ARTISAN
(UK) plc

Report and Accounts

30 June 2018


Kitchen designs on display in our show homes at Cavendish Gardens, Tibshelf and Roman Meadow, Welton.


The ‘Kingston’ show home at Roman Meadow, Welton is a spacious four bedroom detached house with a stunning open plan kitchen, dining, family room and an en-suite to the master bedroom.


ARTISAN
(UK) plc

Report and Financial Statements
30 June 2018

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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. In addition a number of projects are undertaken utilising SPV subsidiaries.

Rippon Homes Limited

Rippon Homes Limited, which has been part of the Artisan Group since December 2000 but established for much longer, is a residential house developer based in Mansfield operating in the East Midlands and surrounding areas. Rippon Homes incorporates the Living Heritage name for more exclusive properties. The products are principally based around three and four bedroomed houses and sold mainly to owner occupiers. The Group now utilises Special Purpose Vehicles ("SPV") companies for individually financed projects. These are normally 100% subsidiaries of the group.

Artisan (UK) Developments Limited

This Company is a specialist in the delivery of commercial and industrial buildings on its own account and for others. The properties, mostly office and industrial units, have in the past been built both on a speculative and bespoke design and build basis. Developments are commissioned by our customers on either land controlled by the Company or land owned or sourced by the client. Artisan (UK) Developments is a recognised expert in the delivery of commercial buildings, using its 360 degree management and construction expertise to the benefit of its clients. It combines commercial and industrial building development skills, experience and knowledge with specialist project management skills. Covering all aspects of the development process it takes the lead role in the delivery of the new property. The activity is concentrated in the wider East Anglian region.

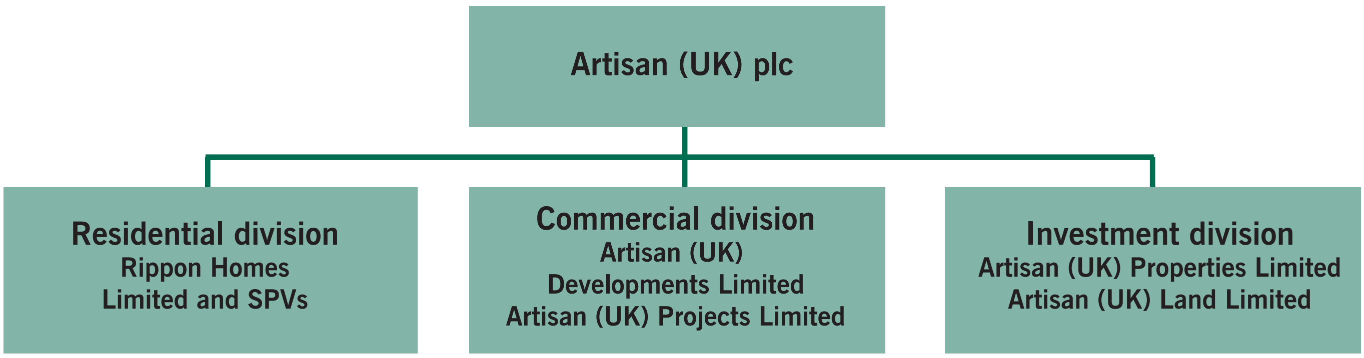
Artisan (UK) Projects Limited

This Company manages the construction activity, principally for Artisan (UK) Developments Limited. Design and build projects are also undertaken for clients on their own land for schemes led by Artisan (UK) Developments.

Artisan (UK) Properties Limited and Artisan (UK) Land Limited

These companies are engaged in property investment activities. The primary asset is land with strategic development potential.

GROUP STRUCTURE



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

Chairman's statement

Overview

During the year to 30 June 2018 we achieved a significant improvement in the number of residential property sales resulting in a much increased turnover and operating profit for the Group. This wasn't sufficient to fully offset the increased financing costs for the year and the Group is reporting a loss as a result, albeit that the loss is reduced compared to the previous year.

Notwithstanding this however, the Group goes forward with confidence and I am pleased to advise that at the year end the Group's gearing was 24.3% (2017: 29.3%). By the time this report is presented all of the development loans outstanding at the balance sheet date were repaid in full through the sale of completed properties. The three residential sites against which we had development funding at the year are sufficiently advanced in build that they are expected to be self-funding going forward and, as a result, the finance costs for these sites will be much reduced in the next financial year with a significant contribution expected to profit which will absorb much of the losses of the past two years.

Turnover in the residential division increased significantly compared to the previous year with the sale of 64 plots (2017: 34 plots). Given the high level of reservations across all of our sites it was disappointing not to have achieved a higher level of completions in the year. Production was affected by severe weather late in the winter and shortages of key materials and skilled sub-contract labour. At the time of writing this report, we are well placed to show a significant increase in this number in the current financial year.

I am also pleased to advise that we have now successfully appealed and obtained outline planning permission to construct up to 180 homes on land owned by the Group in Wingerworth, Derbyshire. There is a period of six weeks from 19 November 2018 during which the lawfulness of the Planning Inspectorate's decision can be challenged.

The commercial division continues to be profitable and is reporting improved financial performance compared to the previous year, principally from the development and sale of trade counter units at its Ipswich site.

Group results

Group turnover for the year was £20.6m (2017 – £11.0m). The residential business generated turnover of £16.0m (2017 – £6.9m) whilst the commercial business generated turnover of £4.6m (2017 – £4.1m). Operating profit for the year was £1.2m (2017 – £0.7m). The Group loss before tax for the year was £0.2m (2017 – £0.3m) after significant financing costs of £1.5m (2017 – £1.0m).

Dividend

No dividend has been recommended for the year. As previously stated the Company will not be in a position to pay a dividend until it generates sufficient distributable profits to cover both a dividend payment and its accumulated losses. In the meantime the emphasis is on retaining capital in the business to invest in new projects. The Company may in the future be able to apply for a capital reduction to extinguish the accrued negative reserves.

