

# Report and Accounts

30 June 2013





This is an artist's representation of the project site upon which Artisan (UK) Developments Limited recently agreed to build a new 4,000 ft<sup>2</sup> office for a regional solicitors practice based in Kings Lynn. To assist the client, a tight timescale for build is being undertaken to deliver the building ahead of the contracted requirement. This efficient new office will represent a considerable advance over the old premises to be vacated with an improved working environment and running cost savings.



ARTISAN  
(UK) plc

## Report and Accounts

30 June 2013

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## Corporate profile



### Artisan (UK) plc

Artisan (UK) plc is the holding company for a group of property development companies and a property holding company. Artisan (UK) plc commenced trading in December 1998. The current principal trading companies are shown below.

### Rippon Homes Limited

Rippon Homes Limited, which has been part of the Artisan Group since December 2000, is a residential house developer based in Mansfield operating in the East Midlands, Lincolnshire and Yorkshire areas. Rippon Homes incorporates the Living Heritage name for the more exclusive properties.

### Artisan (UK) Developments Limited

This Company develops business parks consisting of commercial office space together with light industrial units. The properties are built on both a speculative basis and as bespoke units commissioned by our customers. Its activity is concentrated in East Anglia and Hertfordshire.

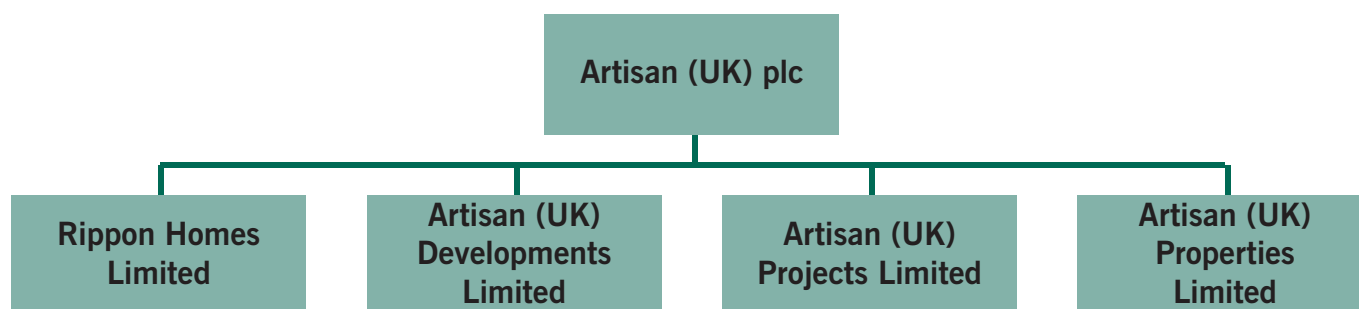
### Artisan (UK) Projects Limited

This Company manages the construction activity, principally for Artisan (UK) Developments Limited.

### Artisan (UK) Properties Limited

This Company is engaged in property investment activities. It holds selected properties from its ongoing property portfolio where it believes the covenant of the tenant, possibility for further development or medium term asset appreciation will provide scope for additional attractive returns to the Group compared with the immediate disposal of the property on completion. It will also consider selectively acquiring third party properties where it believes that there is similar scope for attractive returns.

## GROUP STRUCTURE AND PRINCIPAL OPERATING SUBSIDIARIES



All of the above are 100% subsidiaries of Artisan (UK) plc.

## Chairman's statement

### Overview

During the year to 30 June 2013, we have seen the difficult trading conditions the industry has faced continue, though towards the end of the year we have seen some improvement especially in our residential operation. Trading volumes in our residential business remained at a low level and below the previous year. Bungalows have been a successful product for us and the various shared equity schemes have helped to market houses, particularly 3 bedroom properties, but we have had less stock available to buyers. Since the year end sales reservations have improved at the residential division much helped by the 'Help to Buy' scheme and a successful release of a site in Mansfield Woodhouse.

Following a good year in 2012, the commercial property division saw a decline in activity with slower sales during the year. The year to 30 June 2012 had benefitted from one large contract that was secured and delivered within that financial year and despite bidding for contracts, we were unable to repeat that performance in 2013 as the projects did not proceed in the year. After the year end there has been improvement with a contract to build a large extension to a property previously developed and sold at St Neots, and a sale of a plot at Kings Lynn with a contract to build a c.4,000ft<sup>2</sup> office. The commercial division is also in advanced negotiations to enter into a contract to build a substantial new unit for a local manufacturer.

### Group results

Group turnover for the year reduced to £5.3m (2012: £13.9m). The residential business generated turnover of £4.9m (2012: £7.3m) whilst the commercial business generated turnover of £0.3m (2012: £6.5m). The reduced level of sales led to an operating loss for the year of £2.0m (2012: £0.6m). The Group loss before tax for the year was £2.6m (2012: £1.0m).

### Dividend

No dividend has been recommended for the year in view of the loss incurred. The Company will not be in a position to pay a dividend until it generates distributable profits, both to cover a dividend payment and its accumulated losses. The Company may in the future be able to apply for a capital reduction to extinguish the accrued negative reserves.

### Wingerworth

Ordinarily we would not highlight a particular site, but I am pleased to report that the Group was finally successful in achieving planning permission at appeal to build 51 units on a small part of the land we hold at Wingerworth after a long and expensive planning process. We will continue to support the argument that the balance of the site should be included in the local development plan. No recognition of the associated improvement in the value of the site is recognised in the Group net assets, but the planning permission will result in improved profits as the houses are developed and sold.

### Chairman

I was appointed a director of the Group on 10 July 2013 and elected chairman by my fellow directors following the resignation of the former chairman. I have worked with the directors for a number of years and will be pleased to lead Artisan through the next phase of its development. Aspen Finance Limited has not disposed of any shares in the Group. The Group will however need to raise further funding to support investment in land and development. Aspen Finance has agreed to provide additional working capital (most likely through a convertible loan structure subject to the agreement of our bankers) and further details will be provided in due course.

### Outlook

Successful sales of residential properties on more recently purchased land, profitable commercial development in 2012 together with contracts at the start of the following financial year, demonstrate that the Group can deliver profitable developments. However greater volume is required to return the Group to profit overall and funding for investment in new land and build is needed.

### Geoff Melamet

#### Chairman

Date 18 December 2013

## Operational and financial review

### Results

The results for the year summarised by division are as follows:

|                                                                | Residential<br>£m | Commercial<br>£m | Investment<br>£m | Central &<br>Other<br>£m | Total<br>£m  |
|----------------------------------------------------------------|-------------------|------------------|------------------|--------------------------|--------------|
| <b>Revenue</b>                                                 |                   |                  |                  |                          |              |
| <b>2013</b>                                                    | <b>4.9</b>        | <b>0.3</b>       | <b>0.1</b>       | <b>–</b>                 | <b>5.3</b>   |
| 2012                                                           | 7.3               | 6.5              | 0.1              | –                        | 13.9         |
| <b>Operating profit/(loss) before group management charges</b> |                   |                  |                  |                          |              |
| <b>2013</b>                                                    | <b>(0.5)</b>      | <b>(0.6)</b>     | <b>(0.2)</b>     | <b>(0.7)</b>             | <b>(2.0)</b> |
| 2012                                                           | (0.1)             | 0.2              | 0.7              | (1.4)                    | (0.6)        |

### Residential Division

The residential division has continued to experience low volumes of transactions, albeit there has been a reduction in volumes with 31 completions in the year (2012: 45). As before the low level of activity reflects consumer confidence, restricted mortgage availability and the higher levels of deposit required. Further as we have gradually disposed of older stock we have been trading from fewer sites and with less finished stock. Shared equity schemes have been very helpful in assisting buyers and Rippon Homes has offered not only the government schemes, but also its own scheme to suitable buyers. This has resulted in an asset reflected in the Group's balance sheet of £333,000 at 30 June 2013 (2012: £282,000). The principal risk with these is that the purchasers may default on their principal mortgage and the Group would suffer a loss if there were to be a forced sale. As I stated we carefully review each shared equity transaction and believe that the risk will reduce as the economy improves and there is an increase in house values.

The government's current 'Help to Buy' following on from its 'FirstBuy' scheme has finally found more recognition with customers in general and is proving to be of great assistance in completing sales.

Rippon Homes also continues to offer its part exchange scheme to purchasers of larger properties. All part exchange deals are closely managed to minimise the dealing risk. At the year end we held 7 part exchange properties in stock (2012: 6 units).

We have increased our efforts to acquire new development sites, but have been frustrated by delays throughout the acquisition process and increased due diligence required for debt funding.

### Commercial Division

The commercial division has suffered from a poor year with only one stock sale and sundry income. Other potential deals have either fallen away or been delayed into the following financial year. An 18,000 ft<sup>2</sup> extension for Black Teknigas at St Neots which was agreed some time ago for a deferred build was brought forward and started on site shortly after the year end. After a rapid and well managed build, it is now complete and handed over and will deliver a useful profit towards the 2014 results, covering the annual overhead cost for this division.

Demand for the division's stock units remains low with only one unit sold during the year. We have since the year end agreed one small sale and continue to actively market the available stock properties in Huntingdon, St Albans and Ipswich.

The available stock in the market continues to decline and the available stocks of Grade A space are reducing in particular. Commentary from agents has supported this view. More confidence is still needed for buyers or tenants to commit to the extent that the commercial market can flourish in the markets in which we operate. We believe the market is showing signs of improvement and there are less lease and freehold transactions at the rather desperate levels we have previously seen as owners of empty properties sought to avoid the punitive empty business rate costs.

