

Artisan (UK) plc

Report and Financial Statements

Year Ended

30 June 2022

Company Number: 03630998

Artisan (UK) plc

Report and financial statements for the year ended 30 June 2022

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Artisan (UK) plc

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 and are all 100% owned subsidiaries of Artisan (UK) plc. 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 Vehicle ("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. More recently the Company has changed its focus to become involved in residential house development in the wider Cambridge area, although for funding reasons developments may be undertaken by SPV companies in the Group.

Artisan (UK) Projects Limited

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

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.

Artisan (UK) plc

Chairman's statement

Overview

The Rippon Homes companies saw a reduction in the number of completions in the year to 46 (2021: 71) which was disappointing as we had a good level of customer interest and reservations across our developments throughout the year but were unable to deliver the plots in time for the year end. The key reasons for this were delays with registration of land at Land Registry, utility connections and shortages of skilled labour and materials. These are largely timing related issues and we have had completions since the year end on the new developments that had been expected to contribute to the year under review. The five development sites in production at year end are all funded with external loans and significant work has taken place on site to provide stock for the coming year. On a development by development basis as these properties are sold our work in progress and the level of debt should reduce quickly as sale proceeds from the developments go towards repayment of the external lenders in the first instance.

Commercial development activity in the year centered on the construction of a new fire station and training centre in Huntingdon which started in September 2021 and was around 90% complete by June 2022. With the completion of the fire station the Huntingdon based companies are now focussed on housing developments, with both the Burwell and Meldreth developments being successfully completed during the year. All of the properties on these developments have now been sold (5 completions in the year). The emphasis is now on acquiring new developments sites within an hour's drive from Huntingdon and at the date of this report we have acquired development land in Waterbeach near Cambridge and have exchanged contracts on development land in Clavering, Essex with the purchase being subject to planning permission being obtained.

We have yet to commence development of the Wingerworth land in Derbyshire for which we have planning for up to 180 homes. The land is being used as collateral for a bridging loan to support working capital requirements for the Group. The land is carried in Group work in progress at £0.6m but has recently been valued by a professional external valuer at £6.5m, which is a slight reduction to the previous valuation of £6.85m in March 2021. This reflects projected increases in construction costs and building regulation changes.

Group results

Group turnover for the year was £23.1m (2021 - £18.1m). The residential business generated turnover of £16.6m (2021 - £15.5m) whilst the commercial business generated turnover of £6.4m (2021 - £2.6m). Operating loss for the year was £1.0m (2021 operating loss - £1.0m). The Group loss before tax for the year was £1.6m (2021 loss - £1.7m) after financing costs charged to interest payable and cost of sales for project specific loans of £1.4m (2021 finance costs- £1.5m).

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 455 residential plots owned and with planning permission compared to 366 at the start of the year. A number of further conditional contracts have been entered into to acquire land for just over 200 plots (subject to satisfactory planning permission being obtained), with one of these sites totaling 49 plots being acquired after the year end via a joint venture arrangement with the Housing Growth Partnership.

The strategy for the Group is to focus on developing the residential sites that it owns and has contracted to purchase and to return to profitability. The Group has the overhead in place and the land bank to deliver a much higher turnover and the challenge will be to deliver this against a backdrop of rising interest rates, a slowing housing market and worsening economic outlook.

Geoff Melamet
Chairman

Artisan (UK) plc

Operational and Financial review

Residential development

The year saw completions achieved across five live development sites plus one property sale on a development site completed in the prior year. In total 51 sales completed in the year (2021 – 72 completions across five sites). Despite the reduction in the number of completions residential turnover increased by 7.6% from £15,474,389 to £16,650,998 reflecting an average sale price achieved of £326,490 (2021: £214,922). The increase in the average sale price reflects both the higher value residential properties being developed by Artisan in Cambridgeshire and Hertfordshire and also the mix of developments being completed by Rippon Homes.

The year saw the sale of the remaining properties on our development at South Normanton (1 plot), sales on sites started in the previous year at Worksop (11 plots), Old Dalby (6 plots), Navenby (28 plots), Burwell (3 plots) and Meldreth (2 plots). There were no land sales in the year, (2021 land sales: £Nil).