Outlook

The Group ended the year with 152 residential plots owned and with planning permission compared to 148 at the start of the year. Between 1 July 2018 and the date of this report the sale of a further 40 residential plots have completed.

The Group continues to seek new residential development sites and since the year end conditional contracts have been entered into to acquire land for circa 181 plots and joint venture arrangements have been contracted for circa 48 plots (all of which were subject to satisfactory planning permission being obtained). The planning permission at Wingerworth has, as stated above, added up to a further 180 plots.

We continue to see a good level of forward reservations across our residential developments. The commercial division continues to see development opportunities, both on its remaining land and in conjunction with third party landowners.

Further growth will require the raising of additional financing for the Group.

Geoff Melamet
Chairman
Date: 28 November 2018

Operational and financial review

Results

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

	Residential £m	Commercial £m	Investment £m	Central & Other £m	Total £m
Revenue					
2018	**16.0**	**4.6**	**–**	**–**	**20.6**
2017	6.9	4.1	–	–	11.0
Operating profit before group management charges					
2018	**0.7**	**0.8**	**–**	**(0.3)**	**1.2**
2017	0.4	0.6	0.1	(0.4)	0.7

Residential Division

The residential division achieved a significant increase in the volume of transactions with 64 property completions in the year (2017 – 34). The Group was able to secure a high level of reservations off plan across all of its residential developments. A higher number of completions may have been achieved for the year were it not particularly severe weather late in the winter which hindered production on site. Production was also delayed due to shortages in the availability of key materials and skilled sub-contract labour.

Rippon Homes achieved completions on the remaining 2 properties at its bungalow development in Bilsthorpe. In the SPV companies the remaining 3 completions took place at the Hasland development, along with all 25 properties at the Group's development site in Mansfield and the first sales on the new sites in Welton (20 plots), Tibshelf (13 plots) and Skegby (1 plot).

In addition the division purchased and sold development land in Sheffield. The land contributed £2,750,000 to turnover but the related gross profit margin was very low.

The Rippon Homes shared equity scheme, which has now been replaced by government schemes such as Help to Buy, has resulted in an asset on the Group's balance sheet at £361,000 at 30 June 2018 (2017 – £394,000). During the year four loans were redeemed at a small premium to their combined carrying value. Of the remaining 14 loans, 11 fall due for repayment between one and five years and the three first buy loans may run for up to a further 19 years.

The Group's ability to grow sales further is constrained by its land bank and the number of outlets open at any one time. Alongside the normal difficulties of bringing sites to contract and promoting them through the planning process, Rippon and the SPV companies also need to find sufficient debt funding alongside our limited available equity. Future land acquisitions will be constrained by available funding.

Commercial Division

The commercial division recorded an improvement in turnover and profitability compared to the prior year. This was largely due to the development and sale of a trade counter scheme at the Company's business park in Ipswich in the year. The scheme was for 2,342 m^2 split over two blocks and was pre-let to four different occupiers. Development finance was drawn down to complete the project and the freehold was sold to an investor in May 2018, shortly after the completion of the build. The division also sold its remaining land holding at Vantage Park in Huntingdon at a profit to carrying value at 30 June 2017.

The commercial division now has its principal land holding in Ipswich, along with a smaller parcel of land in Kings Lynn. In November 2018 Artisan Developments secured planning approval, subject to a section 106 agreement, for an extension to an existing office building owned by a third party on land adjacent to the company's land in Ipswich. Assuming this project is contracted the extension will occupy the company's remaining land in Ipswich and should provide turnover for the coming year.

The Group continues to promote itself with a view to securing control of commercial development land via joint venture agreements with both landowners and business's with land who have a requirement for new commercial property for their occupation, as an alternative to outright purchase.

Investment Properties

The Group owns land at Wingerworth amounting to circa 40 acres which is currently let for horsiculture use. The land is included in the Group balance sheet within stocks and work in progress at historical cost including planning costs incurred. During the year the outline planning application made in the previous year for permission to develop up to 180 homes on approximately half of the remaining land was refused by the Local Authority planning committee. The directors lodged an appeal which was heard by the Planning Inspectorate in August 2018 and on 19 November 2018 the Planning Inspectorate issued their decision notice in favour of the development. The carrying value of the land in the Group balance sheet at 30 June 2018 was £0.3m, with a further £0.2m of appeal costs being incurred after the year end.

Stocks and work in progress

Stocks and work in progress increased slightly in the year from £9.7m to £10.4m as a result of the ongoing development spend on the current residential sites and the acquisition of a new residential site in the year which outweighed the realisation of stock through sale.

Residential land stock owned by the Group at the year end amounted to 152 plots (2017 – 148), the increase in plots reflects the acquisition of one new residential site for development in the year (36 plots) and the granting of outline planning permission on land left over from a development completed a number of years earlier (29 plots). The planning permission for Wingerworth has, as stated above, added up to a further 180 plots.

Land stocks owned by Artisan (UK) Developments at the year end amounted to 2,341m^2 (2017 – 5,163m^2). During the year approximately half of the land at Ipswich was used to develop the trade counter units and the remaining land at the company's business park in Huntingdon was sold to an investor in order that the proceeds could be invested elsewhere in the business.

We remain confident that we can realise the carrying value of stocks through development of the properties and sale in normal timescales.

Group borrowings

The Group had borrowings of £3.8m as at 30 June 2018 (2017 – £4.7m), being the convertible loan note of £1m and project specific development loans secured against residential development sites in the SPV companies. During the year development loans totalling £9.8m were drawn down and repayments of capital and interest were made totalling £11.8m. At 30 June 2018 the Group had cash balances of £2.3m (2017 – £2.8m). The Group's gearing at 30 June 2018 based on debt net of cash is 24.3% (2017 – 29.3%). After the year end the development loans outstanding at 30 June 2018 were repaid in full through the sale of completed properties.