No speculative commercial development is planned. We continue to market and negotiate potential forward sale and forward let deals. Inevitably most of these do not come to fruition often after prolonged consideration, principally because of a lack of confidence still in the market place and a perhaps mistaken belief that cheaper second hand property will be available. If and when we are successful in securing a substantial forward sale or forward let, then they can have a transformational impact on our results as was seen in 2012. We are also looking at other project management and trading opportunities where we can use our in-house expertise and resources to generate additional revenue streams for the Group. As stated earlier we are negotiating a substantial contract to build a manufacturing plant with offices and labs on land to be purchased by the client. This has been under negotiation for a considerable period and is close to final agreement and contract.

#### Investment Properties

Our remaining investment property, Vantage House, is partly occupied by Artisan as its head office. The part of the building occupied by Artisan is recorded as Property Plant and Equipment on our balance sheet rather than an investment property. The larger part of the building is let to a group. Unfortunately the trading company from that group that occupied the building has ceased trading, but the rent continues to be paid by another group company. However we might expect that the break clause in the lease which is exercisable in 2018 will be exercised at that time. The let part and the whole building are being marketed for let or sale by our agents. We were required to have the investment property valued for our bank at the year end by professional valuers. The valuers have reduced their valuation of Vantage House from £1.3m to £1.0m. The directors believe that the market value of the property should be reflected in our balance sheet at the valuation value and accordingly we have written down the property by £325,000.

#### Inventories

Inventories continued to reduce in the year from £19.9m to £18.8m reflecting the ongoing sale of stock in excess of new land purchased and development activity. The strategy of disposing of the older, low margin stock to create funds available for purchase of new land at better margins is continuing. New residential sites are being sought and negotiations continue for identified sites. Two new sites were purchased in the year totalling 15 plots. Unfortunately other sites that had been expected to complete in the year have taken longer to

complete, but since the year end two further sites totalling 21 plots have been purchased with another two sites, with 54 plots progressing towards contract. Other sites are identified and are being assessed and negotiated.

The valuation undertaken on behalf of our bank identified some lower values for land and inventory. Whilst we are confident that the carrying value of land shown in the balance sheet accords with required accounting standards, we have recognised that on one site the inventory should be reduced to the bank valuation amount resulting in a writedown of £150,000 in the year. The valuations are also informative to us as to the values we should look to achieve on sales of inventory.

#### Land Stocks

Since the renewal of our bank facilities we have pursued the acquisition of new development land during the year. This has been a challenging and prolonged process with delays emanating from the sloth of some vendors and their advisers, delayed planning responses and conditionality and a more thorough and detailed approach from our debt funders and their legal team.

Residential land stock owned by the Group at the year end amounted to 201 plots (2012: 166). All but 6 of these plots have the benefit of detailed planning permission. This includes the 51 plots (including 20 affordable units) granted planning shortly after the year end as a result of the successful appeal for part of our Wingerworth site. The Group also continues to hold some other small pieces of land and the balance of the Wingerworth site, where there is a chance that planning permission could be achieved at some point in the future.

Land stocks owned by Artisan (UK) Developments at the year end amounted to 12,560m<sup>2</sup> (2012: 12,560m<sup>2</sup>). All of this land has planning permission, most of it detailed. In addition there are stock units totalling 1,621m<sup>2</sup> (2012: 1,888m<sup>2</sup>). The Group continues to attempt to secure control over development land as an alternative to outright purchase, as control is key in securing pre-lets and pre-sales.

#### Convertible Loan Note

As part of the agreement of new bank facilities, a convertible loan note for £1m was issued to Aspen Finance Ltd. This carries interest at 5%, paid quarterly. The conversion rate is set at one Ordinary Share of 1p for an amount in nominal value of Loan Notes equal to 14½p. The loan note is due for repayment on 13 July 2015.

## Operational and financial review continued

### Debt and Banking

The Group had borrowings net of offset cash balances of £11.4m at 30 June 2013 (2012: £9.5m). The increase in net borrowing is as a result of £1.5m of cash being absorbed by operating activities and this has been funded by a net £0.5m increase in bank borrowings and the £1.0m convertible loan note. Group's gearing is 147.0% at the year end (2012: 95.1%).

Over the period since 13 July 2012, we have reduced the Loan to Value ratio ("LTV") on our revolving credit bank facility from 65% to 58.9% (as based on the bank's lower assessment of our stock values), which would have been 57.2% if it were not for the further reduction in inventory values as a result of the recent valuations.

The new facility for £20,927,649 was completed in July 2012 and is due for repayment if not renewed 13 July 2015. The facility is subdivided into three tranches with different terms applying to each tranche.

The tranches are:

- Tranche A being the active rolling credit facility for current and new property and development activity at a margin of 3% over LIBOR or base rate.
- Tranche B approximately £1.9m, being the element of value loaned by our bank that is over their required LTV ratio compared with the valuation independently prepared for the bank. This has a total margin of 9%, 6% of which is rolled up.
- The investment property loan of £0.927m.

The principal covenants are:

- loan to value must not exceed 65% of the most recent valuation for development property (applies to tranche A of the facility only) and 72.5% of the most recent valuation for investment property.
- historical interest cover on the investment property loan (being rent as a percentage of finance costs) is, at all times, at least 125%.

The significant bank and adviser fees incurred in securing the facility are being written off over the period of the facility.

The recent valuation has reduced the value of the investment property, Vantage House, and created a position whereby there is an excessively high LTV. The bank have reserved the right to repayment but have not demanded payment. We are discussing with our bank how this position can be remedied.

The LTV position on the revolving credit facility has improved and become lower since the draw down, largely as a result of the repayments at 72.5% of property sales in the residential business.

### Share Capital and funding

As indicated Artisan (UK) plc intends raising new funding to support a return to profitability and this is expected to be in the form of convertible loan notes, the terms of which are to be agreed. There is sufficient headroom in our bank facility to support investment in land and development, but further funding is needed to support the Group's share of costs incurred.

**Christopher Musselle**  
Chief Executive

Date 18 December 2013

## Directors and advisers

### Directors

**Geoffrey Melamet**

Non-Executive Chairman  
(appointed 10 July 2013)

**Christopher Musselle**

Chief Executive and Finance Director

**John Jones**

Executive Director

**Michael Eyres**

Executive Director

**Secretary and registered office****Philip Speer**

Vantage House  
Vantage Park  
Washingley Road  
Huntingdon  
Cambridgeshire PE29 6SR

**Company number**

3630998 Registered in England and Wales

**Auditors****BDO LLP**

55 Baker Street  
London W1U 7EU

**Registrar****Capita Registrars**

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Legal advisers****Thomson Webb & Corfield**

16 Union Road  
Cambridge CB2 1HE

**Bankers****The Royal Bank of Scotland plc**

Corporate Banking  
10 St Peter's Street  
St. Albans  
Hertfordshire AL1 3LY

## Report of the directors for the year ended 30 June 2013

The Directors present their report together with the audited financial statements for the year ended 30 June 2013.

### Principal activities, review of the business and future developments

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

The Chairman's Statement and Operational and Financial Review on pages 3 to 6 contain a review of the development and performance of the Group during the financial year and its position at the end of the year, covering the Enhanced Business Review requirements of the Companies Act 2006.

### Principal risks and uncertainties

As detailed in note 17 on page 32, the main risk arising from the Group's financial instruments is liquidity risk. The Group is funded by significant levels of debt and consequently the Group seeks to maintain an open and regular dialogue with its bankers. The Group is reliant on the continued provision of debt facilities. It is particularly relevant to note that, in the current economic climate, the Group is dependent upon the continued willingness and ability of the Group's bank to provide debt funding to the Group. The value of the Group's security for its borrowings, principally stocks, work in progress and finished units, is affected by the market and the opinions of the valuers reporting to our bank, and this can affect the amount of debt funding available to the Group and the level of working capital available.

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

The Group's operations are clearly affected by the general economic cycle and are subject to short-term volatility in demand. Rippon Homes product and site development does not lend itself towards forward-sales, which allows it to respond to market conditions when setting prices and deciding on production. Conversely, our business model for commercial development is now weighted towards achieving forward sales where possible as this has the advantage that we are able to build units to meet our customers' exact requirements in terms of size and specification whilst at the same time limiting our exposure to unsold stock.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst there is land available there

is no doubt that it is challenging to secure suitable sites on acceptable terms and whilst sites have been acquired on acceptable terms more suitable land will be required. We have an experienced management team tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases. The acquisition of land can become elongated where there are issues to resolve on the land being purchased and this can delay production and ensuing sales. Dependent on market conditions, holding land over a period of time can result in significant profits or losses.

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

In addition to the liquidity risk described above, the Group is also exposed to interest rate risk on its financial instruments, as the group's borrowings are at floating rates of interest. Further details are set out in note 17 on pages 31 and 32. The Board have considered and will continue to consider whether any form of hedging is appropriate in relation to this risk, especially if the level of net indebtedness rises.

### Environment

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

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

Approximately 97% of our homes sold in the year were built on brown-field sites. In many cases we incur significant land remediation expenditure in dealing with contamination left by the previous occupiers of the land.

### Employees and health and safety at work

Details of the number of employees and related costs can be found in note 3 on page 23.

