Notes forming part of the group financial statements
for the year ended 30 June 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the Directors on 20 December 2011.

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 41 to 46.

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.

Change of accounting policy

The Group has previously presented items of income and expense in two separate primary statements, an income statement and a statement of comprehensive income. As permitted by IAS 1, Presentation of Financial Statements, the Group has decided to change its accounting policy and present a single statement of comprehensive income.

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 and 4 and the Operational and Financial review on pages 5 to 8. The principal business risks and uncertainties affecting the Group are set out in the director's report on page 10.

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 2011 the Group has drawn £14m of bank borrowings under the revolving credit facility, net of offset credit balances, against its revolving credit facility of £25m. There is an additional borrowing of £3.2m drawn on a property loan. These borrowings are secured by fixed and floating charges over the assets of the Group and are due for repayment in full on 31 January 2012. 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 suitable facilities remain in place after 31 January 2012. Negotiations have been ongoing for some time and those negotiations are now at an advanced stage. As part of those negotiations, updated valuations in respect of stock and work in progress and properties have been prepared and final pricing of the facility will be dependent on the assessment of the outcome of those valuations. Our lender remains supportive of the Group and has provided a temporary waiver of a potential covenant breach together with an extension to the facility referred to above, in order to give sufficient time to complete an agreement of working capital requirements compared with a desire to reduce loan to value ratios and conclude negotiations and documentation of the new facility. These negotiations are linked to the requirement for new equity or similar. Our lender remains supportive of the Group and the Directors are confident that a successful conclusion to the negotiations can be reached. However, 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 financial statements do not include the adjustments that would be necessary if the Group was unable to continue as a going concern. Such adjustments would include presenting assets at their recoverable amounts which would be likely to result in further provisions to the current carrying amounts in the financial statements.

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 available for a period of 12 months from the date of approval of these financial statements.

1 Significant accounting policies (continued)

Adoption of new and revised standards and interpretations

Standards and interpretations effective during the year

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:

- **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).
- **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 2011).
- **IFRS 1 Amendment** – Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010) and Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (effective for accounting periods beginning on or after 1 July 2010).

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):

- **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 January 2011).
- **Improvements to IFRSs 2010** (effective for accounting periods beginning on or after 1 January 2011).
- **IFRS 7 Amendment** – Transfers of Financial Assets (effective for accounting periods beginning on or after 1 July 2011).
- **IFRS 1 Amendment** – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (effective for accounting periods beginning on or after 1 July 2011).
- **IAS 12 Amendment** – Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012).
- **IAS 1 Amendment** – Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012).
- **IFRS 9** – Financial Instruments (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 10** – Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 11** – Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 12** – Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
- **IFRS 13** – Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 27** – Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 28** – Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
- **IAS 19** – Employee Benefits (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.

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 statement of comprehensive income 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 statement of comprehensive income.

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.

Notes forming part of the group financial statements continued
for the year ended 30 June 2011

1 Significant accounting policies (continued)

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 statement of comprehensive income 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.

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 statement of comprehensive income 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 the statement of comprehensive income. 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 amount that the Group expects to realise from the sale of inventory in the ordinary course of business, after allowing for the estimated costs of completion and the estimated costs necessary to make the sale. It is assumed that sites will be completed and sold in line with the Group's intended development plans. In the event land or partly completed sites were sold without completing the development the amounts realised would be lower and may be below the carrying value in these accounts.

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 statement of comprehensive income 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.

1 Significant accounting policies (continued)

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, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods.

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 statement of comprehensive income in the year in which they become payable.

Financial assets

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

i. 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 statement of comprehensive income 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 statement of comprehensive income 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.

Notes forming part of the group financial statements continued

for the year ended 30 June 2011

1 Significant accounting policies (continued)

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 based on the expectation that the Group's current revolving credit facility, which expires on 31 January 2012 will be replaced by a new facility on acceptable terms, and such expectation is based on additional assumptions which have been made regarding the likely terms of any new facility in place after that date. It is expected that any new facility will require further debt or equity funding to aid the growth of the Group and Aspen Finance Limited has stated its intention to support the Company in this connection. 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.

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. Judgements and estimates have been made by management in relation to both the net realisable value and cost of inventories.

Net realisable value is the net amount that the Group expects to realise from the sale of inventory in the ordinary course of business, i.e. assuming sites are completed and sold in line with the Group's intended development plans. As residential development in particular is speculative by nature, most inventories are not covered by forward sale contracts, hence it is necessary to make judgements about likely future sales values. The estimate of net realisable value adopted assumes a going concern basis is appropriate and that a disposal of land and work in progress as opposed to finished stock would result in lower values.

