together with the amortisation of lease incentives resulted in an increase of £313,000 at 31 December 2009 culminating in a total surplus of £326,000 for the year to 30 June 2010 (2009: charge £750,000).

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.

The investment company also holds approximately 43 acres of horticultural land, for which we have actively been working on a project to gain planning permission, perhaps initially only on part of the site. Good progress had been made but this has been thrown into disarray and uncertainty by the measures adopted by the new government in abolishing local housing targets, with the region's planning team reluctant to consider any applications positively whilst awaiting further guidance from central government.

Land stocks

We have made two small land purchases for Rippon Homes to develop in the short term. One was an opportunistic purchase at

auction for a medium sized site offering a 'chocolate box' selection of different properties to enhance the site and allow a wide selection for potential customers. Another is a small bungalow site to capitalise on our success during and since the year end selling this product.

The land stock of owned or secured plots at Rippon Homes is 239 plots (2009: 260). All of these plots have the benefit of detailed planning permission or planning permission to be granted shortly.

The commercial operation currently holds freehold amounting to 17,400m² (2009: 18,500m²). All of this land has planning permission, most of it detailed. Control of land is a key requirement for generating forward sales and lets and it is the intention of management to secure forward sales as an integral part of achieving future growth.

Writing down values in accordance with financial accounting standards, combined with some cost increase, has resulted in the exceptional losses we have disclosed in the accounts. 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.

Results

	Residential £m	Commercial £m	Investment £m	Central & Other £m	Total £m
Revenue					
2010	7.6	1.5	0.3	–	9.4
2009	7.8	2.9	0.3	(0.1)	10.9
Operating (loss)/profit before group management charges and exceptional items					
2010	(0.9)	(0.5)	0.6	(0.5)	(1.3)
2009	(1.1)	–	(0.5)	(0.9)	(2.5)

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

The tax credit for the year is £90,142 (2009: £27,425) resulting in an effective tax rate credit of 4.69% (2009: 0.3%). The reduction to standard rate is primarily a result of unrelieved trading losses carried forward for which no deferred tax asset has been recognised.

The exceptional items may be analysed as follows:

	2010 £m	2009 £m
Goodwill impairment	–	2.5
Staff reduction costs	–	0.1
Land contract withdrawal	–	0.1
Residential land and WIP provisions	0.2	1.4
Residential land and WIP provisions reversals	(0.1)	–
Part exchange stock write downs	–	0.2
Total	0.1	4.3

The net assets have reduced from £15.3m to £13.5m as a result of the trading losses for the year and exceptional items.

Share capital has not increased in the year following last year's increase as a result of the conversion of the convertible loan note of £1.75m issued to Aspen Finance Limited in August 2008 creating 5,128,205 new shares.

Debt and Banking

The Group has net borrowings of £18.5m (2009: £20.8m). The Group has drawn bank debt of £22.7m (2009: £29.9m) resulting in cash balances which, although reduced, provide funds for continuing trading and debt reduction. The development facility extends until 1 July 2011. The terms of the investment property loan were as expected varied in November 2009. The interest margin was increased to 2.25% from 1.25% and the Loan to Value ratio was reduced from 85% to 70% resulting in a repayment of £1.1m. The bank also cancelled the ability to draw down loans for any valuation increases or new properties.

Our development bank facility is split between a LIBOR based facility and a base rate based facility. The base rate interest margin is 1% greater than 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 current margins are Base Rate plus 3.25% and LIBOR plus 2.25% for the respective sub-divisions of the development loan. Our two principal covenants are a cash covenant requiring that Artisan maintain, on a 1 year rolling quarterly basis, a minimum 1 to 1 ratio in respect of cash receipts to payments (excluding loan repayments) and also a minimum Net Asset covenant of £12.5m ignoring any revaluation gains after 30 June 2008. The gearing ratio is now 137.2% (2009: 135.6%).

Work in Progress

Work-in-progress has reduced from £33.7m to £28.4m, reflecting a reduction in finished stocks and some reduction in land bank. 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.

Going Concern

The report of the directors refers to the considerations addressed when making the assessment of the Group's ability to continue as a going concern and note 1 of the accounting policies refers to the going concern basis upon which these accounts are prepared. Our current banking facilities expire at 1 July 2011 and therefore renegotiating these to allow the Group to continue to develop new sites is crucial to the ongoing operations of the business. We have been negotiating these for sometime, with our current lender looking to reduce loan to value ratios and restructure facilities. These negotiations are ongoing and may require new equity and/or other restructuring activities, however the Group's board is confident that a consensual and positive way forward can be agreed.

Chris Musselle
Chief Executive
12 October 2010

Directors and advisers

Directors

Michael W Stevens

Non-Executive Chairman

Christopher Musselle

Chief Executive and Finance Director

John Jones

Executive Director

Michael Eyres

Executive Director

Norman Saunders

Non-Executive Director

John Hemingway

Non-Executive Director

Secretary and registered office**Philip Speer**

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

Company number

3630998 Registered in England and Wales

Auditors**BDO LLP**

55 Baker Street,
London W1U 7EU

Registrar**Capita Registrars**

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

Nominated adviser**Altium Capital Limited**

30 St James's Square,
London SW1Y 4AL

Stockbroker**Altium Capital Limited**

30 St James's Square,
London SW1Y 4AL

Legal advisers**Thomson Webb & Corfield**

16 Union Road,
Cambridge CB2 1HE

Bankers**The Royal Bank of Scotland plc**

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

Report of the directors for the year ended 30 June 2010

The Directors present their report together with the audited financial statements for the year ended 30 June 2010.