Commercial development

Commercial development turnover increased significantly in the year to £6,417,791 from £2,597,812 in the previous year. The principal project undertaken in the year was the construction of a new fire station and training centre in Huntingdon which started in September 2021 and was around 90% complete at June 2022. Practical completion was achieved in November 2022.

As previously noted, the strategy for the Huntingdon based business is to move away from commercial development and concentrate on residential development going forward.

Results

Group turnover for the year increased by 28% to £23,071,094 (2021: £18,075,921) and the gross margin has remained the same as the prior year at 8.7%. Despite the increase in turnover and constant gross margin the loss after tax for the year increased to £1,906,082 (2021: loss after tax £1,459,276). This is attributed to the following:

- Overheads have increased by £409,961 compared to the previous year to £3,029,632. Included within overhead last year was a bad debt provision of £200,000 which was not repeated this year, so the like for like increase in overheads is £609,961 or 23%. This is mainly attributable to increased payroll costs and to a lesser extent increases in insurance premiums which reflect increased construction activity and insurance rates.
- Interest payable has decreased by £117,502 which is largely due to the bridging loan arrangements in place for the year costing £132,091 less than in the previous year. This loan has helped fund general working capital and so has not been capitalised to work in progress.
- The tax charge for the year of £326,933 (2021: tax credit £281,753) relates solely to deferred tax. During the year some companies in the group made profits and, as a deferred tax asset had previously been provided for past tax losses, a deferred tax charge has been shown in the income statement against the profits for the year. Other companies in the group have also have a deferred tax charge as the deferred tax asset recognised in the balance sheet has been reduced to take account of updated estimates of future taxable profits against which past losses are expected to be recoverable. The Group has trading losses of approximately £19.7m available for offset, subject to HMRC agreement, against future years' profits. A deferred tax asset of £869,675 (2021: £1,196,608) has been recognised in the group statement of financial position which equates to around a 18% of the total tax losses (2021: 25%).

Artisan (UK) plc

Operational and Financial review (*continued*)

Wingerworth strategic land

The Group owns land at Wingerworth amounting to circa 40 acres which has planning permission for the construction of up to 180 homes on just under half the site area. The land is included in the Group balance sheet within stocks and work in progress at historical cost including planning costs incurred. The carrying value of the land in the Group balance sheet at 30 June 2022 was £0.6m (2021 - £0.5m). The land with planning permission was valued in July 2022 by an independent professionally qualified valuer at £6.5m (with a gross development value of £46m) and we have used the land as collateral for a bridging loan to raise funds for working capital. We had expected to refinance the site and start development during the year but it has taken longer than envisaged to clear the pre-commencement planning conditions and obtain technical approvals and we now expect to start development in the current financial year.

Stocks and work in progress

Stocks and work in progress increased significantly during the year from £17.9m to £26.6m. This was due to the purchase of a new development site in the year for £3.2m along with substantial expenditure incurred on the construction of properties for sale across all of our live sites. The carrying value of completed houses in closing stock had increased to £2m at 30 June 2022 which relates to six properties, all of which have since been sold. Residential land stock owned by the Group at the year end amounted to 455 plots (2021 - 366) all of which has planning permission.

There was no change in the commercial land stocks owned by Artisan (UK) Developments at the year end at 376m² of developable space. An impairment charge was made against the remaining plot to write it down to carrying value based on the director's estimate of net realisable value if the land is sold without being developed.

Group borrowings

The Group had borrowings of £17.1m as at 30 June 2022 (2021 - £10.6m) and cash balances of £1.4m (2021 - £1.9m). Project specific development loans secured against the residential development sites to which they relate had been drawn against six developments at the year end. These loans typically structured to fund 100% of the construction costs for a development or phase within a development and are repaid from the proceeds of plots sales. In addition a bridging loan facility of £4.1m has been drawn down to fund working capital and assist with land purchases. The bridging loan is secured against the Wingerworth land.