As mentioned in previous years, mainstream clearing bank debt is, in practical terms, not available for the regional housing developments of the type we develop or commercial speculative development at sensible debt ratios. We are therefore reliant on debt funding from more specialist lenders. During the last year our developments have been financed through a combination of senior loans and mezzanine loans and the interest, fees and costs involved have been significant.

The Group's policy of expensing borrowing costs over the period loans are outstanding, coupled with construction of our current residential development sites all having starting at around the same time and with borrowings principally being required during the earlier phases of a project, mean that we have again had significant finance costs expensed to the income statement in the year of £1.5m (2017: £1.0m).

Share Capital and funding

As indicated previously Artisan (UK) plc may raise new funding or similar to support investment in new projects. The availability of cash equity for funding alongside project debt is the key limiting factor for further growth in activity and profitability.

Directors and advisers

Directors
Geoffrey Melamet
(Non-Executive chairman)

Michael Eyres
(Executive director)

Ian Dyke
(Executive director)

Geoffrey Lawler
(Finance director)

Secretary and registered office
Philip Speer,
2b 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
Link Asset Services,
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

Strategic report
for the year ended 30 June 2018

The Directors present their strategic report together with the audited financial statements for the year ended 30 June 2018.

Development, performance and position
The Chairman's Statement and Operational and Financial Review on pages 3 to 5 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

Availability of external finance for development
The Group is reliant on securing debt funding to speculatively acquire and develop new sites. 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 funders, and this can affect the amount and cost of debt funding available to the Group and the level of working capital available.

Availability of external finance for our customers
As the purchase of either a residential or commercial property is normally a significant commitment by our purchaser for which they will borrow money to finance, the purchaser's ability to proceed will be affected by the level of interest rates and the availability of credit. Any restrictions in the availability or affordability of mortgages for customers, including restrictions on or withdrawal of the Government sponsored Help to Buy scheme, could reduce demand for new homes and affect the Group's turnover, profits and cash flow. All of these factors are outside the Group's control.

Economic conditions
The Group's operations are clearly affected by the general economic cycle and are subject to short-term volatility in demand depending on the level of unemployment, interest rates and consumer confidence. An additional factor at present is the potential impact of Brexit and the effect that will have on demand and consumer confidence. Whilst the Rippon Homes product does not lend itself towards forward-sales, we are able to respond to market conditions when setting prices and deciding on production. Our business model for commercial development is weighted towards achieving forward sales meaning we are able to build properties to meet our customers' exact requirements whilst at the same time limiting our exposure to unsold stock.

Availability of materials and labour
Production is dependent on the availability of materials and skilled labour. Shortages in materials and skilled labour can cause delays in production and increase costs, both in terms of the price paid for the materials and subcontract labour and also in additional preliminary costs if our developments take longer to complete as a result of the shortages. We aim to build good relationships with our supply chain and work with them to ensure consistency of supply. We also look to use alternative construction methods and materials where appropriate to address particular areas where shortages exist.

Health and safety
Health and safety is of paramount importance and a high standard of health and safety management is promoted at all levels in the Group. This is achieved through training programmes and health and safety rules that are backed up by a process of external auditing by suitably qualified consultants.

Land and planning
The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst there is land available it is challenging to secure suitable sites on acceptable terms. We have an experienced management team tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases. 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 feasible 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.

Approval
This strategic report was approved by order of the Board on 28 November 2018.

Philip Speer
Secretary

Directors' report
for the year ended 30 June 2018

The Directors present their report together with the audited financial statements for the year ended 30 June 2018.

Principal activities
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.

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.

Employees and health and safety at work
Details of the number of employees and related costs can be found in note 3 on page 24.

A high standard of health and safety management is promoted at all levels within the Group. The Group maintains training programmes, health and safety rules, monitoring and auditing procedures in order to promote a high level of awareness and commitment.

Results and dividends
The statement of comprehensive income is set out on page 12 and shows the result for the year. The Group loss for the year after taxation amounted to £186,229 (2017 – £303,946).

The Directors do not propose to pay a final dividend for the year (2017 – £Nil). No interim dividend was paid during the year (2017 – £Nil).

Directors
The following Directors have held office during the year:

Geoffrey Melamet
Michael Eyres
Ian Dyke
Geoffrey Lawler

Directors' shareholdings
The Directors at 30 June 2018 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Deferred shares	
	2018	2017	**2018**	2017
Geoffrey Melamet	**300**	–	**–**	–
Michael Eyres	**300**	300	**5,700**	5,700
Geoffrey Lawler	**600**	600	**11,400**	11,400

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 28 November 2018 the Company has been notified of the following interests in its issued share capital:

	Ordinary shares of 1p each (2017 – 1p each)			
	2018	**2018**	2017	2017
Aspen Finance Limited	**9,268,721**	**69.5%**	9,268,721	69.5%

	Deferred shares of 1p each (2017 – 1p each)			
	2018	**2018**	2017	2017
Aspen Finance Limited	**176,105,699**	**69.5%**	176,105,699	69.5%

Details of transactions with Aspen Finance Limited are set out in note 20 (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 2018 was 32 days (2017 – 22 days).

Directors' responsibilities

The Directors are responsible for preparing the strategic report, 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 financial statements for the Group and 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 and Company 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 and 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 2b Vantage Park, Washingley Road, Huntingdon, Cambridgeshire, PE29 6SR on 15 January 2019 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: 28 November 2018

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

Opinion

We have audited the financial statements of Artisan (UK) plc for the year ended 30 June 2018 which comprise the Group statement of comprehensive income, the Group and Company statement of financial position, the Group and Company statement of changes in equity, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate. This description forms part of our auditor's report.

Use of our report

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.