A high standard of health and safety management is promoted at all levels within the Group. Quarterly reports are prepared by our external health and safety auditor which compare the number of accidents with a benchmark figure. Whilst there was one 'over 7 day injury' in the year compared to a benchmark figure of zero, in the other categories of accident we had fewer incidents than benchmark.

### Results and dividends

The statement of comprehensive income is set out on page 12 and shows the loss for the year. The Group loss for the year after taxation amounted to £2,554,900 (2012 – £1,000,480).

The Directors do not propose to pay a final dividend for the year (2012 – £Nil). No interim dividend was paid during the year (2012 – £Nil).

### Directors

The following Directors have held office during the year:

Michael W Stevens (resigned 30 June 2013)  
Christopher Musselle  
John Jones  
Michael Eyres

The following Director was appointed after the year end:

Geoffrey Melamet (appointed 10 July 2013)

Geoffrey Melamet is also a director of Aspen Finance Limited and has held that position since 25 September 2012.

### Directors' shareholdings

The Directors at 30 June 2013 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

|                      | Ordinary shares  |           | Deferred shares    |             |
|----------------------|------------------|-----------|--------------------|-------------|
|                      | 2013             | 2012      | 2013               | 2012        |
| Michael W Stevens    | <b>9,268,721</b> | 9,268,721 | <b>176,105,699</b> | 176,105,699 |
| Christopher Musselle | <b>19,200</b>    | 19,200    | <b>364,800</b>     | 364,800     |
| John Jones           | <b>5,400</b>     | 5,400     | <b>102,600</b>     | 102,600     |
| Michael Eyres        | <b>300</b>       | 300       | <b>5,700</b>       | 5,700       |

### Indemnification of directors

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

### Substantial shareholders

At 18 December 2013 the Company has been notified of the following interests in its issued share capital:

|                       | Ordinary shares of 1p each (2012 – 1p each) |              |           |       |
|-----------------------|---------------------------------------------|--------------|-----------|-------|
|                       | 2013                                        | 2013         | 2012      | 2012  |
| Aspen Finance Limited | <b>9,268,721</b>                            | <b>69.5%</b> | 9,268,721 | 69.5% |

|                       | Deferred shares of 1p each (2012 – 1p each) |              |             |       |
|-----------------------|---------------------------------------------|--------------|-------------|-------|
|                       | 2013                                        | 2013         | 2012        | 2012  |
| Aspen Finance Limited | <b>176,105,699</b>                          | <b>69.5%</b> | 176,105,699 | 69.5% |

Details of transactions with Aspen Finance Limited are set out in note 18 (related parties).

### Creditors' payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. The number of average days' purchases of the Group represented by trade creditors at 30 June 2013 was 44 days (2012 – 47 days).

### Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International

## Report of the directors continued

Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the financial statements for the Company in accordance with UK Generally Accepted Accounting Practice. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

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

### Going concern

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern. As explained in note 1 to the financial statements, after making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Annual general meeting

The Annual General Meeting of the Company will be held at the Company's offices at Vantage House, Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, PE29 6SR on Tuesday 25 February 2014 at 11.30 am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

### Auditors

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

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

By order of the Board

**Philip Speer**  
Secretary

Date 18 December 2013

## Independent auditor's report to the members of Artisan (UK) plc

We have audited the financial statements of Artisan (UK) plc for the year ended 30 June 2013 which comprise the Group statement of comprehensive income, the Group statement of changes in equity, the Group and Company statement of financial position, the Group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and auditors

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

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2013 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

**Geraint Jones (senior statutory auditor)**

**For and on behalf of BDO LLP, statutory auditor**

London

United Kingdom

Date 18 December 2013

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

## Group statement of comprehensive income

for the year ended 30 June 2013

|                                                                                                           | Note | 2013<br>£          | 2012<br>£    |
|-----------------------------------------------------------------------------------------------------------|------|--------------------|--------------|
| <b>Revenue</b>                                                                                            | 2    | <b>5,337,256</b>   | 13,891,967   |
| Cost of sales                                                                                             |      | <b>(5,301,434)</b> | (12,775,491) |
| <b>Gross profit</b>                                                                                       |      | <b>35,822</b>      | 1,116,476    |
| Other operating income                                                                                    |      | <b>104,464</b>     | 293,444      |
| Administrative expenses                                                                                   |      | <b>(1,969,749)</b> | (2,010,988)  |
|                                                                                                           |      | <b>(1,829,463)</b> | (601,068)    |
| Profit on disposal of investment property                                                                 |      | –                  | 13,563       |
| Revaluation (deficit)/surplus on investment properties                                                    | 8    | <b>(194,924)</b>   | 9,719        |
| <b>Operating loss</b>                                                                                     | 4    | <b>(2,024,387)</b> | (577,786)    |
| Finance income                                                                                            |      | <b>36,497</b>      | 30,590       |
| Finance expense                                                                                           | 5    | <b>(567,010)</b>   | (453,284)    |
| <b>Loss before taxation</b>                                                                               |      | <b>(2,554,900)</b> | (1,000,480)  |
| Tax credit                                                                                                | 6    | –                  | –            |
| <b>Loss for the year attributable to the equity holders of the parent</b>                                 |      | <b>(2,554,900)</b> | (1,000,480)  |
| <b>Other comprehensive income</b>                                                                         |      |                    |              |
| Revaluation of Group occupied property                                                                    |      | <b>(116,182)</b>   | 139,548      |
| <b>Loss for the year and total comprehensive expense attributable to the equity holders of the parent</b> |      | <b>(2,671,082)</b> | (860,932)    |

The notes on pages 16 to 34 form part of these financial statements.

## Group statement of changes in equity

for the year ended 30 June 2013

|                                    | Share<br>capital<br>£ | Share<br>premium<br>account<br>£ | Other<br>reserve<br>£ | Merger<br>reserve<br>£ | Capital<br>redemption<br>reserve<br>£ | Revaluation<br>reserve<br>£ | Retained<br>earnings<br>£ | Own<br>shares held<br>£ | Total<br>£        |
|------------------------------------|-----------------------|----------------------------------|-----------------------|------------------------|---------------------------------------|-----------------------------|---------------------------|-------------------------|-------------------|
| At 30 June 2011                    | 2,668,291             | 11,356,683                       | –                     | 515,569                | 91,750                                | 28,044                      | (3,769,749)               | (19,065)                | 10,871,523        |
| Total<br>comprehensive<br>expense  | –                     | –                                | –                     | –                      | –                                     | 139,548                     | (1,000,480)               | –                       | (860,932)         |
| <b>At 30 June 2012</b>             | <b>2,668,291</b>      | <b>11,356,683</b>                | <b>–</b>              | <b>515,569</b>         | <b>91,750</b>                         | <b>167,592</b>              | <b>(4,770,229)</b>        | <b>(19,065)</b>         | <b>10,010,591</b> |
| Total<br>comprehensive<br>expense  | –                     | –                                | –                     | –                      | –                                     | (116,182)                   | (2,554,900)               | –                       | (2,671,082)       |
| Convertible<br>loan note<br>issued | –                     | –                                | 173,088               | –                      | –                                     | –                           | –                         | –                       | 173,088           |
| <b>At 30 June 2013</b>             | <b>2,668,291</b>      | <b>11,356,683</b>                | <b>173,088</b>        | <b>515,569</b>         | <b>91,750</b>                         | <b>51,410</b>               | <b>(7,325,129)</b>        | <b>(19,065)</b>         | <b>7,512,597</b>  |

The notes on pages 16 to 34 form part of these financial statements.

## Group statement of financial position at 30 June 2013

Company Number: 3630998

|                                                                            | Note | 2013<br>£    | 2013<br>£           | 2012<br>£   | 2012<br>£           |
|----------------------------------------------------------------------------|------|--------------|---------------------|-------------|---------------------|
| <b>ASSETS</b>                                                              |      |              |                     |             |                     |
| <b>Non-current assets</b>                                                  |      |              |                     |             |                     |
| Investment properties                                                      | 8    |              | 545,837             |             | 740,761             |
| Property, plant and equipment                                              | 9    |              | 799,689             |             | 914,861             |
| Other receivables                                                          | 10   |              | 411,000             |             | 542,969             |
|                                                                            |      |              | 1,756,526           |             | 2,198,591           |
| <b>Current assets</b>                                                      |      |              |                     |             |                     |
| Inventories                                                                | 11   | 18,771,633   |                     | 19,876,736  |                     |
| Trade and other receivables                                                | 12   | 821,414      |                     | 449,580     |                     |
| Cash and cash equivalents                                                  |      | 609          |                     | 1,225       |                     |
|                                                                            |      |              | 19,593,656          |             | 20,327,541          |
| <b>Total assets</b>                                                        |      |              | <b>21,350,182</b>   |             | <b>22,526,132</b>   |
| <b>LIABILITIES</b>                                                         |      |              |                     |             |                     |
| <b>Non-current liabilities</b>                                             |      |              |                     |             |                     |
| Trade and other payables                                                   | 13   | (240,033)    |                     |             | –                   |
| Interest bearing loans and borrowings                                      | 14   | (10,861,257) |                     |             | –                   |
|                                                                            |      |              | (11,101,290)        |             | –                   |
| <b>Current liabilities</b>                                                 |      |              |                     |             |                     |
| Trade and other payables                                                   | 13   | (2,551,877)  |                     | (2,991,949) |                     |
| Interest bearing loans and borrowings                                      | 14   | (184,418)    |                     | (9,523,592) |                     |
|                                                                            |      |              | (2,736,295)         |             | (12,515,541)        |
| <b>Total liabilities</b>                                                   |      |              | <b>(13,837,585)</b> |             | <b>(12,515,541)</b> |
| <b>Net assets</b>                                                          |      |              | <b>7,512,597</b>    |             | <b>10,010,591</b>   |
| <b>EQUITY ATTRIBUTABLE TO THE EQUITY<br/>HOLDERS OF THE PARENT COMPANY</b> |      |              |                     |             |                     |
| Called up share capital                                                    | 15   | 2,668,291    |                     | 2,668,291   |                     |
| Share premium account                                                      | 16   | 11,356,683   |                     | 11,356,683  |                     |
| Other reserve                                                              | 16   | 173,088      |                     | –           |                     |
| Merger reserve                                                             | 16   | 515,569      |                     | 515,569     |                     |
| Capital redemption reserve                                                 | 16   | 91,750       |                     | 91,750      |                     |
| Revaluation reserve                                                        | 16   | 51,410       |                     | 167,592     |                     |
| Retained earnings                                                          | 16   | (7,325,129)  |                     | (4,770,229) |                     |
| Own shares                                                                 | 16   | (19,065)     |                     | (19,065)    |                     |
| <b>Total equity</b>                                                        |      |              | <b>7,512,597</b>    |             | <b>10,010,591</b>   |

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2013.