Principal activities, review of the business and future developments

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

The Chairman's Statement and Operational and Financial Review on pages 3 to 7 contain a review of the development and performance of the Group during the financial year and its position at the end of the year, covering the Enhanced Business Review requirements of the Companies Act 2006.

Principal risks and uncertainties

As detailed in note 22 on page 41, the main risk arising from the Group's financial instruments is liquidity risk. The Group is funded by significant levels of debt and consequently the Group seeks to maintain an open and regular dialogue with its bankers. The Group is reliant on the continued provision of debt facilities. It is particularly relevant to note that, in the current economic climate, the Group is 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. Further information is set out in note 1 to the financial statements on page 22.

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

The Group's operations are clearly affected by the general economic cycle and are subject to short-term volatility in demand. Rippon Homes 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.

In addition to the liquidity risk described above, the Group is also exposed to interest rate risk on its financial instruments, as the group's borrowings are at floating rates of interest. Further details are set out in note 22 on page 39. 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 39% of our homes sold in the year were built on brown-field sites and 79% 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 30.

As explained in the report on Corporate Governance on page 13, a high standard of health and safety management is promoted at all levels within the Group. This is reflected in the quarterly reports prepared by our external health and safety auditor which show that there were no major accidents reported for the year and minor accidents were lower than the external benchmark figure for the Group.

Results and dividends

The income statement is set out on page 17 and shows the loss for the year. The Group loss for the year after taxation amounted to £1,832,462 (2009: £8,037,858).

The Directors do not propose to pay a final dividend for the year (2009: £Nil). No interim dividend was paid during the year (2009: £Nil).

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 2010 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2010	2009	2010	2009
Michael Stevens	9,268,721	7,551,113	–	–
Christopher Musselle	19,200	19,200	–	174,999
John Jones	5,400	5,400	–	75,000
Michael Eyres	300	300	–	–
Norman Saunders	1,050	1,050	–	–
John Hemingway	–	–	–	–

Indemnification of directors

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

Substantial shareholders

At 12 October 2010 the Company has been notified of the following interests in its issued share capital:

	2010	Ordinary shares of 20p each		2009
		2010	2009	
Aspen Finance Limited	9,268,721	69.5%	9,268,721	69.5%

Aspen Finance Limited is a related party (see note 23).

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 2010 was 17 days (2009: 13 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

As explained in note 1 on page 22, the Directors are in the process of renegotiating the banking facilities to ensure that facilities remain in place after 1 July 2011. Negotiations have been ongoing for some time. Whilst the Directors believe that facilities will be available

beyond 1 July 2011 we recognise that our bank is seeking to reduce loan to value ratios and restructure the facility towards a development by development basis of lending whilst at the same time increasing the costs associated with borrowing and moving away from speculative commercial property lending. Our bank is also very keen to see new equity introduced into the Group. If appropriate terms cannot be agreed the Group would need to secure alternative facilities elsewhere. Because of uncertainties in the banking market, the lessening in the loan to value multiples available and anticipated increased borrowing costs, there is no certainty that acceptable alternative facilities would be readily available.

Annual general meeting

The Annual General Meeting of the Company will be held at the offices of Altium Capital Limited, 30 St James's Square, London, SW1Y 4AL on 7 December 2010 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

12 October 2010

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 2010 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 14 to 15.

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 2010 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 2010 £	Total 2009 £	Pension contributions 2010 £	Pension contributions 2009 £
Executives						
Christopher Musselle	138,337	20,841	159,178	178,357	24,930	16,272
John Jones	111,510	20,841	132,351	140,282	–	–
Michael Eyres	100,000	20,086	120,086	119,862	10,000	10,000
Non-Executives						
Michael Stevens	50,000	–	50,000	83,333	–	–
Norman Saunders	22,914	5,183	28,097	27,982	–	–
John Hemingway	22,914	–	22,914	23,718	–	–
Total	445,675	66,951	512,626	573,534	34,930	26,272

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

Pension contributions were made in respect of 2 directors (2009: 2).

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

The amounts for salaries and fees presented in the table of directors' remuneration are after the above reductions.

Share price performance

The closing mid-market price of the company's shares on 30 June 2010 was 26.5p per share and the high and low prices during the year were 48.5p and 26.0p respectively.

Share options

Details of movements in options issued to Directors during the year under the terms of the share option schemes to subscribe for ordinary shares are as follows:

	At 1 July 2009	Forfeited/expired in year	At 30 June 2010
Unapproved scheme			
Christopher Musselle	174,999	(174,999)	–
John Jones	75,000	(75,000)	–

During the year all options extant at 1 July 2009 were either forfeited because the performance conditions attaching to the options were not met, or expired. No options were granted or exercised during the year (2009: None).

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 10 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

John Hemingway

12 October 2010

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 2010 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 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 concerning the Group's ability to continue as a going concern. The Group's loan facility of £25m, of which £15.7m (net of offset credit balances) has been drawn, expires on 1 July 2011 and whilst the Group expects to be able to agree continuing loan facilities on acceptable terms there is an inevitable uncertainty that adequate facilities will continue to be made available after 1 July 2011 until such time as an agreement has been reached.