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU
Date: 28 November 2018

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 2018

	Note	2018 £	2017 £
Turnover	2	**20,641,696**	10,982,467
Cost of sales		**(17,491,348)**	(8,812,805)
Gross profit		**3,150,348**	2,169,662
Other operating income		**29,868**	20,940
Administrative expenses		**(1,930,267)**	(1,596,268)
		1,249,949	594,334
Profit on disposal of investment property		**–**	65,376
Operating profit	4	**1,249,949**	659,710
Interest receivable and similar income	5	**40,444**	40,973
Interest payable and similar charges	6	**(1,476,622)**	(1,004,629)
Loss before taxation		**(186,229)**	(303,946)
Tax credit	7	**–**	–
Loss for the year attributable to the equity holders of the parent		**(186,229)**	(303,946)
Other comprehensive income			
Other		**–**	–
Loss for the year and total comprehensive expense attributable to the equity holders of the parent		**(186,229)**	(303,946)

All amounts above relate to ongoing activities.

The notes on pages 18 to 35 form part of these financial statements.

Group statement of financial position
at 30 June 2018

Company Number: 3630998

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Other tangible assets	10		**43,304**		54,946
Current assets					
Stocks	12	**10,435,350**		9,718,358	
Debtors					
– due within one year	13	**795,246**		504,024	
– due after one year	13	**360,546**		394,339	
		1,155,792		898,363	
Cash at bank and in hand		**2,283,017**		2,816,277	
		13,874,159		13,432,998	
Creditors: amounts falling due within one year	14	**(6,729,801)**		(6,114,053)	
Net current assets			**7,144,358**		7,318,945
Total assets less current liabilities			**7,187,662**		7,373,891
Creditors: amounts falling due after one year	15		**(1,000,000)**		(1,000,000)
Net assets			**6,187,662**		6,373,891
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
Called up share capital	17		**2,668,291**		2,668,291
Share premium account	18		**11,356,683**		11,356,683
Other reserve	18		**173,088**		173,088
Merger reserve	18		**515,569**		515,569
Capital redemption reserve	18		**91,750**		91,750
Retained earnings	18		**(8,598,654)**		(8,412,425)
Own shares	18		**(19,065)**		(19,065)
Total equity			**6,187,662**		6,373,891

The financial statements were approved by the Board of Directors and authorised for issue on 28 November 2018.

Geoff Melamet
Director

The notes on pages 18 to 35 form part of these financial statements.

Group statement of changes in equity
for the year ended 30 June 2018

	Share capital £	Share premium account £	Other reserve £	Merger reserve £	Capital redemption reserve £	Revaluation Reserve £	Retained earnings £	Own shares held £	Total £
At 30 June 2016	2,668,291	11,356,683	173,088	515,569	91,750	48,537	(8,157,016)	(19,065)	6,677,837
Total comprehensive expense	–	–	–	–	–	–	(303,946)	–	(303,946)
Transfer to retained earnings on sale of property	–	–	–	–	–	(48,537)	48,537	–	–
At 30 June 2017	2,668,291	11,356,683	173,088	515,569	91,750	–	(8,412,425)	(19,065)	6,373,891
Total comprehensive expense	–	–	–	–	–	–	(186,229)	–	(186,229)
At 30 June 2018	**2,668,291**	**11,356,683**	**173,088**	**515,569**	**91,750**	**–**	**(8,598,654)**	**(19,065)**	**6,187,662**

Group statement of cash flows
for the year ended 30 June 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	**(186,229)**	(303,946)
Adjustments for:		
Depreciation	**19,714**	16,813
Interest receivable and similar income	**(40,444)**	(40,973)
Interest payable and similar charges	**1,476,622**	1,004,629
Profit on disposal of tangible fixed assets	**(1,200)**	(61,243)
Profit on sale/revaluation surplus on investment properties	**–**	(65,376)
Increase in stocks	**(716,992)**	(4,203,344)
(Increase)/decrease in trade and other debtors	**(218,144)**	1,332,280
Increase/(decrease) in trade and other creditors	**1,468,476**	(518,145)
Cash from/(used by) operations	**1,801,803**	(2,839,305)
Interest received	**1,159**	618
Interest paid	**(149,194)**	(514,598)
Net cash from/(used by) operating activities	**1,653,768**	(3,353,285)
Cash flows from investing activities		
Purchase of tangible fixed assets	**(8,072)**	(51,591)
Proceeds from sale of tangible fixed assets	**1,200**	860,707
Proceeds from sale of investment property	**–**	813,817
Net cash (outflow)/inflow from investing activities	**(6,872)**	1,622,933
Cash flows from financing activities		
Development loans drawn down	**9,776,521**	7,821,435
Development loan costs paid	**(201,762)**	(410,137)
Development loans repaid	**(11,754,915)**	(4,374,313)
Net cash (used by)/from financing activities	**(2,180,156)**	3,036,985
Net (decrease)/increase in cash and cash equivalents	**(533,260)**	1,306,633
Cash and cash equivalents at the beginning of the year	**2,816,277**	1,509,644
Cash and cash equivalents at the end of the year	**2,283,017**	2,816,277

The notes on pages 18 to 35 form part of these financial statements.

Company statement of financial position
at 30 June 2018

Company Number: 3630998

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	10		**2,576**		4,760
Investments	11		**2,831,515**		2,831,315
			2,834,091		2,836,075
Current assets					
Debtors	13	**7,678,750**		8,102,031	
Cash at bank and in hand		**1,722,633**		907,292	
		9,401,383		9,009,323	
Creditors: amounts falling due within one year	14	**(3,605,105)**		(3,641,219)	
Net current assets			**5,796,278**		5,368,104
Total assets less current liabilities			**8,630,369**		8,204,179
Creditors: amounts falling due after one year	15		**(1,000,000)**		(1,000,000)
Net assets			**7,630,369**		7,204,179
Capital and reserves					
Called up share capital	17		**2,668,291**		2,668,291
Share premium account	18		**11,356,683**		11,356,683
Merger reserve	18		**689,328**		689,328
Other reserves	18		**173,088**		173,088
Capital redemption reserve	18		**91,750**		91,750
Profit and loss account	18		**(7,329,706)**		(7,755,896)
Own shares	18		**(19,065)**		(19,065)
Shareholders' funds			**7,630,369**		7,204,179

The financial statements were approved by the Board of Directors and authorised for issue on 28 November 2018.