**Christopher Musselle**  
Director

The notes on pages 16 to 34 form part of these financial statements.

## Group statement of cash flows

for the year ended 30 June 2013

|                                                                        | 2013<br>£          | 2013<br>£ | 2012<br>£          | 2012<br>£ |
|------------------------------------------------------------------------|--------------------|-----------|--------------------|-----------|
| <b>Cash flows from operating activities</b>                            |                    |           |                    |           |
| Loss before taxation                                                   | (2,554,900)        |           | (1,000,480)        |           |
| Depreciation                                                           | 19,955             |           | 20,211             |           |
| Amortisation of bank facility costs                                    | 183,975            |           | –                  |           |
| Finance income                                                         | (36,497)           |           | (30,590)           |           |
| Finance expense                                                        | 567,010            |           | 453,284            |           |
| Profit on disposal of investment property                              | –                  |           | (13,563)           |           |
| (Profit)/loss on disposal of property, plant and equipment             | (500)              |           | 142                |           |
| Disposal costs investment property                                     | –                  |           | (326,811)          |           |
| Revaluation deficit/(surplus) on investment properties                 | 194,924            |           | (9,719)            |           |
| <b>Operating loss before changes in working capital and provisions</b> | <b>(1,626,033)</b> |           | <b>(907,526)</b>   |           |
| Decrease in inventories                                                | 1,105,103          |           | 4,714,228          |           |
| (Increase) in trade and other receivables                              | (495,782)          |           | (149,019)          |           |
| (Decrease)/increase in trade and other payables                        | (163,312)          |           | 1,106,288          |           |
| <b>Cash (used by)/from operations</b>                                  | <b>(1,180,024)</b> |           | <b>4,763,971</b>   |           |
| Finance income received                                                | 36,497             |           | 30,590             |           |
| Finance costs paid                                                     | (345,089)          |           | (454,227)          |           |
| <b>Net cash (used by)/from operating activities</b>                    | <b>(1,488,616)</b> |           | <b>4,340,334</b>   |           |
| <b>Cash flows from investing activities</b>                            |                    |           |                    |           |
| Proceeds from sale of investment property                              | –                  |           | 3,350,000          |           |
| Purchase of property, plant and equipment                              | (20,965)           |           | (32,101)           |           |
| Proceeds from sale of property, plant and equipment                    | 500                |           | 13,650             |           |
| <b>Net cash (used by)/generated in investing activities</b>            | <b>(20,465)</b>    |           | <b>3,331,549</b>   |           |
| <b>Cash flows from financing activities</b>                            |                    |           |                    |           |
| Movement on bank borrowings                                            | 1,034,975          |           | (7,671,539)        |           |
| Bank facility costs paid                                               | (526,510)          |           | –                  |           |
| Convertible loan note                                                  | 1,000,000          |           | –                  |           |
| <b>Net cash from/(used in) financing activities</b>                    | <b>1,508,465</b>   |           | <b>(7,671,539)</b> |           |
| <b>Net (decrease)/increase in cash and cash equivalents</b>            | <b>(616)</b>       |           | <b>344</b>         |           |
| <b>Cash and cash equivalents at the beginning of the year</b>          | <b>1,225</b>       |           | <b>881</b>         |           |
| <b>Cash and cash equivalents at the end of the year</b>                | <b>609</b>         |           | <b>1,225</b>       |           |

The notes on pages 16 to 34 form part of these financial statements.

## Notes forming part of the group financial statements for the year ended 30 June 2013

### 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 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the Directors on 18 December 2013.

#### 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 35 to 40.

#### 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, as detailed below.

#### Going concern

As highlighted in note 17, the Group meets the majority of its day to day working capital requirements through its bank facility. The Group bank facility is for a maximum of £20,927,649 and runs to 13 July 2015. At 30 June 2013 the Group had drawn down £10,558,567 of bank borrowings, net of offset credit balances, against the facility.

During the year additional funding of £1 million was provided by the Group's majority shareholder, Aspen Finance Limited, in the form of a convertible loan.

In order to return to profitability the Group plans to increase its activity levels through investment in new land and developments. There is sufficient headroom in the bank facility to support this but the Group needs to raise additional working capital to fund its share of any expenditure. Aspen Finance Limited has indicated its intention to continue to support the Group and to make further investment available in order to provide additional working capital. This will most likely be in the form of convertible loan notes, the terms of which have yet to be agreed with lenders including our bank.

Given the ongoing financial support from Aspen Finance Limited, forecasts and projections have been prepared which show that, taking into account reasonably possible changes in trading performance, the Group will be able to operate within the level of the bank facility. In view of this the Directors are satisfied that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### 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:

- **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).

#### 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):

- **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).
- **IFRIC 20** – Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013).

### 1 Significant accounting policies (continued)

- **IFRS 7** Amendments – Disclosures, Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2013).
- **Amendments to IFRS 1** – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
- **Improvements to IFRSs** – 2009 to 2011 Cycle (effective for accounting periods beginning on or after 1 January 2013).
- **Amendments to IFRS 10, IFRS 11 and IFRS 12** – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective for accounting periods beginning on or after 1 January 2013).
- **Amendments to IAS 32** – Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10, IFRS 12 and IAS 27** – Investment Entities (effective for accounting periods beginning on or after 1 January 2014).
- **IFRS 9** – Financial Instruments (effective for accounting periods beginning on or after 1 January 2015).
- **Amendments to IAS 36** – Recoverable Amounts Disclosures for Non-financial Assets (effective for accounting periods beginning on or after 1 January 2014).
- **Amendments to IAS 39** – Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014).
- **IFRIC 21 Levies** (effective for accounting periods beginning on or after 1 January 2014).

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 the acquisition of Artisan (UK) Developments Limited which was acquired at the same time that Artisan (UK) plc was formed from a de-merger of Dean Corporation plc. 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.

#### 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 sale 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".

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 1 Significant accounting policies (continued)

##### 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.

##### 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.

##### 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.

## 1 Significant accounting policies (continued)

### 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.

### 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 component of convertible loan notes that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position. On issue of convertible loan notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

### 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 and deferred shares are classified as equity instruments.

For the purposes of capital management, the Group considers its capital to comprise its ordinary and deferred share capital, share premium and retained earnings less the own share reserve. Neither the merger reserve, capital redemption reserve, other 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 property 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, the availability of further equity or similar, employment prospects and the overall level of economic activity in the UK economy.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 1 Significant accounting policies (continued)

The Directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months. Accordingly the Board has adopted the going concern basis for the preparation of these financial statements. Further details of the Board's assessment are set out on page 16.

#### 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.

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.

#### v. Investment property valuation

Investment properties are stated at fair value at the balance sheet date. Fair values are arrived at by the Directors, who are suitably experienced and having regard to professional advice and valuations prepared for our bankers. Valuations are based on assumptions including future rental income and appropriate discount rates. Reference is also made to market evidence of transaction prices for similar properties.