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

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

12 October 2010

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 2010

	Note	2010 £	2009 £
Revenue	2	9,403,279	10,926,592
Cost of sales			
Before exceptional items		(9,394,169)	(10,172,288)
Exceptional items	5	(138,499)	(1,684,184)
Cost of sales		(9,532,668)	(11,856,472)
Gross profit/(loss)			
Before exceptional items		9,110	754,304
Exceptional items		(138,499)	(1,684,184)
Gross loss		(129,389)	(929,880)
Other operating income		321,589	343,345
Administrative expenses			
Before exceptional items		(1,988,906)	(2,846,302)
Exceptional items	5	–	(2,610,124)
Administrative expenses		(1,988,906)	(5,456,426)
Revaluation surplus/(deficit) on investment properties	10	(1,796,706)	(6,042,961)
		325,754	(750,412)
Operating loss			
Before exceptional items		(1,332,453)	(2,499,065)
Exceptional items		(138,499)	(4,294,308)
Operating loss	4	(1,470,952)	(6,793,373)
Finance income		22,855	29,279
Finance expense	6	(474,507)	(1,301,189)
Loss before taxation			
Before exceptional items		(1,784,105)	(3,770,975)
Exceptional items		(138,499)	(4,294,308)
Loss before taxation		(1,922,604)	(8,065,283)
Tax credit			
Before exceptional items		90,142	12,823
Exceptional items		–	14,602
Tax credit	7	90,142	27,425
Loss for the year attributable to the equity holders of the parent			
Before exceptional items		(1,693,963)	(3,758,152)
Exceptional items		(138,499)	(4,279,706)
Loss for the year attributable to the equity holders of the parent		(1,832,462)	(8,037,858)
Basic and diluted loss per share	9	(13.75p)	(97.21p)

The notes on pages 22 to 42 form part of these financial statements.

Group statement of comprehensive income

for the year ended 30 June 2010

	2010 £	2009 £
Loss for the year	(1,832,462)	(8,037,858)
Other comprehensive expense for the year		
Revaluation of Group occupied property	–	(46,796)
Other comprehensive expense for the year	–	(47,796)
Total comprehensive expense for the period attributable to the equity holders of the parent	(1,832,462)	(8,084,654)

The notes on pages 22 to 42 form part of these financial statements.

Group statement of changes in equity

for the year ended 30 June 2010

	Share capital £	Share premium account £	Merger reserve £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £	Own shares held £	Total £
At 1 July 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 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
Loss for the year	–	–	–	–	–	(1,832,462)	–	(1,832,462)
Total recognised expense for the year	–	–	–	–	–	(1,832,462)	–	(1,832,462)
Credit in respect of employee share schemes	–	–	–	–	–	601	–	601
At 30 June 2010	2,668,291	11,356,683	515,569	91,750	28,044	(1,147,960)	(19,065)	13,493,312

The notes on pages 22 to 42 form part of these financial statements.

Statement of financial position

at 30 June 2010

Company number 3630998

	Note	2010 £	2010 £	2009 £	2009 £
ASSETS					
Non-current assets					
Investment properties	10		3,723,192		3,397,438
Property, plant and equipment	11		801,522		833,517
Other receivables	12		479,793		393,245
			5,004,507		4,624,200
Current assets					
Inventories	13	28,397,947		33,724,507	
Trade and other receivables	14	490,700		678,405	
Current tax recoverable		33,872		19,118	
Cash and cash equivalents		403,874		1,396	
		29,326,393		34,423,426	
Total assets			34,330,900		39,047,626
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	15		(18,920,431)		(19,441,807)
Current liabilities					
Trade and other payables	16	(1,686,705)		(2,502,802)	
Interest bearing loans and borrowings	17	–		(1,333,772)	
Provisions	18	(230,452)		(444,072)	
			(1,917,157)		(4,280,646)
Total liabilities			(20,837,588)		(23,722,453)
Net assets			13,493,312		15,325,173
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
Called up share capital	19		2,668,291		2,668,291
Share premium account	20		11,356,683		11,356,683
Merger reserve	20		515,569		515,569
Capital redemption reserve	20		91,750		91,750
Revaluation reserve	20		28,044		28,044
Retained earnings	20		(1,147,960)		683,901
Own shares	20		(19,065)		(19,065)
Total equity			13,493,312		15,325,173

The financial statements were approved by the Board of Directors and authorised for issue on 12 October 2010.

Chris Musselle
Director

The notes on pages 22 to 42 form part of these financial statements.