1 Significant accounting policies (continued)

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 2011

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 2011

Income statement	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
Revenue					
External revenue	6,573,182	533,336	297,334	–	7,403,852
Inter-segment revenue	–	–	43,500	(43,500)	–
	6,573,182	533,336	340,834	(43,500)	7,403,852
Segment result					
Segment result before central charges and exceptional items	(634,002)	(466,429)	278,536	(752,804)	(1,574,699)
Exceptional items	(460,671)	(130,836)	–	–	(591,507)
Segment result before central charges but after exceptional items	(1,094,673)	(597,265)	278,536	(752,804)	(2,166,206)
Central charges	(374,995)	(343,249)	(169,246)	887,490	–
Segment result after central charges and exceptional items	(1,469,668)	(940,514)	109,290	134,686	(2,166,206)
Finance income	26,005	20,389	–	(20,220)	26,174
Finance expense	(413,051)	(222,529)	(109,244)	218,207	(526,617)
Loss before taxation	(1,856,714)	(1,142,654)	46	332,673	(2,666,649)
Taxation	44,860	–	–	–	44,860
Loss after taxation	(1,811,854)	(1,142,654)	46	332,673	(2,621,789)

Transactions between segments are accounted for at market value.

Statement of financial position					
Assets					
Segment assets	17,907,269	9,782,816	4,914,307	(2,651,134)	29,953,258
Liabilities					
Segment liabilities	16,667,540	10,984,047	4,007,139	(12,576,991)	19,081,735
Segment net assets/(liabilities)	1,239,729	(1,201,231)	907,168	9,925,857	10,871,523
Other information					
Capital expenditure	5,022	824	–	9,392	15,238
Depreciation of property plant and equipment	28,533	8,297	–	2,715	39,545

2 Segmental analysis (continued)
Year ended 30 June 2010

Income statement	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
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)
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

Major customers

During the years ended 30 June 2011 and 2010 no one customer accounted for 10% or more of the Group's revenue.

Notes forming part of the group financial statements continued

for the year ended 30 June 2011

3 Employees

	2011 £	2010 £
Staff costs, including directors, consist of:		
Wages and salaries	**1,776,238**	1,635,746
Social security costs	**160,299**	144,634
Equity settled share-based payments	**–**	601
Other pension costs	**92,055**	78,383
	2,028,592	1,859,364

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' remuneration on pages 15 to 16.

	2011 Number	2010 Number
The average number of employees, including directors, during the year was:		
Administration	**22**	22
Operations	**33**	31
	55	53

4 Operating loss

	2011 £	2010 £
This has been arrived at after charging/(crediting):		
Depreciation	**39,545**	52,102
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	**19,000**	21,000
– the subsidiaries' annual accounts	**45,000**	50,000
Fees payable to the Company's auditor for other services:		
– tax compliance	**18,000**	22,000
Hire of plant and machinery	**33,535**	25,775
Other operating lease rentals – vehicles	**18,640**	33,072
– land and buildings	**286,758**	288,084
Impairment charge, net of reversals, in respect of carrying value of inventories	**591,507**	138,499
Rent receivable	**(659,685)**	(614,756)
Profit on sale of property, plant and equipment	**(851)**	–
Equity settled share-based payments	**–**	601

During the year overhead costs totalling £101,014 (2010: £130,241) were allocated from administrative expenses to work-in-progress.

5 Exceptional items

	2011 £	2010 £
Costs charged to cost of sales		
Inventory impairment charge	**591,507**	138,499

Further details of inventory impairment charges are provided in note 13.

6 Finance expense

	2011 £	2010 £
Bank overdrafts and loans repayable within 5 years	**526,617**	474,507

7 Tax credit

Recognised in the income statement	2011 £	2010 £
Current tax		
UK corporation tax on loss for the year	**–**	(33,872)
Adjustment in respect of prior periods	**(44,860)**	(56,270)
Total tax credit reported in the income statement	**(44,860)**	(90,142)

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

	2011 £	2010 £
Loss before tax	**(2,666,649)**	(1,922,604)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 27.5% (2010 – 28%)	**(733,328)**	(538,329)
Effects of:		
Expenses not deductible for tax purposes	**38,317**	27,863
Change in fair value of investment properties	**(5,952)**	(91,211)
Depreciation for the year in deficit/(excess) of capital allowances	**7,528**	6,641
Utilisation of tax losses brought forward	**(54,446)**	(130,039)
Unrelieved trading losses for the year carried forward	**810,114**	750,415
Movement in provision	**(61,999)**	(59,814)
Other	**(234)**	602
Adjustment in respect of prior periods	**(44,860)**	–
Tax credit for the year	**(44,860)**	(33,872)

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £13.8m (2010: £11.0m) 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

No interim dividend was paid (2010: Nil p per ordinary share). The Directors do not propose to pay a final dividend for the year (2010: Nil p per ordinary share).