## 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 2013

|                                                                  | Residential<br>Development<br>£ | Commercial<br>Development<br>£ | Property<br>Investment<br>£ | Central<br>and Other<br>£ | Total<br>£       |
|------------------------------------------------------------------|---------------------------------|--------------------------------|-----------------------------|---------------------------|------------------|
| <b>Income statement</b>                                          |                                 |                                |                             |                           |                  |
| <b>Revenue</b>                                                   |                                 |                                |                             |                           |                  |
| External revenue                                                 | 4,958,994                       | 311,095                        | 67,167                      | –                         | 5,337,256        |
| Inter-segment revenue                                            | –                               | –                              | 43,500                      | (43,500)                  | –                |
|                                                                  | 4,958,994                       | 311,095                        | 110,667                     | (43,500)                  | 5,337,256        |
| <b>Segment result</b>                                            |                                 |                                |                             |                           |                  |
| Segment result before central charges                            | (483,987)                       | (599,185)                      | (207,214)                   | (734,001)                 | (2,024,387)      |
| Central charges                                                  | (109,839)                       | (94,218)                       | (27,875)                    | 231,932                   | –                |
| Segment result after central charges                             | (593,826)                       | (693,403)                      | (235,089)                   | (502,069)                 | (2,024,387)      |
| Finance income                                                   | 36,497                          | 42,504                         | 18,584                      | (61,088)                  | 36,497           |
| Finance expense                                                  | (463,049)                       | (259,817)                      | (32,182)                    | 188,038                   | (567,010)        |
| Loss before taxation                                             | (1,020,378)                     | (910,716)                      | (248,687)                   | (375,119)                 | (2,554,900)      |
| Taxation                                                         | –                               | –                              | –                           | –                         | –                |
| Loss after taxation                                              | (1,020,378)                     | (910,716)                      | (248,687)                   | (375,119)                 | (2,554,900)      |
| Transactions between segments are accounted for at market value. |                                 |                                |                             |                           |                  |
| <b>Statement of financial position</b>                           |                                 |                                |                             |                           |                  |
| <b>Assets</b>                                                    |                                 |                                |                             |                           |                  |
| Segment assets                                                   | 13,147,448                      | 7,929,911                      | 2,220,685                   | (1,947,862)               | 21,350,182       |
| <b>Liabilities</b>                                               |                                 |                                |                             |                           |                  |
| Segment liabilities                                              | 12,397,176                      | 10,099,223                     | 987,757                     | (9,646,571)               | 13,837,585       |
| <b>Segment net assets/(liabilities)</b>                          | <b>750,272</b>                  | <b>(2,169,312)</b>             | <b>1,232,928</b>            | <b>7,698,709</b>          | <b>7,512,597</b> |
| <b>Other information</b>                                         |                                 |                                |                             |                           |                  |
| Capital expenditure                                              | 14,661                          | 2,256                          | –                           | 4,048                     | 20,965           |
| Depreciation of property plant and equipment                     | 17,639                          | 669                            | –                           | 1,647                     | 19,955           |

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 2 Segmental analysis (continued)

Year ended 30 June 2012

|                                                                  | Residential<br>Development<br>£ | Commercial<br>Development<br>£ | Property<br>Investment<br>£ | Central<br>and Other<br>£ | Total<br>£        |
|------------------------------------------------------------------|---------------------------------|--------------------------------|-----------------------------|---------------------------|-------------------|
| <b>Income statement</b>                                          |                                 |                                |                             |                           |                   |
| <b>Revenue</b>                                                   |                                 |                                |                             |                           |                   |
| External revenue                                                 | 7,322,748                       | 6,470,068                      | 99,151                      | –                         | 13,891,967        |
| Inter-segment revenue                                            | –                               | –                              | 43,500                      | (43,500)                  | –                 |
|                                                                  | 7,322,748                       | 6,470,068                      | 142,651                     | (43,500)                  | 13,891,967        |
| <b>Segment result</b>                                            |                                 |                                |                             |                           |                   |
| Segment result before central charges                            | (65,645)                        | 230,542                        | 644,930                     | (1,387,613)               | (577,786)         |
| Central charges                                                  | (86,476)                        | (91,170)                       | (34,016)                    | 211,662                   | –                 |
| Segment result after central charges                             | (152,121)                       | 139,372                        | 610,914                     | (1,175,951)               | (577,786)         |
| Finance income                                                   | 30,591                          | 22,963                         | 10,862                      | (33,826)                  | 30,590            |
| Finance expense                                                  | (356,107)                       | (219,700)                      | (38,772)                    | 161,295                   | (453,284)         |
| Loss before taxation                                             | (477,637)                       | (57,365)                       | 583,004                     | (1,048,482)               | (1,000,480)       |
| Taxation                                                         | 8,557                           | –                              | (8,557)                     | –                         | –                 |
| Loss after taxation                                              | (469,080)                       | (57,365)                       | 574,447                     | (1,048,482)               | (1,000,480)       |
| Transactions between segments are accounted for at market value. |                                 |                                |                             |                           |                   |
| <b>Statement of financial position</b>                           |                                 |                                |                             |                           |                   |
| <b>Assets</b>                                                    |                                 |                                |                             |                           |                   |
| Segment assets                                                   | 15,620,547                      | 9,576,830                      | 2,466,939                   | (5,138,184)               | 22,526,132        |
| <b>Liabilities</b>                                               |                                 |                                |                             |                           |                   |
| Segment liabilities                                              | 14,849,897                      | 10,835,426                     | 985,324                     | (14,155,106)              | 12,515,541        |
| <b>Segment net assets/(liabilities)</b>                          | <b>770,650</b>                  | <b>(1,258,596)</b>             | <b>1,481,615</b>            | <b>9,016,922</b>          | <b>10,010,591</b> |
| <b>Other information</b>                                         |                                 |                                |                             |                           |                   |
| Capital expenditure                                              | 31,619                          | 357                            | –                           | 125                       | 32,101            |
| Depreciation of property plant and equipment                     | 15,197                          | 3,224                          | –                           | 1,790                     | 20,211            |

**3 Directors and employees**

|                                                                            | 2013<br>£        | 2012<br>£      |
|----------------------------------------------------------------------------|------------------|----------------|
| Staff costs, including directors, consist of:                              |                  |                |
| Wages and salaries                                                         | 1,728,587        | 1,778,175      |
| Social security costs                                                      | 159,226          | 163,999        |
| Other pension costs                                                        | 85,679           | 111,444        |
|                                                                            | <b>1,973,492</b> | 2,053,618      |
|                                                                            |                  |                |
|                                                                            | 2013<br>Number   | 2012<br>Number |
| The average number of employees, including directors, during the year was: |                  |                |
| Administration                                                             | 17               | 20             |
| Operations                                                                 | 29               | 30             |
|                                                                            | <b>46</b>        | 50             |
|                                                                            |                  |                |
|                                                                            | 2013<br>£        | 2012<br>£      |
| Directors' remuneration consists of:                                       |                  |                |
| Directors' emoluments                                                      | 532,852          | 565,664        |
| Directors' pension contributions                                           | 34,930           | 56,310         |
|                                                                            | <b>567,782</b>   | 621,974        |

The total amount payable to the highest paid director in respect of emoluments was £167,667 (2012 – £173,092). Company pension contributions of £24,930 (2012 – £24,930) were made to a money purchase scheme on their behalf.

Pension contributions to money purchase schemes were made in respect of 2 directors (2012 – 2).

**4 Operating loss**

|                                                                                  | 2013<br>£ | 2012<br>£ |
|----------------------------------------------------------------------------------|-----------|-----------|
| This has been arrived at after charging/(crediting):                             |           |           |
| Depreciation                                                                     | 19,955    | 20,211    |
| Auditors' remuneration:                                                          |           |           |
| Fees payable to the Company's auditor for the audit of:                          |           |           |
| – the Company's annual accounts                                                  | 22,364    | 12,000    |
| – the subsidiaries' annual accounts                                              | 13,886    | 29,000    |
| Fees payable to the Company's auditor for other services:                        |           |           |
| – tax compliance                                                                 | 11,750    | 14,000    |
| – other                                                                          | 3,000     | 3,000     |
| Hire of plant and machinery                                                      | 36,338    | 48,466    |
| Other operating lease rentals – vehicles                                         | 16,515    | 15,426    |
| – land and buildings                                                             | 17,630    | 175,974   |
| Impairment charge, net of reversals, in respect of carrying value of inventories | 49,633    | 290,744   |
| Rent receivable                                                                  | (179,964) | (388,428) |
| (Profit)/loss on sale of property, plant and equipment                           | (500)     | 142       |
| Profit on disposal of investment property                                        | –         | 13,563    |

During the year overhead costs totalling £104,689 (2012 – £284,012) were allocated from administrative expenses to work-in-progress.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 5 Finance expense

|                                                    | 2013<br>£      | 2012<br>£ |
|----------------------------------------------------|----------------|-----------|
| Bank overdrafts and loans repayable within 5 years | 472,110        | 453,284   |
| Convertible loan note                              | 94,900         | –         |
|                                                    | <b>567,010</b> | 453,284   |

#### 6 Tax credit

| Recognised in the income statement                | 2013<br>£ | 2012<br>£ |
|---------------------------------------------------|-----------|-----------|
| <i>Current tax</i>                                |           |           |
| UK corporation tax on loss for the year           | –         | –         |
| Adjustment in respect of prior periods            | –         | –         |
| Total tax credit reported in the income statement | –         | –         |

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

|                                                                                                           | 2013<br>£          | 2012<br>£   |
|-----------------------------------------------------------------------------------------------------------|--------------------|-------------|
| Loss before tax                                                                                           | <b>(2,554,900)</b> | (1,000,480) |
| Loss on ordinary activities at the standard rate<br>of corporation tax in the UK of 23.75% (2012 – 25.5%) | <b>(606,789)</b>   | (255,122)   |
| Effects of:                                                                                               |                    |             |
| Expenses not deductible for tax purposes                                                                  | <b>3,158</b>       | 15,579      |
| Change in fair value of investment and owner occupied properties                                          | <b>46,294</b>      | (2,478)     |
| Depreciation for the year in excess of capital allowances                                                 | <b>4,739</b>       | 4,936       |
| Utilisation of tax losses brought forward                                                                 | <b>(34,102)</b>    | (45,337)    |
| Unrelieved trading losses for the year carried forward                                                    | <b>586,817</b>     | 285,846     |
| Other                                                                                                     | <b>(117)</b>       | (3,424)     |
| Tax credit for the year                                                                                   | –                  | –           |

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £17.4 million (2012 – £14.9 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.

#### 7 Dividends

No interim dividend was paid (2012 – Nil p per ordinary share). The Directors do not propose to pay a final dividend for the year (2012 – Nil p per ordinary share).

