

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

1 Significant accounting policies

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

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

Statement of compliance

The Group's consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as endorsed for use in the EU (Endorsed IFRS). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 46 to 51.

Basis of preparation

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

The financial statements are presented in pounds sterling and have been prepared on the going concern basis. Further information on going concern is provided in the Director's Report on page 13 and the note on Accounting estimates and judgements on page 28.

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

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

Standards and interpretations in issue but not yet effective

At the date of issue of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- **IFRS 8 Operating Segments** (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 1 Amendment** – Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009).
- **IAS 23 Amendment** – Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 2 Amendment** – Share Based Payments: vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).

- **IAS 32 Amendment** relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 1 Amendment** – First time adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 7 Amendment** – Improving Disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 1 and IAS 27 Amendments** – Cost of an Investment in a subsidiary, jointly controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009).
- **IFRIC 16** – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008).
- **IFRIC 15** – Agreements for the Construction of Real Estates (effective for accounting periods beginning on or after 1 January 2009).
- **IFRS 3 Revised** – Business Combinations (effective for accounting periods beginning on or after 1 July 2009).
- **IAS 27 Amendment** – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).
- **IAS 39 Amendment** – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009).
- **IFRIC 17** – Distributions of Non cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).
- **IFRIC 18** – Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).
- **IFRS 1 Amendment** – Additional Exemptions for First time Adopters (effective for accounting periods beginning on or after 1 January 2010).
- **IFRS 2 Amendment** – Group Cash settled Share based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010).
- **Improvements to IFRSs 2009** (effective for accounting periods beginning on or after 1 January 2009).
- **Improvements to IFRSs 2010** (effective for accounting periods beginning on or after 1 January 2010).

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

1 Significant accounting policies (continued)

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

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

Basis of consolidation

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

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

The Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that took place before the date of transition to IFRS and, therefore, business combinations effected before 1 April 2005, including those that were accounted for using the merger method of accounting under UK accounting

standards have not been restated. As a result, the opening balance sheet under IFRS included £2,454,760 in respect of goodwill arising from past business combinations accounted for using the acquisition method under UK GAAP and a merger reserve of £515,569 following the creation of Artisan (UK) plc from the de-merger of Dean Corporation plc and the simultaneous acquisition of Artisan (UK) Developments Limited by the Group.

Revenue recognition

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

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

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

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

Goodwill

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

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

Investment properties

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

1 Significant accounting policies (continued)

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

Property, plant and equipment

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

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

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

Inventories

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

Land held for building is stated at the lower of cost and net realisable value. Cost comprises land cost and direct materials and labour. Net realisable value is the actual or estimated net selling price.

Leases

Leases where the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases. Operating lease rental charges are charged to the income statement on a straight-line basis over the term of each lease. Lease incentives are charged to operating profit on a straight line basis over the full term of the lease.

Taxation

Income tax comprises current and deferred tax.

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

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

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

Dividends

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

Sales and marketing costs

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

Provisions

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

Operating profit

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

Exceptional items

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

Borrowings

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

Retirement benefit costs

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

1 Significant accounting policies (continued)

Share-based payment

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

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

Financial assets

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

i. Trade and other receivables

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

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

ii. Cash and cash equivalents

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

Financial liabilities

The Group financial liabilities consist of the following:

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

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

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

Share capital

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

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

1 Significant accounting policies (continued)

Accounting estimates and judgements

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

Key sources of estimation and uncertainty:

i. Going concern

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

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

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

The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. As residential development in particular is speculative by nature, most inventories are not covered by forward sale contracts. Furthermore due to the nature of the Group's activity, and in particular the size and length of the development cycle, the Group has to allocate site wide developments costs between units being built or completed in the current year and those for future years. In doing this it also has to forecast the costs to complete on such developments.

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

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

iii. Part exchange properties

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

iv. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Further details of impairment are set out in note 10.

v. Provisions and contingencies

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

2 Segmental analysis

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

Year ended 30 June 2009

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

2 Segmental analysis (continued)

Year ended 30 June 2009 (continued)