Group statement of cash flows

for the year ended 30 June 2010

	2010 £	2010 £	2009 £	2009 £
Cash flows from operating activities				
Loss before taxation	(1,922,604)		(8,065,283)	
Goodwill impairment charge	–		2,454,760	
Depreciation	52,102		64,145	
Finance income	(22,855)		(29,279)	
Finance expense	474,507		1,301,189	
Share based payments charge	601		10,188	
Loss on disposal of property, plant and equipment	–		2,267	
Revaluation (surplus)/deficit on investment properties	(325,754)		750,412	
Operating loss before changes in working capital and provisions	(1,744,003)		(3,511,601)	
Decrease in inventories	5,326,560		5,376,920	
Decrease in trade and other receivables	101,157		441,438	
Decrease in trade and other payables	(1,067,014)		(4,050,322)	
Cash from/(used) by operations	2,616,700		(1,743,565)	
Finance income received	22,855		29,279	
Finance costs paid	(437,210)		(1,161,697)	
Tax received	75,388		108,040	
Net cash from/(used) in operating activities	2,277,733		(2,767,943)	
Cash flows from investing activities				
Purchase of property, plant and equipment	(20,107)		(4,186)	
Proceeds from sale of property, plant and equipment	–		12,500	
Net cash (used in)/from in investing activities	(20,107)		8,314	
Cash flows from financing activities				
Dividends paid	–		(61,490)	
Proceeds from the issue of ordinary share capital	–		1,750,000	
Movement on borrowings	(1,855,148)		1,071,018	
Net cash (used in)/from financing activities	(1,855,148)		2,759,528	
Net increase/(decrease) in cash and cash equivalents	402,478		(101)	
Cash and cash equivalents at the beginning of the year	1,396		1,497	
Cash and cash equivalents at the end of the year	403,874		1,396	

The notes on pages 22 to 42 form part of these financial statements.

Notes forming part of the group financial statements for the year ended 30 June 2010

1 Significant accounting policies

Artisan (UK) plc (the "Company") is a company incorporated as a public limited company under the Companies Act 1985 and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the directors on 12 October 2010.

Statement of compliance

The Group's consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as endorsed for use in the EU (Endorsed IFRS). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 43 to 48.

Basis of preparation

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

Going concern

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

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Chairman's statement on pages 3 to 4 and the Operational and Financial review on pages 5 to 7. The principal business risks and uncertainties affecting the Group are set out in the Directors Report on page 9.

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

At 30 June 2010 the Group has drawn £15.7m of bank borrowings, net of offset credit balances, against its revolving credit facility of £25m. These borrowings are secured by fixed and floating charges over the assets of the Group and are due for repayment in full on 1 July 2011. Whilst the bank borrowings fall due after one year from the Group's balance sheet date, the Directors are required to consider

the renewal or repayment of the bank borrowings as part of their going concern assessment.

The Directors are in the process of renegotiating the banking facilities to ensure that facilities remain in place after 1 July 2011. Negotiations have been ongoing for some time. Whilst the Directors believe that facilities will be available beyond 1 July 2011 we recognise that our bank is seeking to reduce loan to value ratios and restructure the facility towards a development by development basis of lending whilst at the same time increasing the costs associated with borrowing and moving away from speculative commercial property lending. Our bank is also very keen to see new equity introduced into the Group. If appropriate terms cannot be agreed the Group would need to secure alternative facilities elsewhere. Because of uncertainties in the banking market, the lessening in the loan to value multiples available and anticipated increased borrowing costs, there is no certainty that acceptable alternative facilities would be readily available.

Given the above factors the Directors recognise that without a binding agreement to extend the Group's facilities on acceptable terms that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern.

The Directors however consider it appropriate to prepare the Group financial statements on the going concern basis given their belief that sufficient funding will be made available beyond 1 July 2011 and that based upon their current forecasts an adequate level of headroom will be achieved over the minimum covenant levels throughout the period of the current facility.

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

Of the new and revised standards and interpretations in issue, the following revised standards have been adopted in the current financial year and have affected the presentation of information in these financial statements.

IAS 1 (revised) Presentation of Financial Statements:

IAS 1 (revised) requires the production of a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has chosen to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement along with certain other changes in terminology which have been adopted in these Group financial statements.

1 Significant accounting policies (continued)

IFRS 8 Operating Segments:

IFRS 8 replaces IAS 14 Segmental Reporting. IFRS 8 requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker, which in the case of the Group is the Group Board. The adoption of this standard has not resulted in a change in the Group's reportable segments.

IFRS 7 Amendment – Improving Disclosures about Financial Instruments

This amendment requires the analysis of each class of financial asset and financial liability that is measured at fair value in the statement of financial position, into a three level fair value measurement hierarchy. It also requires additional disclosures in respect of those financial instruments classified as level three.

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

- **IAS 23 Amendment** – Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 2 Amendment** – Share-based Payment: Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 32 & IAS 1 Amendments** – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 1 & 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).
- **Improvements to IFRSs 2008** (effective for accounting periods beginning on or after 1 January 2009).
- **IFRIC 15** – Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- **IFRIC 9 & IAS 39 Amendment** – Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009).
- **IFRS 3 Amendment** – 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).

Standards and interpretations in issue but not yet effective

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

- **Improvements to IFRSs 2009** (effective for accounting periods beginning on or after 1 January 2010).
- **IFRS 2 Amendment** – Group Cash-settled Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010).
- **IFRS 1 Amendments** – Additional Exemptions for First time Adopters (effective for accounting periods beginning on or after 1 January 2010 and 1 July 2010).
- **IAS 32 Amendment** – Classification of Rights Issues (effective for accounting periods beginning on or after 1 February 2010).
- **IFRIC 19** – Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).
- **IAS 24 Amendment** – Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011).
- **IFRIC 14 Amendment & IAS 19** – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 July 2011).
- **Improvements to IFRSs 2010** (effective for accounting periods beginning on or after 1 January 2011).
- **IFRS 9** – Financial Instruments (effective for accounting periods beginning on or after 1 January 2013).