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The profit for the year after tax was £426,190 (2017 – profit £182,573).

Geoff Melamet
Director

The notes on pages 18 to 35 form part of these financial statements.

Company statement of changes in equity
for the year ended 30 June 2018

	Share capital £	Share premium account £	Other reserve £	Merger reserve £	Capital Redemption Reserve £	Retained earnings £	Own shares held £	Total £
At 30 June 2016	2,668,291	11,356,683	173,088	689,328	91,750	(7,938,469)	(19,065)	7,021,606
Profit for the year	–	–	–	–	–	182,573	–	182,573
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	182,573	–	182,573
At 30 June 2017	2,668,291	11,356,683	173,088	689,328	91,750	(7,755,896)	(19,065)	7,204,179
Profit for the year	–	–	–	–	–	426,190	–	426,190
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	426,190	–	426,190
At 30 June 2018	**2,668,291**	**11,356,683**	**173,088**	**689,328**	**91,750**	**(7,329,706)**	**(19,065)**	**7,630,369**

Notes forming part of the financial statements
for the year ended 30 June 2018

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 2018 comprise the Company and its subsidiaries (together referred to as the “Group”).

The consolidated financial statements were approved by the Directors on 28 November 2018.

Statement of compliance

The financial statements have been prepared and approved by the Directors in accordance with UK Generally Accepted Accounting Practice (GAAP).

Basis of preparation

The financial statements are presented in pounds sterling. The following principal accounting policies have been applied:

Going concern

The Group meets the majority of its day to day working capital requirements through the convertible loan note issued to Aspen Finance Limited and loans for specific development projects. The convertible loan note and other loans had a carrying value in the accounts of £3,785,453 and the Group had cash balances on deposit at bank of £2,283,017.

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 its current and future expected loan funding. Additional funding will be required to acquire new development sites and this is expected to be available in the market on normal commercial terms. 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.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and the end of the period has been presented as the reconciliation for the Group and parent company would be identical;

- No cash flow statement has been presented for the parent company;

- Disclosures in respect of the parent company’s financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and

- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

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

Turnover is measured at the fair value of the consideration received or receivable. Turnover 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. Turnover consists of sales of trading and development properties, revenue from construction contracts, revenue from the sale of land and the gross rental income receivable on investment properties. Turnover 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.

1 Significant accounting policies (continued)

In respect of sales of property, turnover 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.

Turnover 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 turnover and related costs as contract activity progresses. Turnover 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation on other tangible fixed assets 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:

Motor vehicles	– 25% per annum on the straight line basis
Fixtures and fittings	– 25% per annum on the straight line basis
Plant and machinery	– 25% per annum on the straight line basis
Leasehold improvements	– 20% per annum on the straight line basis

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

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 statement of comprehensive income. 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.

Stocks

Stocks 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 stock 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 reporting 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.

Notes forming part of the financial statements continued

for the year ended 30 June 2018

1 Significant accounting policies (continued)

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 reporting 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.

Own shares

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

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.

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.

- Trade and other debtors
  Trade debtors 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 debtors 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 interest receivable and similar 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.

- Cash at bank and in hand
  Cash at bank and in hand comprises 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 creditors and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

- Development loans are initially recognised net of any transaction costs directly attributable to the issue of the loan. 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 interest payable and similar charges. 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.

1 Significant accounting policies (continued)

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

In arriving at its assessment of going concern, the Group has prepared forecasts. These have been reviewed by the Directors and are 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, employment prospects and the overall level of economic activity in the UK economy.

A key assumption in the forecasts is the ability of the Group to obtain additional financing on acceptable terms to fund new developments. The Directors expect the Group to be able to obtain additional funding on normal commercial terms.

Further details of the Board's assessment of going concern are set out on page 18.

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

The Group holds stocks stated at the lower of cost and net realisable value. Such stocks 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 stocks.

Net realisable value is the net amount that the Group expects to realise from the sale of stock 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 stocks 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 stocks.

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.

iiii.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.

iv. Impairment of fixed asset investments

Determining whether there are indicators of impairment of the Company's investments in subsidiary undertakings and amounts owed by subsidiary undertakings included within debtors. Factors taken into consideration include the viability and expected future financial performance of the subsidiaries.

Notes forming part of the financial statements continued
for the year ended 30 June 2018

2 Segmental analysis

The Group operates through its four 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
Property investment	Property investment activities throughout the UK
Central and other	Represents unallocated Group overheads and consolidation adjustments

Year ended 30 June 2018

Income statement	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
Turnover					
External revenue	16,027,153	4,611,343	3,200	–	20,641,696
Segment result					
Segment result before central charges	690,428	822,530	2,262	(265,271)	1,249,949
Central charges	(66,034)	(147,826)	(11,896)	225,756	–
Segment result after central charges	624,394	674,704	(9,634)	(39,515)	1,249,949
Interest receivable	40,097	4,095	4,928	(8,676)	40,444
Interest payable	(1,607,852)	(309,325)	(33,826)	474,381	(1,476,622)
Loss before taxation	(943,361)	369,474	(38,532)	426,190	(186,229)
Taxation	9,878	(9,445)	(433)	–	–
Loss after taxation	(933,483)	360,029	(38,965)	426,190	(186,229)

Transactions between segments are accounted for at market value.