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

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

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

	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Income statement					
Revenue					
External revenue	14,905,807	8,380,617	126,527	–	23,412,951
Inter-segment revenue	228,000	2,326,741	24,551	(2,579,292)	–
	15,133,807	10,707,358	151,078	(2,579,292)	23,412,951
Segment result					
Segment result before central charges and exceptional items	313,893	1,767,465	1,458,971	(253,151)	3,287,178
Exceptional items	(343,653)	(5,960)	–	–	(349,613)
Segment result before central charges but after exceptional items	(29,760)	1,761,505	1,458,971	(253,151)	2,937,565
Central charges	(606,098)	(406,046)	(99,133)	–	(1,111,277)
Segment result after central charges	(635,858)	1,355,459	1,359,838	(253,151)	1,826,288
Unallocated corporate expenses					(1,070,677)
Unallocated corporate income					1,143,736
Finance expense					(1,323,007)
Finance income					13,893
Profit before taxation					590,233
Tax credit					
Before exceptional items					88,061
Exceptional items					20,961
Tax credit					109,022
Profit after taxation					699,255

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

2 Segmental analysis (continued)

Year ended 30 June 2008 (continued)

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	17,114	25,915	–	–	43,029
Unallocated corporate capital expenditure					1,358
Total capital expenditure					44,387
Depreciation of property plant and equipment	54,429	13,199	–	–	67,628
Unallocated corporate depreciation of property, plant and equipment					2,281
Total depreciation of property, plant and equipment					69,909

Balance sheet

Assets

Segment assets	37,424,217	10,919,174	5,456,301	(13,074,653)	40,725,039
Unallocated corporate assets					7,548,355
Consolidated total assets					48,273,394

Liabilities

Segment liabilities	4,694,884	1,606,660	126,395	(7)	6,427,932
Unallocated corporate liabilities					705,413
Net borrowings					19,704,561
Consolidated total liabilities					26,837,906

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

3 Employees

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

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

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

4 Operating (loss)/profit

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

6 Finance expense

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

7 Tax credit

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

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

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

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £8.4 million (2008: £3.9 million) available for set off against future years profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses may be carried forward indefinitely.

8 Dividends

Amounts paid to equity holders in the year:

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

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

9 Earnings per share

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

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

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

10 Intangible non-current assets

£

Goodwill

Carrying value

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

At 30 June 2009

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

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

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the coming year and extrapolates cash flows for the following four years, thereafter year five cash flows are assumed to grow at 2.0 per cent (2008: 2.5 per cent) per annum in perpetuity. The rate used to discount the forecast cash flows is 8.23 per cent (2008: 8.9 per cent).

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

11 Investment properties

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

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

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

During the year £294,334 (2008: £123,777) was recognised in the income statement as revenue in respect of rental income from investment properties. Direct operating expenses arising from investment properties amounted to £15,106 (2008: £2,200).

12 Property, plant and equipment

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

12 Property, plant and equipment (continued)

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

13 Other receivables

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

14 Inventories

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

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

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

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

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

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

15 Trade and other receivables

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

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

16 Non-current liabilities

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

17 Trade and other payables

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

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

18 Borrowings

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

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

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

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

19 Provisions

	2009 £	2008 £
Provision for claims		
At beginning and end of year	444,072	444,072

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

20 Share capital

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

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

21 Reserves

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

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

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

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

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

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

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

22 Share-based payments

Equity-settled share option schemes

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

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

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

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

22 Share-based payments (continued)

Equity-settled share option schemes (continued)

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

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

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

The total charge for the year relating to equity settled share-based payments was £10,188 (2008: £22,472).

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

23 Financial instruments

Financial risk management

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

Financial assets classified as loans and receivables

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

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2009

23 Financial instruments (continued)

Financial liabilities measured at amortised cost

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

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

- Market risk
- Credit risk
- Liquidity risk

Market risk

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

Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business as all of the Group's borrowings are at variable rates of interest, based on the base rate or LIBOR plus a lending margin. This margin may vary from time to time as the result of the Group's Banker's own risk assessment in the light of varying levels of profitability and cash flows generated by the Group. The Board consider on an ongoing basis whether any form of hedging is appropriate in relation to interest rate risk, in the light of likely cash flows and indebtedness, interest rate movements and other macro economic factors looking ahead. At 30 June 2009, the Group had no hedging arrangements in place.

The interest rate profile of the Group's interest bearing financial instruments is set out in note 18.

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

Exchange rate risk

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

23 Financial instruments (continued)

Credit risk

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

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

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

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

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

Credit risk analysed by segment is as follows:

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

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

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

23 Financial instruments (continued)

Liquidity risk

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

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

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

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

The Group's policy on the payment of trade payables is set out in the Directors Report on page 12. Trade and other payables and retentions fall due for payment within one year. Details of the maturity and security of loans and borrowings are disclosed in note 18.

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

Capital management

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

24 Related parties

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

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

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

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

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

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

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

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

25 Contingent liabilities and commitments

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2009, bonds in issue amount to £990,982 (2008: £1,326,375).

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

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

26 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

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

27 Events after the balance sheet date

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