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

Notes forming part of the group financial statements continued for the year ended 30 June 2010

1 Significant accounting policies (continued)

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.

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
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.

1 Significant accounting policies (continued)

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.

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 in existence at the start of the year 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.

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

1 Significant accounting policies (continued)

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.

Share capital

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

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

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

Accounting estimates and judgements

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

Key sources of estimation and uncertainty:

i. Going concern

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

The directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months over the available funding and minimum covenant levels in the Group's bank facility agreements. However, as the Group's revolving credit facility expires on 1 July 2011 additional assumptions have been made regarding the likely terms of any new facility in place after that date. 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. Further details of the Board's assessment are set out on page 22.

1 Significant accounting policies (continued)**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. Provisions and contingencies

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

2 Segmental analysis

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

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

Year ended 30 June 2010

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

2 Segmental analysis (continued)**Year ended 30 June 2009**

	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	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	(1,100,229)	(5,964)	(490,724)	(902,148)	(2,499,065)
Exceptional items	(4,173,360)	(113,267)	–	(7,681)	(4,294,308)
Segment result before central charges but after exceptional items	(5,273,589)	(119,231)	(490,724)	(909,829)	(6,793,373)
Central charges	(474,730)	(398,050)	(94,819)	967,599	–
Segment result after central charges and exceptional items	(5,748,319)	(517,281)	(585,543)	57,770	(6,793,373)
Finance income	25,551	67,467	13,781	(77,520)	29,279
Finance expense	(850,006)	(392,257)	(161,021)	102,095	(1,301,189)
Loss before taxation	(6,572,774)	(842,071)	(732,783)	82,345	(8,065,283)
Taxation	73,509	(46,084)	–	–	27,425
Loss after taxation	(6,499,265)	(888,155)	(732,783)	82,345	(8,037,858)
Transactions between segments are accounted for at market value.					
Statement of financial position					
Assets					
Segment assets	25,908,154	13,174,424	4,919,195	(4,954,147)	39,047,626
Liabilities					
Segment liabilities	21,027,907	12,188,730	4,405,394	(13,899,578)	23,722,453
Segment net assets	4,880,247	985,694	513,801	8,945,431	15,325,173
Other information					
Capital expenditure	3,026	830	–	330	4,186
Depreciation of property plant and equipment	46,809	15,664	–	1,672	64,145

Major customers

During the financial year ended 30 June 2009, £1,311,625 of the Group's revenue was generated from one customer. The revenue is included within the Commercial Development segment.

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

3 Employees

	2010 £	2009 £
Staff costs, including directors, consist of:		
Wages and salaries	1,635,746	2,453,785
Social security costs	144,634	239,804
Equity settled share-based payments	601	10,188
Other pension costs	78,383	94,698
	1,859,364	2,798,475

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 14 to 15.

	2010 Number	2009 Number
The average number of employees, including directors, during the year was:		
Administration	22	27
Operations	31	47
	53	74

4 Operating loss

	2010 £	2009 £
This has been arrived at after charging/(crediting):		
Depreciation	52,102	64,145
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	21,000	20,000
– the subsidiaries' annual accounts	50,000	63,000
Fees payable to the Company's auditor for other services:		
– tax compliance	22,000	27,000
– other services not covered above	–	18,078
Hire of plant and machinery	25,775	55,990
Other operating lease rentals – vehicles	33,072	50,479
– land and buildings	288,084	306,179
Impairment charge, net of reversals, in respect of carrying value of inventories	138,499	1,594,012
Rent receivable	(614,756)	(640,679)
Loss on sale of property, plant and equipment	–	2,267
Equity settled share-based payments	601	10,188

During the year overhead costs totalling £130,241 (2009: £148,906) were allocated from administrative expenses to work-in-progress.

5 Exceptional items

	2010 £	2009 £
Costs charged to cost of sales		
Inventory impairment charge	138,499	1,594,012
Withdrawal from land purchase contracts	–	90,172
Total costs charged to cost of sales	138,499	1,684,184
Costs charged to administrative expenses		
Goodwill impairment charge	–	2,454,760
Redundancy costs	–	147,683
Costs of liquidating group undertaking	–	7,681
Total costs charged to administrative expenses	–	2,610,124
Total exceptional costs	138,499	4,294,308

In the year ended 30 June 2009 the Group recognised inventory impairment charges of £1,594,012. During the year ended 30 June 2010 the Group conducted further reviews of the net realisable value of inventories which resulted in a net additional charge of £138,499. Further details are provided in note 13.

