

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

## 1 Accounting policies

The following principal accounting policies have been applied:

### Basis of preparation

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

### Tangible fixed assets and depreciation

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

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

### Fixed asset investments

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

### Own shares

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

### Share-based payments

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

### Financial instruments

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

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

### Operating leases

When assets are financed by operating leases, their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

### Deferred taxation

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

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

Deferred tax balances are not discounted.

## Notes forming part of the company financial statements continued

### for the year ended 30 June 2009

#### 2 Directors and employees

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

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

|                                                                            | 2009<br>Number | 2008<br>Number |
|----------------------------------------------------------------------------|----------------|----------------|
| The average number of employees, including directors, during the year was: |                |                |
| Administration                                                             | 7              | 7              |

#### 3 Loss for the financial year

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

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

#### 4 Tangible assets

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

**5 Fixed asset investments**

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

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

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

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

At 30 June 2009 the principal subsidiary undertakings all of which are included within the consolidated financial statements, were:

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

All the above companies are registered in England and Wales.

**6 Debtors**

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

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

## Notes forming part of the company financial statements continued

for the year ended 30 June 2009

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

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

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

|                                   | 2009<br>£         | 2008<br>£  |
|-----------------------------------|-------------------|------------|
| Bank loans (secured - see note 9) | <b>20,131,310</b> | 19,857,093 |

### 9 Borrowings

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

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

### 10 Provisions for liabilities

|                                        | Provision<br>for claims<br>£ |
|----------------------------------------|------------------------------|
| <b>At 1 July 2008 and 30 June 2009</b> | <b>444,072</b>               |

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

### 11 Share capital

Details of the share capital of the Company are included in note 20 to the consolidated financial statements.

### 12 Reserves

|                                     | Share<br>premium<br>account<br>£ | Merger<br>reserve<br>£ | Capital<br>redemption<br>reserve<br>£ | Profit<br>and loss<br>account<br>£ | Own<br>shares<br>held<br>£ |
|-------------------------------------|----------------------------------|------------------------|---------------------------------------|------------------------------------|----------------------------|
| At 1 July 2008                      | 10,356,683                       | 689,328                | 91,750                                | 3,848,755                          | (19,065)                   |
| Loss for the year                   | –                                | –                      | –                                     | (1,856,757)                        | –                          |
| Premium arising on issue of shares  | 724,359                          | –                      | –                                     | –                                  | –                          |
| Dividends paid                      | –                                | –                      | –                                     | (61,490)                           | –                          |
| Equity settled share-based payments | –                                | –                      | –                                     | 10,188                             | –                          |
| <b>At 30 June 2009</b>              | <b>11,081,042</b>                | <b>689,328</b>         | <b>91,750</b>                         | <b>1,940,696</b>                   | <b>(19,065)</b>            |

**13 Reconciliation of movements in shareholders' funds**

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

**14 Contingent liabilities and commitments**

A cross guarantee held by the bank in favour of Artisan (UK) plc and its group company members has been given by the Company for all monies owing. At 30 June 2009, bank borrowings of group company members covered by the Company's cross guarantee amounted to £Nil (2008: £Nil).

In the normal course of business the Company has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2009, bonds in issue amount to £Nil (2008: £8,613).

**15 Leasing commitments**

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

|                            | 2009<br>Other<br>£ | 2008<br>Other<br>£ |
|----------------------------|--------------------|--------------------|
| Expiring:                  |                    |                    |
| Within one year            | <b>1,661</b>       | 5,921              |
| Between two and five years | <b>–</b>           | 6,681              |