Notes forming part of the group financial statements continued

for the year ended 30 June 2011

9 Earnings per share

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

	2011 Number	2010 Number
The weighted average number of shares (excluding treasury shares) were:		
Basic weighted average number of shares (excluding treasury shares)	**13,326,863**	13,326,863

There were no dilutive potential ordinary shares in 2011 or 2010.

10 Investment properties

	2011 £	2010 £
Fair value		
At beginning of year	**3,723,192**	3,397,438
Revaluations included in income statement	**17,476**	325,754
At end of year	**3,740,668**	3,723,192

As at 30 June 2011, the historical cost of investment property owned by the Group was £2,779,931 (2010: £2,779,931).

The fair values of the Group's investment properties at 30 June 2011 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 (2010: £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 (2010: £4,163).

11 Property, plant and equipment

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 July 2010	812,354	193,843	104,651	219,061	1,329,909
Additions	–	1,490	8,200	5,548	15,238
Disposals	–	(12,500)	–	–	(12,500)
At 30 June 2011	**812,354**	**182,833**	**112,851**	**224,609**	**1,332,647**
Depreciation					
At 1 July 2010	58,402	192,259	86,608	191,118	528,387
Provided for the year	5,773	1,009	10,042	22,721	39,545
Disposals	–	(12,500)	–	–	(12,500)
At 30 June 2011	**64,175**	**180,768**	**96,650**	**213,839**	**555,432**
Net book value					
At 30 June 2011	**748,179**	**2,065**	**16,201**	**10,770**	**777,215**
At 30 June 2010	753,952	1,584	18,043	27,943	801,522
Cost or valuation					
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**
Depreciation					
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**
Net book value					
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

12 Other receivables

	2011 £	2010 £
Trade receivables	**232,683**	143,418
Other receivables	**307,246**	336,375
	539,929	479,793

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 2011

13 Inventories

	2011 £	2010 £
Raw materials and consumables	**23,345**	25,478
Land held for development	**10,925,715**	11,822,237
Work in progress	**1,191,119**	4,208,305
Completed developments and houses for sale	**12,450,785**	12,341,927
	24,590,964	28,397,947

Inventories with a carrying amount of £24,590,964 (2010: £28,397,947) have been pledged as security for the Group's bank borrowings.

During the year ended 30 June 2011, 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 £614,151 (2010: £260,197) in the year and a reversal of £22,644 (2010: £121,698) on inventories that were written down in previous accounting periods. The net impairment charge of £591,507 is 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 £6,335,468 (2010: £5,087,415) of inventories are valued at net realisable value rather than at historical cost.

14 Trade and other receivables

	2011 £	2010 £
Trade receivables	**28,105**	91,227
Amounts recoverable on contracts	**–**	33,632
Other receivables	**49,818**	47,217
Prepayments and accrued income	**225,678**	318,624
	303,601	490,700

All trade and other receivables are non-interest bearing. Further disclosures relating to financial instruments are set out in note 21.

15 Non-current liabilities

	2011 £	2010 £
Bank loans (secured – see note 17)	**–**	18,920,431

16 Trade and other payables

	2011 £	2010 £
Trade payables	**426,169**	190,423
Other taxes and social security	**68,352**	68,750
Other payables	**12,320**	14,707
Retentions	**431,115**	453,316
Accruals and deferred income	**948,648**	959,509
	1,886,604	1,686,705

The director's 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

	2011 £	2010 £
Are repayable as follows:		
In less than one year:		
Bank borrowings	**17,195,131**	–
In more than one year but not more than two years:		
Bank borrowings	**–**	18,920,431
	17,195,131	18,920,431

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	2011 £	2010 £
Bank borrowings:					
Revolving credit	GBP	base + 3.25%	2011	**1,655,693**	4,526,292
Revolving credit	GBP	LIBOR + 2.25%	2011	**15,000,000**	15,000,000
Investment property facility	GBP	LIBOR + 2.25%	2012	**3,173,529**	3,173,529
Less:					
Credit balances				**(2,634,091)**	(3,779,390)
				17,195,131	18,920,431

18 Provisions

	2011 £	2010 £
Provision for claims		
At beginning of year	**230,452**	444,072
Release to income statement in year	**(9,650)**	(175,000)
Utilised in the year	**(220,802)**	(38,620)
At end of year	**–**	230,452

Provisions for claims represent residual costs in connection with the sale of Bickerton Construction Limited, including those relating to an indemnity provided. This matter was settled during the year.