6 Finance expense

	2010 £	2009 £
Bank overdrafts and loans repayable within 5 years	474,507	916,332
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
	474,507	1,301,189

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

7 Tax credit

Recognised in the income statement	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on loss for the year	(33,872)	(27,425)
Adjustment in respect of prior periods	(56,270)	–
Total tax credit reported in the income statement	(90,142)	(27,425)

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

	2010 £	2009 £
Loss before tax	(1,922,604)	(8,065,283)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009: 28%)	(538,329)	(2,258,279)
Effects of:		
Expenses not deductible for tax purposes	27,863	144,729
Goodwill impairment	–	687,333
Change in fair value of investment properties	(91,211)	217,106
Depreciation for the year in deficit/(excess) of capital allowances	6,641	(31,766)
Utilisation of tax losses brought forward	(130,039)	(139,625)
Unrelieved trading losses for the year carried forward	750,415	1,358,010
Movement in provision	(59,814)	–
Other	602	(4,933)
Tax credit for the year	(33,872)	(27,425)

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £11 million (2009: £8.4 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:

	2010 £	2009 £
Final dividend for the year ended 30 June 2009 of Nil p (2009: 0.75p) per share	–	61,490
Interim dividend for the year ended 30 June 2010 of Nil p (2009: Nil p) per share	–	–
	–	61,490

The Directors do not propose to pay a final dividend for the year (2009: Nil p per ordinary share).

9 Earnings per share

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

	2010 Number	2009 Number
The weighted average number of shares (excluding treasury shares) were:		
Basic weighted average number of shares (excluding treasury shares)	13,341,455	8,268,907

There were no dilutive potential ordinary shares in 2010 or 2009.

10 Investment properties

	2010 £	2009 £
<i>Fair value</i>		
At beginning of year	3,397,438	4,147,850
Revaluations included in income statement	325,754	(750,412)
At end of year	3,723,192	3,397,438

As at 30 June 2010, the historical cost of investment property owned by the Group was £2,779,931 (2009: £2,779,931).

The fair values of the Group's investment properties at 30 June 2010 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 (2009: £294,334) was recognised in the income statement as revenue in respect of rental income from investment properties. Direct operating expenses arising from investment properties amounted to £4,163 (2009: £15,106).

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

11 Property, plant and equipment

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2009	812,354	192,732	88,031	216,685	1,309,802
Additions	–	1,111	16,620	2,376	20,107
At 30 June 2010	812,354	193,843	104,651	219,061	1,329,909
<i>Depreciation</i>					
At 1 July 2009	52,629	191,051	72,468	160,137	476,285
Provided for the year	5,773	1,208	14,140	30,981	52,102
At 30 June 2010	58,402	192,259	86,608	191,118	528,387
<i>Net book value</i>					
At 30 June 2010	753,952	1,584	18,043	27,943	801,522
At 30 June 2009	759,725	1,681	15,563	56,548	833,517
<i>Cost</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 surplus	(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 Other receivables

	2010 £	2009 £
Trade receivables	143,418	27,741
Other receivables	336,375	365,504
	479,793	393,245

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

13 Inventories

	2010 £	2009 £
Raw materials and consumables	25,478	24,217
Land held for development	11,822,237	12,819,227
Work in progress	4,208,305	3,150,417
Completed developments and houses for sale	12,341,927	17,730,646
	28,397,947	33,724,507

Inventories with a carrying amount of £28,397,947 (2009: £33,724,507) have been pledged as security for the Group's bank borrowings.

During the year ended 30 June 2010, the Group conducted a further net realisable value review of its inventories. The review compared the estimated net realisable value of each of the Group's development sites with its balance sheet carrying-value. Where the estimated net realisable value of an individual site was less than its carrying-value within the balance sheet, the Group impaired the inventory value of the site. The impairment review resulted in a further impairment charge of £260,197 (2009: £1,594,012) in the year and a reversal of £121,698 (2009: £nil) on inventories that were written down in previous accounting periods. The net impairment charge of £138,499 in included within exceptional items (note 5).

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

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

Following these impairment charges £5,087,415 (2009: £11,481,929) of inventories are valued at net realisable value rather than at historical cost.

14 Trade and other receivables

	2010 £	2009 £
Trade receivables	91,227	28,177
Amounts recoverable on contracts	33,632	33,632
Other receivables	47,217	41,903
Prepayments and accrued income	318,624	574,693
	490,700	678,405

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

15 Non-current liabilities

	2010 £	2009 £
Bank loans (secured – see note 17)	18,920,431	19,441,807

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

16 Trade and other payables

	2010 £	2009 £
Trade payables	190,423	238,203
Other taxes and social security	68,750	127,059
Other payables	14,707	5,068
Retentions	453,316	578,542
Accruals and deferred income	959,509	1,553,930
	1,686,705	2,502,802

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

17 Borrowings

	2010 £	2009 £
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	18,920,431	–
After two years but within five years		
Bank borrowings	–	19,441,807
	18,920,431	20,775,579

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	2010 £	2009 £
Bank borrowings					
Revolving credit	GBP	base + 3.25%	2011	746,902	1,478,829
Revolving credit	GBP	LIBOR + 2.25%	2011	15,000,000	15,000,000
Investment property facility	GBP	LIBOR + 2.25%	2012	3,173,529	4,296,750
				18,920,431	20,775,579

18 Provisions

	2010 £	2009 £
Provision for claims		
At beginning of year	444,072	444,072
Release to income statement in year	(175,000)	–
Utilised in the year	(38,620)	–
At end of year	230,452	444,072

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

19 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
13,341,455 (2009: 8,213,250) ordinary shares of 20p (2009: 20p) each	2,668,291	2,668,291

20 Reserves

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

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

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

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

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

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

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

21 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, forfeited or lapsed under the employee share option schemes were as follows:

	1 July 2009	Granted in year	Forfeited/ expired in year	30 June 2010
Approved scheme	–	–	–	–
Unapproved scheme	249,999	–	(249,999)	–

The total charge for the year relating to equity settled share-based payments was £601 (2009: £10,188).