Statement of financial position	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
Assets					
Segment assets	15,182,939	2,941,967	2,517,456	(6,724,899)	13,917,463
Liabilities					
Segment liabilities	15,495,735	3,805,535	626,792	(12,198,261)	7,729,801
Segment net assets	(312,796)	(863,568)	1,890,664	5,473,362	6,187,662
Other information					
Capital expenditure	7,591	481	–	–	8,072
Depreciation of tangible fixed assets	13,192	4,338	–	2,184	19,714

2 Segmental analysis (continued)

Year ended 30 June 2017

Income statement	Residential Development £	Commercial Development £	Property Investment £	Central and Other £	Total £
Turnover					
External revenue	6,907,210	4,072,059	3,198	–	10,982,467
Inter-segment revenue	–	97,500	33,022	(130,522)	–
	6,907,210	4,169,559	36,220	(130,522)	10,982,467
Segment result					
Segment result before central charges	351,274	646,625	134,758	(472,947)	659,710
Central charges	(91,256)	(170,031)	(47,247)	308,534	–
Segment result after central charges	260,018	476,594	87,511	(164,413)	659,710
Interest receivable	40,399	8,129	56,761	(64,316)	40,973
Interest payable	(1,080,967)	(150,253)	(69,085)	295,676	(1,004,629)
(Loss)/profit before taxation	(780,550)	334,470	75,187	66,947	(303,946)
Taxation	(8,942)	(8,048)	12,754	4,236	–
(Loss)/profit after taxation	(789,492)	326,422	87,941	71,183	(303,946)

Transactions between segments are accounted for at market value.

Statement of financial position					
Assets					
Segment assets	10,852,041	4,829,638	2,354,756	(4,548,491)	13,487,944
Liabilities					
Segment liabilities	10,563,726	6,053,235	425,127	(9,928,035)	7,114,053
Segment net assets	288,315	(1,223,597)	1,929,629	5,379,544	6,373,891
Other information					
Capital expenditure	30,612	16,402	–	4,577	51,591
Depreciation of tangible fixed assets	14,301	2,139	–	373	16,813

Notes forming part of the financial statements continued
for the year ended 30 June 2018

3 Directors and employees

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Staff costs, including directors, consist of:				
Wages and salaries	**1,863,794**	1,698,085	**99,584**	164,561
Social security costs	**188,860**	170,393	**9,601**	13,380
Other pension costs	**75,639**	125,765	**16,197**	65,829
	2,128,293	1,994,243	**125,382**	243,770

The average number of employees, including directors, during the year was:

	Number	Number	Number	Number
Administration	**19**	18	**3**	4
Operations	**30**	31	**–**	–
	49	49	**3**	4

Directors' remuneration consists of:	2018 £	2017 £
Directors' emoluments	**348,234**	299,868
Directors' pension contributions	**66,897**	70,978
	415,131	370,846

The total amount payable to the highest paid director in respect of emoluments was £114,474 (2017 – £103,619). Company pension contributions of £40,000 (2017 – £51,647) were made to a money purchase scheme on their behalf.

Pension contributions to money purchase schemes were made in respect of 3 directors (2017 – 4).

4 Operating profit

	2018 £	2017 £
This has been arrived at after charging/(crediting):		
Depreciation	**19,714**	16,813
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
– the Company's annual accounts	**15,000**	14,400
– the subsidiaries' annual accounts	**21,500**	19,600
Fees payable to the Company's auditor for other services:		
– tax compliance	**15,000**	13,750
– other	**6,000**	5,000
Hire of plant and machinery	**136,980**	120,162
Other operating lease rentals:		
– vehicles	**7,983**	12,695
– land and buildings	**67,996**	54,863
Rent receivable	**(33,068)**	(24,141)
Profit on sale of tangible fixed assets	**(1,200)**	(61,243)

During the year overhead costs totalling £8,277 (2017 – £182,415) were allocated from administrative expenses to work-in-progress.

5 Interest receivable and similar income

	2018 £	2017 £
Shared equity loans	**39,285**	40,355
Other interest	**1,159**	618
	40,444	40,973

6 Interest payable and similar charges

	2018 £	2017 £
Bank loans and development loans repayable within 5 years	**1,356,129**	853,623
Convertible loan note	**120,001**	144,784
Other loans	**492**	6,222
	1,476,622	1,004,629

7 Tax credit

Recognised in the income statement

	2018 £	2017 £
Current tax		
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:

	2018 £	2017 £
Loss before tax	**(186,229)**	(303,946)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.0% (2017 – 19.75%)	**(35,384)**	(60,029)
Effects of:		
Expenses not deductible for tax purposes	**6,069**	5,757
Capital allowances for the year in excess of depreciation	**(3,902)**	(59,574)
Utilisation of tax losses brought forward	**(207,566)**	(127,109)
Unrelieved trading losses for the year carried forward	**177,899**	176,009
Losses eliminated	**–**	46,388
Non taxable income	**(228)**	(25,007)
Other	**63,112**	43,565
Tax credit for the year	**–**	–

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £3.5 million (2017 – £3.5 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.

Notes forming part of the financial statements continued
for the year ended 30 June 2018

8 Dividends
No interim dividend was paid (2017 – Nil p per ordinary share). The Directors do not propose to pay a final dividend for the year (2017 – Nil p per ordinary share).

9 Parent company profit for the financial year
The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The profit for the year after tax, dealt with in the statement of comprehensive income of the parent company and after taking into account dividends from subsidiary undertakings, was £426,190 (2017 – £182,573).

The auditors' remuneration for audit services to the parent company was £15,000 (2017 – £14,400).