Notes forming part of the group financial statements continued

for the year ended 30 June 2011

19 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
13,341,455 (2010: 13,341,455) ordinary shares of 20p (2010: 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 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 finance the Group's operations and finance its acquisitions. The categories of the Group's financial assets and liabilities are summarised below.

Financial assets classified as loans and receivables

	2011 £	2010 £
Non-current financial assets		
Trade receivables	**232,683**	143,418
Current financial assets		
Cash and cash equivalents	**881**	403,874
Trade receivables	**28,105**	91,227
Amounts recoverable on contracts	**–**	33,632
Other receivables	**19,498**	41,141
Prepayments	**15,901**	27,683
Total current financial assets	**64,385**	597,557
Total financial assets	**297,068**	740,975

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

21 Financial instruments (continued)

Financial liabilities measured at amortised cost

	2011 £	2010 £
Non-current financial liabilities		
Loans and borrowings	–	18,920,431
Current financial liabilities		
Loans and borrowings	17,195,131	–
Trade payables	426,169	190,423
Other payables	6,000	14,707
Retentions	431,115	453,316
Accrued charges	863,733	874,594
Provisions	–	230,452
Total current financial liabilities	18,922,148	1,763,492
Total financial liabilities	18,922,148	20,683,923

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

	2011 Level 3 £	2010 Level 3 £
Financial assets		
Non-current financial assets		
Trade receivables	232,683	143,418

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:

	2011 Level 3 £	2010 Level 3 £
Non-current financial assets – trade receivables		
At beginning of year	143,418	27,741
Additions	63,500	97,492
Gains and losses recognised in profit or loss (finance income)	25,765	18,185
At end of year	232,683	143,418

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

Notes forming part of the group financial statements continued

for the year ended 30 June 2011

21 Financial instruments (continued)

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 either 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 2011, 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 2011 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 £186,000 (2010: £192,000).

Exchange rate risk

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

Credit risk

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

The Group has a minimal exposure to credit risk from trade receivables on the residential side of the business given the nature and legal framework of the UK housing industry. In the vast majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies. 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:

	2011 £	2010 £
Residential	270,362	228,145
Commercial	1,202	35,831
Property investment	–	73,488
Other	25,504	403,511
	297,068	740,975

The Group's credit risk is distributed over a number of parties. The maximum credit risk should any single party fail to perform is £23,236 (2010: £33,632). At 30 June 2011 the Group had £30,094 (2010: £75,700) of receivables past due. The Group has reviewed the items that comprise this balance and believes that these amounts will be recovered, accordingly no provision against impairment is considered necessary.

21 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 in order that the Group's funding requirements are matched to the banks appetite for lending.

Compliance with banking covenants is also key to ensuring that the facilities remain in place. At the date of this report the Group's lender has provided a temporary waiver of a potential financial covenant breach through to 31 January 2012, based on the covenant tests in our current facility. By 31 January 2012 we expect to have agreed and entered into a new facility agreement which will entail new covenants.

The Group's policy on the payment of trade payables is set out in the director's report on page 11. 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 31 January 2012, at a competitive rate linked partly to the base rate and partly to LIBOR. Un-drawn committed facilities at the reporting date amount to £13,344,307 (2010: £10,473,708).

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.

22 Related parties

Artisan (UK) plc ("Artisan") is the intermediate holding company for the Artisan Group. At 30 June 2011 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.

During the year Artisan provided accounting support to Aspen in respect of the production of consolidated financial statements for Aspen. A fee of £2,000 is payable for this work (2010: £2,000). £2,000 was owed by Aspen at the year end (2010: £2,000).

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 2011

22 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 15 to 16.

	2011 £	2010 £
Short-term employee benefits	**587,069**	512,626
Post-employment benefits	**34,930**	34,930
Equity settled share-based payments	**–**	601
	621,999	548,157

23 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 2011, bonds in issue amount to £856,179 (2010: £1,058,715).

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.

24 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

	2011 Land and buildings £	2011 Other £	2010 Land and buildings £	2010 Other £
Expiring:				
Within one year	**148,583**	**3,836**	1,200	9,722
Between two and five years	**10,800**	**6,543**	16,292	10,946
After five years	**496,625**	**–**	1,700,767	–

25 Events after the reporting period date

After the end of the year one of the Group's investment properties was sold for £3,350,000, realising a small profit compared to carrying value. Following the sale borrowings of £2,246,000 which had been secured against the property were repaid.