Finance costs capitalised of approximately £0.8m (2021: £0.8m) have been expensed through cost of sales in the year to match against the sale of properties whilst finance costs not attributed to work in progress for the year were to £0.6m (2021: £0.7m) meaning the total finance costs charged to the income statement for the year were £1.4m (2021: £1.5m).

Artisan (UK) plc

Directors and advisers

Directors

Geoffrey Melamet (Non-Executive chairman)
David Sheinman (Chief Executive)
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, Unit 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Legal advisers

Thomson Webb & Corfield, 16 Union Road, Cambridge, CB2 1HE

Bankers

National Westminster Bank plc, Corporate Banking, 10 St Peter's Street, St. Albans, Hertfordshire, AL1 3LY

Artisan (UK) plc

Strategic report for the year ended 30 June 2022

The Directors present their strategic report together with the audited financial statements for the year ended 30 June 2022.

Development, performance and position

The Chairman's Statement and Operational and Financial Review on pages 2 to 4 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 materials and labour and cost increases

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. Inflationary pressures in the economy are currently much higher than for many years as a result of loose monetary policy, ongoing supply chain issues following the Covid pandemic and the current conflict in Ukraine. Higher input prices will impact our project margins if we aren't able to fully mitigate the cost increases by passing on higher costs to our customers. 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.

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. This is particularly relevant at the current time as we are seeing significant increases in the level of interest rates and hence the cost of mortgages. Any restrictions in the availability or affordability of mortgages for customers, including the ending 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.

Covid-19

Covid has continued to have an operational impact on our businesses, principally in terms of staff and subcontractor absence due to illness and the cost and availability of materials and labour (see above) which impacts on the build programme for our developments. The disruption is likely to continue until supply chains return to a more normal footing. The Board continues to monitor the situation and will respond as appropriate.

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. In the current climate lenders are taking a more cautious view.

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. 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. 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.

Artisan (UK) plc

Strategic report for the year ended 30 June 2022 (*continued*)

Principal risks and uncertainties (*continued*)

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. 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.

Managing our stakeholder relationships - Section 172 Statement

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the company for the benefit of its shareholders, whilst taking into account how the Group's activities and Board decision affect its stakeholders. For periods beginning on or after 1 January 2021 all large companies must produce a separate statement within their strategic report that explains how the Board complies with its obligations under s172 and this also applies to Artisan (UK) plc as a public limited company, albeit the disclosures are limited to reflect the relatively small size of the group.

Set out below are details of how we have engaged with various stakeholders in the year and the key issues raised:

Employees

The group has approximately 50 employees. Our key priorities are to:

- Ensure the health, safety and wellbeing of employees.
- Provide job security as well as attractive rewards and benefits.
- Promote a culture of fair treatment, respect and integrity.
- Offer opportunities for training, professional development and career development.

In view of the size of our organisation, engagement with employees is generally through face to face meetings and communication directly with directors.

Customers

Our key priorities are:

- Customer service and satisfaction.
- Quality of construction and service.
- High specification of our homes at an affordable price.
- Sustainability and efficiency of our properties.

We indirectly engage with customers through up to date company websites, marketing materials and press or social media coverage.

Artisan (UK) plc

Strategic report for the year ended 30 June 2022 (*continued*)

Managing our stakeholder relationships - Section 172 Statement *continued*

Customers continued

On the residential side of the business direct engagement with customers initially is through our highly experienced and dedicated team of sales advisers, who maintain contact with customers throughout the sale process. This will include show home viewings, selection of colour choices and extras and chasing the legal process through to completion. After customers have purchased a property our Customer Care team will take over responsibility for addressing any issues our customers may encounter. We encourage customer feedback throughout, both informally and through customer surveys and reviews. On the commercial side of the business clients deal direct with directors and senior management throughout the procurement process.

Supply chain

Our key priorities are:

- Health and safety and wellbeing.
- Fair treatment and prompt payment of suppliers and subcontractors.
- Collaborative working.

Our commercial and construction teams oversee engagement with our supply chain on a project by project basis. Where possible we establish long term working relationships with local suppliers.