10 Tangible fixed assets

Group	Plant and machinery £	Motor vehicles £	Leasehold improvements £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 July 2017	3,014	37,284	43,412	162,919	246,629
Additions	–	–	–	8,072	8,072
Disposals	–	(25,578)	–	–	(25,578)
At 30 June 2018	**3,014**	**11,706**	**43,412**	**170,991**	**229,123**
Depreciation					
At 1 July 2017	3,007	33,598	5,102	149,976	191,683
Provided for the year	–	–	8,687	11,027	19,714
Disposals	–	(25,578)	–	–	(25,578)
Transfer	–	3,680	–	(3,680)	–
At 30 June 2018	**3,007**	**11,700**	**13,789**	**157,323**	**185,819**
Net book value					
At 30 June 2018	**7**	**6**	**29,623**	**13,668**	**43,304**
At 30 June 2017	7	3,686	38,310	12,943	54,946

10 Tangible fixed assets (continued)

Company	Equipment, fixtures and fittings £
Cost	
At 1 July 2017	16,097
Additions	–
Disposals	–
At 30 June 2018	**16,097**
Depreciation	
At 1 July 2017	11,337
Provided for the year	2,184
Disposals	–
At 30 June 2018	**13,521**
Net book value	
At 30 June 2018	**2,576**
At 30 June 2017	4,760

11 Fixed asset investments

Company	Subsidiary Undertakings £
Cost	
At 1 July 2017	10,750,579
Additions	200
At 30 June 2018	**10,750,779**
Provision for impairment	
At 1 July 2017	7,919,264
Impairment charge	–
At 30 June 2018	**7,919,264**
Net book value	
At 30 June 2018	**2,831,515**
At 30 June 2017	2,831,315

Notes forming part of the financial statements continued
for the year ended 30 June 2018

11 Fixed asset investments (continued)

The Company recognised an impairment charge of £Nil (2017 – £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 2018 the 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
Artisan (UK) Projects Limited	Ordinary	100%	Building construction
Rippon Homes Limited	Ordinary	100%	House building and development
Rippon Homes BLG Limited	Ordinary	100%	House building and development
Rippon Homes Welton Limited	Ordinary	100%	House building and development
Rippon Homes Heritable Limited	Ordinary	100%	House building and development
Rippon Homes Skegby Limited	Ordinary	100%	House building and development
Rippon Homes Worksop Limited	Ordinary	100%	House building and development
Artisan (UK) Properties Limited	Ordinary	100%	Property sales and letting
Artisan (UK) Land Limited	Ordinary	100%	Property investment
Artisan Contracting Limited	Ordinary	100%	Dormant

All the above companies are registered in England and Wales and have their registered offices at 2b Vantage Park, Washingley Road, Huntingdon, PE29 6SR.

12 Stocks

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Raw materials and consumables	**22,830**	22,830	**–**	–
Land held for development	**2,884,302**	6,750,470	**–**	–
Work in progress	**6,715,108**	2,547,929	**–**	–
Completed developments and houses for sale	**813,110**	397,129	**–**	–
	10,435,350	9,718,358	**–**	–

Stocks with a carrying amount of £9,163,786 (2017 – £6,715,441) have been pledged as security for the Group's borrowings.

£68,802 (2017 – £67,767) of stocks are valued at net realisable value rather than at historical cost.

£16,884,232 (2017 – £8,454,961) of stocks were recognised as an expense in the year.

13 Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year:				
Trade debtors	**404,183**	213,666	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**7,634,416**	8,086,480
Amounts recoverable on contracts	**–**	60,123	**–**	–
Other debtors	**238,375**	78,677	**10,925**	3,739
Prepayments and accrued income	**152,688**	151,558	**33,409**	11,812
	795,246	504,024	**7,678,750**	8,102,031
Amounts falling due after one year:				
Shared equity debtors	**360,546**	394,339	**–**	–
	1,155,792	898,363	**7,678,750**	8,102,031

All trade and other debtors are non-interest bearing. Further disclosures relating to financial instruments are set out in note 19.

The director's believe there is no material difference between the carrying value and fair value of the shared equity debtors.

14 Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Development loans	**2,785,453**	3,684,098	**–**	–
Trade creditors	**1,595,559**	787,450	**59,562**	26,918
Amounts owed to subsidiary undertakings	**–**	–	**3,500,793**	3,553,857
Other taxes and social security	**90,999**	121,248	**8,094**	17,746
Other creditors	**3,169**	1,349	**–**	–
Retentions	**686,003**	512,990	**–**	–
Accruals and deferred income	**1,568,618**	1,006,918	**36,656**	42,698
	6,729,801	6,114,053	**3,605,105**	3,641,219

15 Creditors: amounts falling due after one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Convertible loan note	**1,000,000**	1,000,000	**1,000,000**	1,000,000

Notes forming part of the financial statements continued

for the year ended 30 June 2018

16 Loans

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Are repayable as follows:				
In less than one year:				
Development loans	**2,962,737**	4,104,797	**–**	–
Less unamortised facility fees	**(177,284)**	(420,699)	**–**	–
Total less than one year	**2,785,453**	3,684,098	**–**	–
In more than one year but not more than two years				
Convertible loan note	**1,000,000**	–	**1,000,000**	–
Total greater than one year and less than two years	**1,000,000**	–	**1,000,000**	–
In more than two years but not more than five years				
Convertible loan note	**–**	1,000,000	**–**	1,000,000
Total greater than two years and less than five years	**–**	1,000,000	**–**	1,000,000
Total borrowings	**3,785,453**	4,684,098	**1,000,000**	1,000,000

The convertible loan note is unsecured and is issued to Aspen Finance Ltd (see note 20).

The development loans are secured by fixed and floating charges over the SPV companies to which they have been advanced and are guaranteed by Rippon Homes Ltd and/or Artisan (UK) plc.

The interest rate profile of the borrowings is as follows:

	Currency	Nominal interest rate	Year of maturity	**2018 £**	2017 £
Development loans:					
Senior loan 1	GBP	LIBOR + 5.5% (minimum 6.5%)	2019	**474,445**	–
Mezzanine loan 1	GBP	21.6% per annum	2019	**861,000**	–
Senior loan 2	GBP	7.0% per annum	2018	**224,009**	177,980
Mezzanine loan 2	GBP	1.4% per month	2018	**913,092**	772,781
Senior loan 3	GBP	LIBOR + 6.5% (minimum LIBOR 0.5%)	2018	**–**	1,152,382
Mezzanine loan 3	GBP	2.0% per month	2018	**–**	723,270
Senior loan 4	GBP	LIBOR + 5.5% (minimum 6.5%)	2018	**–**	431,838
Mezzanine loan 4	GBP	1.5% per month	2018	**490,191**	846,546
Convertible loan note	GBP	12%	2019	**1,000,000**	1,000,000
Less:					
Unamortised facility fees				**(177,284)**	(420,699)
				3,785,453	4,684,098

17 Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
13,341,455 (2017 – 13,341,455) ordinary shares of 1p (2017 – 1p) each	**133,415**	133,415
253,487,645 (2017 – 253,487,645) deferred shares of 1p each (2017 – 1p each)	**2,534,876**	2,534,876
	2,668,291	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.