**8 Investment properties**

|                                           | 2013<br>£        | 2012<br>£   |
|-------------------------------------------|------------------|-------------|
| <i>Fair value</i>                         |                  |             |
| At beginning of year                      | <b>740,761</b>   | 3,740,668   |
| Revaluations included in income statement | <b>(194,924)</b> | 9,719       |
| Disposal of investment property           | –                | (3,009,626) |
| At end of year                            | <b>545,837</b>   | 740,761     |

As at 30 June 2013, the historical cost of investment property owned by the Group was £599,245 (2012 – £599,245).

The fair value of the Group's investment property at 30 June 2013 has 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 £64,167 (2012 – £96,151) 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 £839 (2012 – £1,116).

**9 Property, plant and equipment**

|                          | Freehold<br>land and<br>buildings<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Fixtures<br>and fittings<br>£ | Total<br>£       |
|--------------------------|----------------------------------------|-----------------------------|------------------------|-------------------------------|------------------|
| <i>Cost or valuation</i> |                                        |                             |                        |                               |                  |
| At 1 July 2012           | 881,954                                | 182,833                     | 108,065                | 236,676                       | 1,409,528        |
| Additions                | –                                      | –                           | 11,700                 | 9,265                         | 20,965           |
| Disposals                | –                                      | –                           | (9,686)                | –                             | (9,686)          |
| Revaluation              | (121,955)                              | –                           | –                      | –                             | (121,955)        |
| <b>At 30 June 2013</b>   | <b>759,999</b>                         | <b>182,833</b>              | <b>110,079</b>         | <b>245,941</b>                | <b>1,298,852</b> |
| <i>Depreciation</i>      |                                        |                             |                        |                               |                  |
| At 1 July 2012           | –                                      | 181,518                     | 91,263                 | 221,886                       | 494,667          |
| Provided for the year    | 5,773                                  | 725                         | 6,780                  | 6,677                         | 19,955           |
| Disposals                | –                                      | –                           | (9,686)                | –                             | (9,686)          |
| Revaluation              | (5,773)                                | –                           | –                      | –                             | (5,773)          |
| <b>At 30 June 2013</b>   | <b>–</b>                               | <b>182,243</b>              | <b>88,357</b>          | <b>228,563</b>                | <b>499,163</b>   |
| <i>Net book value</i>    |                                        |                             |                        |                               |                  |
| <b>At 30 June 2013</b>   | <b>759,999</b>                         | <b>590</b>                  | <b>21,722</b>          | <b>17,378</b>                 | <b>799,689</b>   |
| At 30 June 2012          | 881,954                                | 1,315                       | 16,802                 | 14,790                        | 914,861          |

The fair values of the Group's property occupied for its own purposes at 30 June 2013 has been arrived at on the basis of open market value by the Directors, who are suitably experienced and having regard to professional advice and taking into consideration an external valuation obtained for the Group's bankers.

## Notes forming part of the group financial statements continued

for the year ended 30 June 2013

### 9 Property, plant and equipment (continued)

|                          | Freehold<br>land and<br>buildings<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Fixtures<br>and fittings<br>£ | Total<br>£ |
|--------------------------|----------------------------------------|-----------------------------|------------------------|-------------------------------|------------|
| <i>Cost or valuation</i> |                                        |                             |                        |                               |            |
| At 1 July 2011           | 812,354                                | 182,833                     | 112,851                | 224,609                       | 1,332,647  |
| Additions                | –                                      | –                           | 20,034                 | 12,067                        | 32,101     |
| Disposals                | –                                      | –                           | (24,820)               | –                             | (24,820)   |
| Revaluation              | 69,600                                 | –                           | –                      | –                             | 69,600     |
| At 30 June 2012          | 881,954                                | 182,833                     | 108,065                | 236,676                       | 1,409,528  |
| <i>Depreciation</i>      |                                        |                             |                        |                               |            |
| At 1 July 2011           | 64,175                                 | 180,768                     | 96,650                 | 213,839                       | 555,432    |
| Provided for the year    | 5,773                                  | 750                         | 5,641                  | 8,047                         | 20,211     |
| Disposals                | –                                      | –                           | (11,028)               | –                             | (11,028)   |
| Revaluation              | (69,948)                               | –                           | –                      | –                             | (69,948)   |
| At 30 June 2012          | –                                      | 181,518                     | 91,263                 | 221,886                       | 494,667    |
| <i>Net book value</i>    |                                        |                             |                        |                               |            |
| At 30 June 2012          | 881,954                                | 1,315                       | 16,802                 | 14,790                        | 914,861    |
| At 30 June 2011          | 748,179                                | 2,065                       | 16,201                 | 10,770                        | 777,215    |

### 10 Other receivables

|                                | 2013<br>£ | 2012<br>£ |
|--------------------------------|-----------|-----------|
| Trade receivables              | 333,037   | 281,668   |
| Other receivables              | 77,963    | 87,135    |
| Prepayments and accrued income | –         | 174,166   |
|                                | 411,000   | 542,969   |

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.

**11 Inventories**

|                                            | 2013<br>£         | 2012<br>£  |
|--------------------------------------------|-------------------|------------|
| Raw materials and consumables              | 23,574            | 23,555     |
| Land held for development                  | 8,506,920         | 9,712,706  |
| Work in progress                           | 2,423,461         | 1,901,256  |
| Completed developments and houses for sale | 7,817,678         | 8,239,219  |
|                                            | <b>18,771,633</b> | 19,876,736 |

Inventories with a carrying amount of £18,771,633 (2012 – £19,876,736) have been pledged as security for the Group's bank borrowings.

During the year ended 30 June 2013, 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 £273,487 (2012 – £290,744) in the year and a reversal of £223,854 (2012 – £Nil) on inventories that were written down in previous accounting periods.

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, if the UK housing market were to deteriorate or improve beyond management expectations in the future then further adjustments to the carrying-value of inventories may be required.

Following these impairment charges £5,496,270 (2012 – £5,083,027) of inventories are valued at net realisable value rather than at historical cost.

**12 Trade and other receivables**

|                                  | 2013<br>£      | 2012<br>£ |
|----------------------------------|----------------|-----------|
| Trade receivables                | 534,946        | 71,600    |
| Amounts recoverable on contracts | 68,217         | 60,353    |
| Other receivables                | 9,363          | –         |
| Prepayments and accrued income   | 208,888        | 317,627   |
|                                  | <b>821,414</b> | 449,580   |

All trade and other receivables are non-interest bearing. Further disclosures relating to financial instruments are set out in note 17.

**13 Trade and other payables**

|                                     | 2013<br>£        | 2012<br>£ |
|-------------------------------------|------------------|-----------|
| Amounts falling due within one year |                  |           |
| Trade payables                      | 500,654          | 1,046,467 |
| Other taxes and social security     | 100,921          | 163,333   |
| Other payables                      | 7,207            | 6,727     |
| Retentions                          | 447,860          | 567,556   |
| Accruals and deferred income        | 1,495,235        | 1,207,866 |
|                                     | <b>2,551,877</b> | 2,991,949 |

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.

## Notes forming part of the group financial statements continued

for the year ended 30 June 2013

### 13 Trade and other payables (continued)

|                                    | 2013<br>£      | 2012<br>£ |
|------------------------------------|----------------|-----------|
| Amounts falling due after one year |                |           |
| Other payables                     | 111,001        | –         |
| Accruals and deferred income       | 129,032        | –         |
|                                    | <b>240,033</b> | –         |

### 14 Borrowings

|                                | 2013<br>£         | 2012<br>£ |
|--------------------------------|-------------------|-----------|
| Are repayable as follows:      |                   |           |
| <i>In less than one year:</i>  |                   |           |
| Bank borrowings                | 184,418           | 9,523,592 |
| Between two and five years     |                   |           |
| Bank borrowings                | 10,374,149        | –         |
| Less unamortised facility fees | (386,347)         | –         |
| Convertible loan note          | 873,455           | –         |
|                                | <b>11,045,675</b> | 9,523,592 |

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 convertible loan note is unsecured and is issued to Aspen Finance Ltd (see note 18).

The Directors consider that the carrying value of bank borrowings equate to fair value because interest on borrowings is charged at floating rates of interest. The convertible loan note is stated at amortised cost using the effective interest rate method.