Further details on share option schemes are provided in the Report on Directors' Remuneration on pages 14 to 15.

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

22 Financial instruments

Financial risk management

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

Financial assets classified as loans and receivables

	2010 £	2009 £
Non-current financial assets		
Trade receivables	143,418	27,741
Current financial assets		
Cash and cash equivalents	403,874	1,396
Trade receivables	91,227	28,177
Amounts recoverable on contracts	33,632	33,632
Other receivables	41,141	41,903
Prepayments	27,683	28,748
Total current financial assets	597,557	133,856
Total financial assets	740,975	161,597

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

Financial liabilities measured at amortised cost

	2010 £	2009 £
Non-current financial liabilities		
Loans and borrowings	18,920,431	19,441,807
Current financial liabilities		
Loans and borrowings	–	1,333,772
Trade payables	190,423	238,203
Other payables	14,707	5,068
Retentions	453,316	578,542
Accrued charges	874,594	1,469,015
Provisions	230,452	444,072
Total current financial liabilities	1,763,492	4,068,672
Total financial liabilities	20,683,923	23,510,479

22 Financial instruments (continued)

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

	2010 Level 3 £	2009 Level 3 £
Financial assets		
Non-current financial assets		
Trade receivables	143,418	27,741

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

	2010 Level 3 £	2009 Level 3 £
Non-current financial assets – trade receivables		
At beginning of year	27,741	–
Additions	97,492	27,024
Gains and losses recognised in profit or loss (finance income)	18,185	717
At end of year	143,418	27,741

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

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

- Market risk
- Credit risk
- Liquidity risk

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 LIBOR or the base rate plus a lending margin. This margin may vary from time to time as the result of the Group's Banker's own risk assessment in the light of varying levels of profitability and cash flows generated by the Group. The Board consider on an ongoing basis whether any form of hedging is appropriate in relation to interest rate risk, in the light of likely cash flows and indebtedness, interest rate movements and other macro economic factors looking ahead. At 30 June 2010, the Group had no hedging arrangements in place.

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

Sensitivity analysis for the year ended 30 June 2010 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 £192,000 (2009: £240,000).

Exchange rate risk

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

22 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:

	2010 £	2009 £
Residential	228,145	116,125
Commercial	35,831	44,233
Property investment	73,488	884
Other	403,511	355
	740,975	161,597

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 (2009: £33,632). At 30 June 2010 the Group had £75,700 (2009: £3,896) of receivables past due. The Group has reviewed the items that comprise this balance and believes that these amounts will be recovered.

22 Financial instruments (continued)

Liquidity risk

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

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

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

Compliance with banking covenants is also key to ensuring that the facilities remain in place. The principal covenants applicable to our revolving credit facility are:

- (1) a cash covenant that requires the Group to at least balance cash payments with cash receipts on a rolling 12 month basis, tested quarterly. This risk is managed by carefully estimating expected cash flows and managing around this expectation.
- (2) a minimum net asset covenant of £12.5 million ignoring any revaluation gains after 30 June 2008 tested at the financial year end.

The Group's policy on the payment of trade payables is set out in the Directors Report on page 10. Trade and other payables and retentions fall due for payment within one year. Details of the maturity and security of loans and borrowings are disclosed in note 17.

The Group has revolving credit facilities committed until 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 £10,473,708 (2009: £4,350,150).

Capital management

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

23 Related parties

Artisan (UK) plc is the intermediate holding company for the Artisan Group. At 30 June 2010 Aspen Finance Limited ("Aspen") owned 69.5% of the share capital of Artisan (UK) plc. Aspen is a private limited company, registered in England and Wales, whose principal activity is to act as a holding company for an investment in Artisan. The financial statements of Aspen are available from the Registrar of Companies, Companies House Crown Way, Cardiff CF14 3UZ.

Aspen is wholly owned by Aspen Group Inc which in turn is owned by the Brownis Trust. The Brownis Trust was declared for the benefit of Mr Stevens, the non-executive Chairman of Artisan, and his family. The Board understand that the Brownis Trust is the ultimate controlling party.

There were no transactions between Artisan and Aspen during the year and no balances outstanding at the 30 June 2010 (30 June 2009: £nil). After the year end Artisan provided accounting support to Aspen in respect of the production of consolidated financial statements for Aspen. A fee of £2,000 has been agreed for this work and is payable in the year ended 30 June 2011.

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2010

23 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 14 to 15.

	2010 £	2009 £
Short-term employee benefits	512,626	573,534
Post-employment benefits	34,930	26,272
Equity settled share-based payments	601	10,188
	548,157	609,994

24 Contingent liabilities and commitments

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2010, bonds in issue amount to £1,058,715 (2009: £990,982).

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.

25 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

	2010 Land and buildings £	2010 Other £	2009 Land and buildings £	2009 Other £
Expiring:				
Within one year	1,200	9,722	6,000	8,286
Between two and five years	16,292	10,946	28,750	34,151
After five years	1,700,767	–	1,914,117	–

26 Events after the reporting period date

See note 16 to the Company financial statements.