18 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.

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 financial statements continued
for the year ended 30 June 2018

19 Financial instruments
The Group's financial instruments may be analysed as follows:

Financial assets – Group

	2018 £	2017 £
Financial assets at fair value through profit and loss		
Non-current financial assets		
Trade debtors	**360,546**	394,339
Financial assets measured at amortised cost		
Current financial assets		
Cash at bank and in hand	**2,283,017**	2,816,277
Trade debtors	**404,183**	213,666
Amounts recoverable on contracts	**–**	60,123
Other debtors	**24,684**	66,201
Total current financial assets	**2,711,884**	3,156,267
Total financial assets	**3,072,430**	3,550,606

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

Financial liabilities – Group

	2018 £	2017 £
Financial liabilities at fair value through profit and loss		
Non-current financial liabilities		
Convertible loan note	**1,000,000**	1,000,000
Financial liabilities measured at amortised cost		
Current financial liabilities		
Trade creditors	**1,595,559**	787,450
Retentions	**686,003**	512,990
Accrued charges	**1,568,618**	1,006,918
Loans and borrowings	**2,785,453**	4,104,797
Total current financial liabilities	**6,635,633**	6,412,155
Total financial liabilities	**7,635,633**	7,412,155

19 Financial instruments (continued)

The following table sets out the changes in financial assets and liabilities carried at fair value over the year:

	2018 £	2017 £
Non-current financial assets – trade debtors		
At beginning of year	**394,339**	395,979
Disposals	**(61,135)**	(35,430)
Gains and losses recognised in profit or loss	**27,342**	33,790
At end of year	**360,546**	394,339

The principal assumptions made when determining fair value are 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.

	2018 £	2017 £
Financial liabilities – convertible loan note		
At beginning of year	**1,000,000**	1,000,000
Gains and losses recognised in profit or loss	**–**	–
At end of year	**1,000,000**	1,000,000

The principal assumptions made when determining fair value are 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.

20 Related parties

Artisan (UK) plc ("Artisan") is the intermediate holding company for the Artisan Group. At 30 June 2018 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 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 (2017 – £2,000). £2,000 was owed by Aspen at the year end (2017 – £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 12% p.a. and they fall due for repayment on 1 July 2019. During the year the interest payable on the loan notes was £120,001 (2017 – £144,784). At the reporting date the Group owed Aspen £Nil of accrued interest (2017 – £Nil).

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

Notes forming part of the financial statements continued
for the year ended 30 June 2018

20 Related parties (continued)

Trading with related parties that are not part of the Group

In a previous year Rippon Homes Limited entered into a development agreement with Zengreen Limited (a company to which Geoffrey Melamet is a director) to develop a residential site at Eastwood in Nottinghamshire. In respect of this project sales to the related party in the year were £Nil (2017 – £1,076,412) and the amount owed at the reporting date was £Nil (2017 – £Nil).

During the prior year Rippon Homes Limited sold a parcel of land at Lowdham, Nottinghamshire to Zengreen Limited for £500,000. The amount outstanding for the land at the reporting date was £128,565 (2017 – £128,565).

During the year Artisan (UK) plc made purchases of consultancy services from HMSA Limited (a company to which Geoffrey Melamet is a director) of £30,000 (2017 – £Nil). No amounts were outstanding at the reporting date (2017 – £Nil).

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors.

Remuneration of key management personnel

The total compensation paid to the Directors, who are the key management personnel of the Group, for services provided to the Group was £415,131 (2017 – £370,846). The remuneration for Geoffrey Melamet is payable in accordance with an agreement with HMSA Limited for the provision of his services. Geoffrey Melamet is a director of HMSA Limited.

21 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 2018, bonds in issue amount to £918,182 (2017 – £973,342).

The parent company is joint and severally liable for the VAT debts of the VAT Group which it heads. At the balance sheet date the liability covered by this guarantee was £Nil (2017 – £43,967).

As set out in note 16 the parent company has given guarantees for the development loans held by certain of its subsidiary undertakings.

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.

22 Leasing commitments

At 30 June 2018, the Group had minimum lease payments under non-cancellable operating leases as follows:

Group	2018 £	2017 £
Not later than 1 year	**58,003**	58,006
Later than 1 year and not later than five years	**28,864**	86,871
	86,867	144,877

The Company had no commitments under non-cancellable operating leases at the reporting date.

23 Post balance sheet events

At the General Meeting of the Company held on 15 October 2018 the shareholders approved the buyback of land at Lowdham, Nottinghamshire from Zengreen Limited for £500,000.

After the balance sheet date the Group has entered into conditional contracts to purchase development sites for circa 181 residential properties. These contracts are subject to satisfactory planning. The larger of these sites will be acquired in four phases and is expected to take around four years to develop.

The Group has also entered into development agreements with two different landowners for the development of 48 residential properties. Again these contracts are subject to satisfactory planning, which has now been secured on the smaller site for 9 units.

Outline planning permission was granted on appeal for up to 180 homes on the Group's land in Wingerworth, Derbyshire on 19 November 2018.

Artisan's trade counter centre at White House Road, Ipswich, known as Quantum Business Park, totalling 2,342m^2 of high quality units. These were pre-let prior to construction starting and are now occupied by Edmunds Electrical, U Plastics, Autoglass and Greggs. Artisan secured a forward commitment from an investor during the construction phase to purchase the development on completion.

The development was completed and sold in 2018 and the new occupiers have moved in and are successfully trading having completed their own fit out works.

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