The interest rate profile of the borrowings is as follows:

|                                 | Currency | Nominal<br>interest rate        | Year of<br>maturity | 2013<br>£         | 2012<br>£   |
|---------------------------------|----------|---------------------------------|---------------------|-------------------|-------------|
| Bank borrowings:                |          |                                 |                     |                   |             |
| Revolving credit                | GBP      | base + 3.25%                    | 2013                | –                 | 2,983,876   |
| Revolving credit                | GBP      | LIBOR + 2.25%                   | 2013                | –                 | 10,500,000  |
| Investment property<br>facility | GBP      | LIBOR + 2.25%                   | 2013                | –                 | 927,620     |
| Revolving credit                | GBP      | base + 3.00%                    | 2015                | <b>3,726,595</b>  | –           |
| Revolving credit –<br>tranche A | GBP      | LIBOR + 3.00%                   | 2015                | <b>4,816,895</b>  | –           |
| Revolving credit –<br>tranche B | GBP      | LIBOR + 3.00%<br>plus 6.00% PIK | 2015                | <b>1,918,336</b>  | –           |
| Investment property<br>facility | GBP      | LIBOR + 3.00%                   | 2015                | <b>888,676</b>    | –           |
| Less:                           |          |                                 |                     |                   |             |
| Unamortised facility fees       |          |                                 |                     | <b>(386,347)</b>  | –           |
| Credit balances                 |          |                                 |                     | <b>(791,935)</b>  | (4,887,904) |
| Convertible loan note           | GBP      | 5%                              | 2015                | <b>873,455</b>    | –           |
|                                 |          |                                 |                     | <b>11,045,675</b> | 9,523,592   |

**15 Share capital**

|                                                                            | 2013<br>£        | 2012<br>£ |
|----------------------------------------------------------------------------|------------------|-----------|
| <i>Allotted, called up and fully paid</i>                                  |                  |           |
| 13,341,455 (2012 – 13,341,455) ordinary shares of 1p<br>(2012 – 1p) each   | 133,415          | 133,415   |
| 253,487,645 (2012 – 253,487,645) deferred shares of 1p<br>(2012 – 1p) each | 2,534,876        | 2,534,876 |
|                                                                            | <b>2,668,291</b> | 2,668,291 |

All rights as regards voting at general meetings of the Company and in relation to dividends attach to the 1p ordinary shares. The deferred shares do not carry voting rights, the right to receive dividends and the right to participate in any return of capital by the Company, such as on liquidation, except after £1,000,000 has been repaid to the holder of each ordinary share.

**16 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.

Other reserve – the other reserve represents the equity component of the convertible loan note.

Merger reserve – the merger reserve arose following the creation of Artisan (UK) plc in 1998 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.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 17 Financial instruments

##### Financial risk management

The Group's financial instruments comprise bank loans, convertible loan notes, cash and various items such as trade receivables and trade payables that arise directly from its operations. Cash, convertible loan notes 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

|                                  | 2013<br>£ | 2012<br>£ |
|----------------------------------|-----------|-----------|
| Non-current financial assets     |           |           |
| Trade receivables                | 333,037   | 281,668   |
| Current financial assets         |           |           |
| Cash and cash equivalents        | 609       | 1,225     |
| Trade receivables                | 534,946   | 71,600    |
| Amounts recoverable on contracts | 68,217    | 60,353    |
| Other receivables                | 9,363     | –         |
| Prepayments                      | –         | 8,873     |
| Total current financial assets   | 613,135   | 142,051   |
| Total financial assets           | 946,172   | 423,719   |

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

##### Financial liabilities measured at amortised cost

|                                     | 2013<br>£  | 2012<br>£  |
|-------------------------------------|------------|------------|
| Non-current financial liabilities   |            |            |
| Other payables                      | 111,001    | –          |
| Accrued charges                     | 129,032    | –          |
| Loans and borrowings                | 11,247,604 | –          |
|                                     | 11,487,637 | –          |
| Current financial liabilities       |            |            |
| Loans and borrowings                | 184,418    | 9,523,592  |
| Trade payables                      | 500,654    | 1,046,467  |
| Retentions                          | 447,860    | 567,556    |
| Accrued charges                     | 1,468,032  | 1,188,163  |
| Total current financial liabilities | 2,600,964  | 12,325,778 |
| Total financial liabilities         | 14,088,601 | 12,325,778 |

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

|                              | 2013<br>Level 3<br>£ | 2012<br>Level 3<br>£ |
|------------------------------|----------------------|----------------------|
| <b>Financial assets</b>      |                      |                      |
| Non-current financial assets |                      |                      |
| Trade receivables            | 333,037              | 281,668              |

**17 Financial instruments (continued)**

|                                   | 2013<br>Level 3<br>£ | 2012<br>Level 3<br>£ |
|-----------------------------------|----------------------|----------------------|
| <b>Financial liabilities</b>      |                      |                      |
| Non-current financial liabilities |                      |                      |
| Convertible loan note             | 873,455              | –                    |

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:

|                                                                | 2013<br>Level 3<br>£ | 2012<br>Level 3<br>£ |
|----------------------------------------------------------------|----------------------|----------------------|
| <b>Non-current financial assets – trade receivables</b>        |                      |                      |
| At beginning of year                                           | 281,668              | 232,683              |
| Additions                                                      | 15,328               | 18,421               |
| Gains and losses recognised in profit or loss (finance income) | 36,041               | 30,564               |
| At end of year                                                 | 333,037              | 281,668              |

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.

|                                                                  | 2013<br>Level 3<br>£ | 2012<br>Level 3<br>£ |
|------------------------------------------------------------------|----------------------|----------------------|
| <b>Non-current financial liabilities – convertible loan note</b> |                      |                      |
| At beginning of year                                             | –                    | –                    |
| Issues                                                           | 826,912              | –                    |
| Gains and losses recognised in profit or loss (finance expense)  | 46,543               | –                    |
| At end of year                                                   | 873,455              | –                    |

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

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

- Market risk
- Credit risk
- Liquidity risk

**Market risk**

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

**Interest rate risk**

Exposure to interest rate risk arises in the normal course of the Group's business as all of the Group's bank 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 2013, the Group had no hedging arrangements in place.

## Notes forming part of the group financial statements continued for the year ended 30 June 2013

### 17 Financial instruments (continued)

The interest rate profile of the Group's interest bearing financial instruments is set out in note 14.

Sensitivity analysis for the year ended 30 June 2013 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 £101,700 (2012 – £153,770).

#### 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:

|             | 2013<br>£      | 2012<br>£ |
|-------------|----------------|-----------|
| Residential | 342,246        | 295,979   |
| Commercial  | 603,861        | 124,639   |
| Other       | 65             | 3,101     |
|             | <b>946,172</b> | 423,719   |

The Group's credit risk is distributed over a number of parties. The maximum credit risk should any single party fail to perform is £523,427 (2012 – £61,991). At 30 June 2013 the Group had £10,795 (2012 – £66,130) 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.

#### 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.

## 17 Financial instruments (continued)

The Group's policy on the payment of trade payables is set out in the director's report on page 9. 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 14.

At 30 June 2013 the Group had revolving credit facilities committed until 13 July 2015, at a competitive rate linked partly to the base rate and partly to LIBOR. Un-drawn committed facilities at the reporting date amount to £9,538,174 (2012 – £16,516,124).

## 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.

## 18 Related parties

Artisan (UK) plc ("Artisan") is the intermediate holding company for the Artisan Group. At 30 June 2013 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, who served as the Non-Executive Chairman of Artisan during the year, 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 (2012 – £2,000). £2,000 was owed by Aspen at the year end (2012 – £2,000).

On 13 July 2012 £1 million of convertible unsecured loan notes were issued to Aspen. Interest is payable on the loan notes at 5% p.a. and they fall due for repayment on 13 July 2015. The loan notes may be converted to equity at any time at Aspen's request at the rate of one ordinary share of 1p for an amount in nominal value of loan notes equal to 14.5p. During the year the interest payable on the loan notes was £48,357 (2012: – £nil). At the balance sheet date the Group owed Aspen £12,466 of accrued interest (2012: – £nil).

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

## 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 on Directors' remuneration is provided in note 3 on page 23.

|                              | 2013<br>£      | 2012<br>£      |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 532,852        | 565,664        |
| Post-employment benefits     | 34,930         | 56,310         |
|                              | <b>567,782</b> | <b>621,974</b> |

## 19 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 2013, bonds in issue amount to £493,381 (2012 – £704,548).

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.

## Notes forming part of the group financial statements continued

### for the year ended 30 June 2013

#### 20 Leasing commitments

Commitments under non-cancellable operating leases are as follows:

|                            | 2013<br>Land and<br>buildings<br>£ | 2013<br>Other<br>£ | 2012<br>Land and<br>buildings<br>£ | 2012<br>Other<br>£ |
|----------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Expiring:                  |                                    |                    |                                    |                    |
| Within one year            | 1,200                              | 2,260              | –                                  | 2,716              |
| Between two and five years | 16,699                             | 37,677             | 34,271                             | –                  |
| After five years           | 409,625                            | –                  | 453,125                            | –                  |

#### 21 Events after the reporting period date

Included within inventories is approximately 42 acres of land at Wingerworth in Derbyshire. The land has been held within the Artisan Group for many years and let for horsiculture use. During the year a planning application for 51 homes occupying part of the site was rejected by the Derbyshire District Council planning committee. This decision was appealed and in September 2013 the appeal was allowed in the Company's favour. Any increase in the value of the land as a result of the planning permission awarded has not been reflected in these accounts as it is recorded in inventories and held at historic cost.