Company balance sheet

at 30 June 2010

Company number 3630998

	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	4		2,530		2,710
Investments	5		5,812,278		8,285,008
			5,814,808		8,287,718
Current assets					
Debtors	6	29,064,427		31,164,028	
Cash at bank and in hand		403,511		355	
		29,467,938		31,164,383	
Creditors: amounts falling due within one year	7	825,971		2,424,677	
Net current assets			28,641,967		28,739,706
Total assets less current liabilities			34,456,775		37,027,424
Creditors: amounts falling due after more than one year	8		18,655,523		20,131,310
Provisions for liabilities	10		230,452		444,072
Net assets			15,570,800		16,452,042
Capital and reserves					
Called up share capital	11		2,668,291		2,668,291
Share premium account	12		11,081,042		11,081,042
Merger reserve	12		689,328		689,328
Capital redemption reserve	12		91,750		91,750
Profit and loss account	12		1,059,454		1,940,696
Own shares	12		(19,065)		(19,065)
Shareholders' funds	13		15,570,800		16,452,042

The financial statements were approved by the Board of Directors and authorised for issue on 12 October 2010.

Chris Musselle
Director

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

Notes forming part of the company financial statements for the year ended 30 June 2010

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 are recognised initially at net proceeds less issue costs and subsequently at amortised cost.

Operating leases

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2 Directors and employees

	2010 £	2009 £
Staff costs, including directors, consist of:		
Wages and salaries	292,752	342,516
Social security costs	24,354	25,707
Equity settled share-based payments	601	10,188
Other pension costs	30,615	20,456
	348,322	398,867

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 14 to 15.

	2010 Number	2009 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 £881,843 (2009: £1,856,757).

The auditors' remuneration for audit services to the Company was £21,000 (2009: £20,000).

4 Tangible assets

	Equipment, fixtures and fittings £
<i>Cost</i>	
At 1 July 2009	15,875
Additions	1,394
At 30 June 2010	17,269
<i>Depreciation</i>	
At 1 July 2009	13,165
Provided for the year	1,574
At 30 June 2010	14,739
<i>Net book value</i>	
At 30 June 2010	2,530
At 30 June 2009	2,710

Notes forming part of the company financial statements continued

for the year ended 30 June 2010

5 Fixed asset investments

	Subsidiary undertakings £
<i>Cost</i>	
At 1 July 2009	11,450,178
Reduction in share capital	(999,999)
At 30 June 2010	10,450,179
<i>Provision for impairment</i>	
At 1 July 2009	3,165,170
Charge for the year	1,472,731
At 30 June 2010	4,637,901
<i>Net book value</i>	
At 30 June 2010	5,812,278
At 30 June 2009	8,285,008

During the year Artisan Contracting Limited, a dormant subsidiary company, reduced its share capital from £1,000,000 (divided into 1,000,000 ordinary shares of £1 each) to £1. In so doing Artisan (UK) plc's liability to pay up the 999,999 cancelled shares was extinguished.

The Company recognised an impairment charge of £1,472,731 (2009: £2,165,170) against the carrying value of its investment in a subsidiary company. The impairment reflects the decrease in the value of assets in the subsidiary following a downturn in the UK housing market.

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

At 30 June 2010 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

	2010 £	2009 £
Amounts owed from subsidiary undertakings	28,932,680	30,916,935
Other debtors	13,151	26,744
Prepayments and accrued income	118,596	220,349
	29,064,427	31,164,028

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

7 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	30,173	26,577
Amounts owed to subsidiary undertakings	660,947	2,096,050
Other taxes and social security	24,285	20,174
Accruals and deferred income	110,566	281,876
	825,971	2,424,677

8 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loans (secured – see note 9)	18,655,523	20,131,310

9 Borrowings

	2010 £	2009 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	18,655,523	–
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

	2010 £	2009 £
Provision for claims		
At beginning of year	444,072	444,072
Release to income statement in year	(175,000)	–
Utilised in year	(38,620)	–
At end of year	230,452	444,072

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

11 Share capital

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

12 Reserves

	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £	Own shares held £
At 1 July 2009	11,081,042	689,328	91,750	1,940,696	(19,065)
Loss for the year	–	–	–	(881,843)	–
Equity settled share-based payments	–	–	–	601	–
At 30 June 2010	11,081,042	689,328	91,750	1,059,454	(19,065)

Notes forming part of the company financial statements continued

for the year ended 30 June 2010

13 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Loss for the year	(881,843)	(1,856,757)
Dividends paid	–	(61,490)
Shares issued in year	–	1,750,000
Equity settled share-based payments	601	10,188
Net movement in shareholders' funds	(881,242)	(158,059)
Opening shareholders' funds	16,452,042	16,610,101
Closing shareholders' funds	15,570,800	16,452,042

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 2010, bank borrowings of group company members covered by the Company's cross guarantee amounted to £264,909 (2009: £644,271).

15 Leasing commitments

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

	2010 Other £	2009 Other £
Expiring:		
Within one year	–	1,661

16 Events after the balance sheet date

After the end of the financial year £220,000 was paid to settle an indemnity on a performance bond issued by Bickerton Construction Limited whilst it was part of the Artisan Group. The settlement was fully provided in the Company's balance sheet at the year end.

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ARTISAN (UK)
PROJECTS LIMITED

ARTISAN (UK) plc

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