# Company balance sheet

at 30 June 2013

Company number 3630998

|                                                       | Note | 2013<br>£         | 2013<br>£           | 2012<br>£   | 2012<br>£  |
|-------------------------------------------------------|------|-------------------|---------------------|-------------|------------|
| <b>Fixed assets</b>                                   |      |                   |                     |             |            |
| Tangible assets                                       | 4    |                   | 3,793               |             | 1,392      |
| Investments                                           | 5    |                   | 1,967,636           |             | 2,949,510  |
|                                                       |      |                   | <b>1,971,429</b>    |             | 2,950,902  |
| <b>Current assets</b>                                 |      |                   |                     |             |            |
| Debtors                                               |      |                   |                     |             |            |
| - due within one year                                 | 6    | 20,249,068        |                     | 22,899,667  |            |
| - due after one year                                  | 6    | -                 |                     | 174,166     |            |
|                                                       |      | <b>20,249,068</b> |                     | 23,073,833  |            |
| Cash at bank and in hand                              |      | 64                |                     | 271         |            |
|                                                       |      | <b>20,249,132</b> |                     | 23,074,104  |            |
| <b>Creditors: amounts falling due within one year</b> | 7    | <b>1,341,238</b>  |                     | 13,454,534  |            |
| <b>Net current assets</b>                             |      |                   | <b>18,907,894</b>   |             | 9,619,570  |
| <b>Total assets less current liabilities</b>          |      |                   | <b>20,879,323</b>   |             | 12,570,472 |
| <b>Creditors: amounts falling due after one year</b>  | 9    |                   | <b>(10,693,444)</b> |             | -          |
| <b>Net assets</b>                                     |      |                   | <b>10,185,879</b>   |             | 12,570,472 |
| <b>Capital and reserves</b>                           |      |                   |                     |             |            |
| Called up share capital                               | 10   | 2,668,291         |                     | 2,668,291   |            |
| Share premium account                                 | 11   | 11,081,042        |                     | 11,081,042  |            |
| Merger reserve                                        | 11   | 689,328           |                     | 689,328     |            |
| Other reserves                                        | 11   | 173,088           |                     | -           |            |
| Capital redemption reserve                            | 11   | 91,750            |                     | 91,750      |            |
| Profit and loss account                               | 11   | (4,498,555)       |                     | (1,940,874) |            |
| Own shares                                            | 11   | (19,065)          |                     | (19,065)    |            |
| <b>Shareholders' funds</b>                            | 12   | <b>10,185,879</b> |                     | 12,570,472  |            |

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2013.

**Christopher Musselle**  
Director

The notes on pages 36 to 40 form part of these financial statements.

## Notes forming part of the company financial statements for the year ended 30 June 2013

### 1 Accounting policies

The following principal accounting policies have been applied:

#### Basis of preparation

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

#### Tangible fixed assets and depreciation

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

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

#### Fixed asset investments

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

#### Own shares

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

#### Financial instruments

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

#### Operating leases

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

#### Deferred taxation

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

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

Deferred tax balances are not discounted.

**2 Directors and employees**

|                                               | 2013<br>£      | 2012<br>£ |
|-----------------------------------------------|----------------|-----------|
| Staff costs, including Directors, consist of: |                |           |
| Wages and salaries                            | 300,355        | 338,422   |
| Social security costs                         | 25,197         | 29,861    |
| Other pension costs                           | 37,391         | 37,391    |
|                                               | <b>362,943</b> | 405,674   |

Details of Directors' remuneration and pension entitlements are set out in note 3 on page 23.

|                                                                            | 2013<br>Number | 2012<br>Number |
|----------------------------------------------------------------------------|----------------|----------------|
| The average number of employees, including Directors, during the year was: |                |                |
| Administration                                                             | 5              | 6              |

**3 Loss for the financial year**

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £2,557,681 (2012 – £510,641).

The auditors' remuneration for audit services to the Company was £22,364 (2012 – £12,000).

**4 Tangible assets**

|                        | Equipment,<br>fixtures<br>and fittings<br>£ |
|------------------------|---------------------------------------------|
| <i>Cost</i>            |                                             |
| At 1 July 2012         | 18,586                                      |
| Additions              | 4,048                                       |
| <b>At 30 June 2013</b> | <b>22,634</b>                               |
| <i>Depreciation</i>    |                                             |
| At 1 July 2012         | 17,194                                      |
| Provided for the year  | 1,647                                       |
| <b>At 30 June 2013</b> | <b>18,841</b>                               |
| <i>Net book value</i>  |                                             |
| <b>At 30 June 2013</b> | <b>3,793</b>                                |
| At 30 June 2012        | 1,392                                       |

## Notes forming part of the company financial statements continued

### for the year ended 30 June 2013

#### 5 Fixed asset investments

|                                 | Subsidiary undertakings<br>£ |
|---------------------------------|------------------------------|
| <i>Cost</i>                     |                              |
| At 1 July 2012                  | 9,450,179                    |
| Additions                       | 1,000,000                    |
| <b>At 30 June 2013</b>          | <b>10,450,179</b>            |
| <i>Provision for impairment</i> |                              |
| At 1 July 2012                  | 6,500,669                    |
| Impairment charge               | 1,981,874                    |
| <b>At 30 June 2013</b>          | <b>8,482,543</b>             |
| <i>Net book value</i>           |                              |
| <b>At 30 June 2013</b>          | <b>1,967,636</b>             |
| At 30 June 2012                 | 2,949,510                    |

The Company recognised an impairment charge of £1,981,874 (2012 – £Nil) against the carrying value of its investments in subsidiary companies.

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

At 30 June 2013 the principal subsidiary undertakings all of which are included within the consolidated financial statements, were:

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

All the above companies are registered in England and Wales.

#### 6 Debtors

|                                               | 2013<br>£         | 2012<br>£  |
|-----------------------------------------------|-------------------|------------|
| Amounts falling due within one year:          |                   |            |
| Trade debtors                                 | –                 | 2,986      |
| Amounts owed from subsidiary undertakings     | <b>20,222,079</b> | 22,763,601 |
| Other debtors                                 | <b>4,200</b>      | 9,052      |
| Prepayments and accrued income                | <b>22,789</b>     | 124,028    |
|                                               | <b>20,249,068</b> | 22,899,667 |
| Amounts falling due after more than one year: |                   |            |
| Prepayments and accrued income                | –                 | 174,166    |
|                                               | <b>20,249,068</b> | 23,073,833 |

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

|                                         | 2013<br>£        | 2012<br>£  |
|-----------------------------------------|------------------|------------|
| Bank loans (secured – see note 8)       | –                | 12,500,644 |
| Trade creditors                         | 20,293           | 5,324      |
| Amounts owed to subsidiary undertakings | 1,032,585        | 654,252    |
| Other taxes and social security         | 20,251           | 23,999     |
| Accruals and deferred income            | 268,109          | 270,315    |
|                                         | <b>1,341,238</b> | 13,454,534 |

**8 Borrowings**

|                                                      | 2013<br>£         | 2012<br>£  |
|------------------------------------------------------|-------------------|------------|
| Are repayable as follows:                            |                   |            |
| In less than one year:                               |                   |            |
| Bank borrowings                                      | –                 | 12,500,644 |
| In more than two years but not more than five years: |                   |            |
| Bank borrowings                                      | 9,966,303         | –          |
| Less unamortised facility fees                       | (386,347)         | –          |
| Convertible loan note                                | 873,455           | –          |
|                                                      | <b>10,453,411</b> | 12,500,644 |

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.

£1 million nominal value of convertible unsecured loan notes were issued to Aspen Finance Limited during the year at par. Interest is payable on the loan notes at 5% p.a. and they fall due for repayment on 13 July 2015. The loan notes may be converted to equity at any time at Aspen Finance Limited's request at the rate of one ordinary share of 1p for an amount in nominal value of loan notes equal to 14.5p.

**9 Creditors: amounts falling due after one year**

|                                    | 2013<br>£         | 2012<br>£ |
|------------------------------------|-------------------|-----------|
| Bank loans (secured see note 8)    | 9,579,956         | –         |
| Convertible loan note (see note 8) | 873,455           | –         |
| Interest on bank loan rolled up    | 111,001           | –         |
| Accruals and deferred income       | 129,032           | –         |
|                                    | <b>10,693,444</b> | –         |

**10 Share capital**

Details of the share capital of the Company are included in note 15 to the consolidated financial statements.

## Notes forming part of the company financial statements continued

### for the year ended 30 June 2013

#### 11 Reserves

|                                | Share<br>premium<br>account<br>£ | Merger<br>reserve<br>£ | Other<br>reserve<br>£ | Capital<br>redemption<br>reserve<br>£ | Profit<br>and loss<br>account<br>£ | Own<br>shares<br>held<br>£ |
|--------------------------------|----------------------------------|------------------------|-----------------------|---------------------------------------|------------------------------------|----------------------------|
| At 1 July 2012                 | 11,081,042                       | 689,328                | –                     | 91,750                                | (1,940,874)                        | (19,065)                   |
| Loss for the year              | –                                | –                      | –                     | –                                     | (2,557,681)                        | –                          |
| Issue of convertible loan note | –                                | –                      | 173,088               | –                                     | –                                  | –                          |
| <b>At 30 June 2013</b>         | <b>11,081,042</b>                | <b>689,328</b>         | <b>173,088</b>        | <b>91,750</b>                         | <b>(4,498,555)</b>                 | <b>(19,065)</b>            |

#### 12 Reconciliation of movements in shareholders' funds

|                                     | 2013<br>£          | 2012<br>£  |
|-------------------------------------|--------------------|------------|
| Loss for the year                   | <b>(2,557,681)</b> | (510,641)  |
| Issue of convertible loan note      | <b>173,088</b>     | –          |
| Net movement in shareholders' funds | <b>(2,384,593)</b> | (510,641)  |
| Opening shareholders' funds         | <b>12,570,472</b>  | 13,081,113 |
| Closing shareholders' funds         | <b>10,185,879</b>  | 12,570,472 |

#### 13 Contingent liabilities and commitments

A cross guarantee held by the bank in favour of Artisan (UK) plc and its group company members has been given by the Company for all monies owing. At 30 June 2013, bank borrowings of group company members covered by the Company's cross guarantee amounted to £592,264 (2012 – £Nil).

#### 14 Related party disclosure

See note 18 to the Group financial statements.



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DEVELOPMENTS LIMITED

ARTISAN (UK)  
PROJECTS LIMITED

ARTISAN (UK) plc

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