Shareholders

Our key priorities are:

- Financial performance and trading.
- Restoring the balance sheet to a position where payment of a dividend could be possible as and when cash flow allows.
- Reputation and business ethics.

The Group aims to treat all shareholders fairly. We engage with shareholders through our annual report and website, as well as face to face at the AGM. We also respond to ad hoc queries from shareholders wherever possible.

Approval

This strategic report was approved by order of the Board on 23 December 2022

Philip Speer

Secretary

Artisan (UK) plc

Directors' report for the year ended 30 June 2022

The Directors present their report together with the audited financial statements for the year ended 30 June 2022.

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 28.

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 15 and shows the result for the year. The Group loss for the year after taxation amounted to £1,906,082 (2021 - loss £1,459,276).

The Directors do not propose to pay a final dividend for the year (2021 - £Nil). No interim dividend was paid during the year (2021 - £Nil).

Directors

The following Directors have held office during the year:

Geoffrey Melamet
Michael Eyres
Ian Dyke
Geoffrey Lawler
David Sheinman

Artisan (UK) plc

Directors' report for the year ended 30 June 2022 (*continued*)

Directors' shareholdings

The Directors at 30 June 2022 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Deferred shares	
	2022	2021	2022	2021
Geoffrey Melamet	300	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.

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 2022 was 25 days (2021 – 19 days).

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.

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 23 December 2022

Artisan (UK) plc

Directors' responsibilities statement for the year ended 30 June 2022

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.

Artisan (UK) plc

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ARTISAN (UK) PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2022 and of the Group's loss for the year then ended;
- the 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.

We have audited the financial statements of Artisan (UK) plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Group statement of changes in equity, the Group statement of cash flows, the Company statement of financial position, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Artisan (UK) plc

Independent auditor's report (*continued*)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Artisan (UK) plc

Independent auditor's report (*continued*)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the directors and other management (as required by auditing standards).
- We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating, to the extent identified, the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date 23 December 2022

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

Artisan (UK) plc

Group statement of comprehensive income for the year ended 30 June 2022

	Note	2022 £	2021 £
Turnover	2	23,071,094	18,075,921
Cost of sales		(21,041,672)	(16,497,665)
Gross profit		2,029,422	1,578,256
Administrative expenses		(3,029,632)	(2,619,671)
Operating loss	4	(1,000,210)	(1,041,415)
Interest receivable and similar income	5	3,415	242
Interest payable and similar charges	6	(582,354)	(699,856)
Loss before taxation		(1,579,149)	(1,741,029)
Tax (charge)/credit	7	(326,933)	281,753
Loss for the year attributable to the equity holders of the parent		(1,906,082)	(1,459,276)
Other comprehensive income			
Other		-	-
Loss for the year and total comprehensive income attributable to the equity holders of the parent		(1,906,082)	(1,459,276)

All amounts above relate to ongoing activities

The notes on pages 21 to 40 form part of these financial statements.

Artisan (UK) plc

Group statement of financial position at 30 June 2022

<i>Company number: 03630998</i>	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Other tangible assets	10		50,686		35,706
Current assets					
Stocks	12	26,602,777		17,922,451	
Debtors					
- due within one year	13	1,029,497		1,503,314	
- due after one year	13	757,035		975,934	
		1,786,532		2,479,248	
Cash at bank and in hand		1,434,877		1,881,393	
		29,824,186		22,283,092	
Creditors: amounts falling due within one year	14	(22,701,098)		(13,211,661)	
Net current assets			7,123,088		9,071,431
Total assets less current liabilities			7,173,774		9,107,137
Creditors: amounts falling due after more than one year	15		(1,722,719)		(1,750,000)
Net assets			5,451,055		7,357,137
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		(9,335,261)		(7,429,179)
Own shares	18		(19,065)		(19,065)
Total equity			5,451,055		7,357,137

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2022

Geoff Melamet
Director

The notes on pages 21 to 40 form part of these financial statements.

Artisan (UK) plc

Group statement of changes in equity for the year ended 30 June 2022

	Share capital £	Share premium account £	Other reserve £	Merger reserve £	Capital redemption reserve £	Retained earnings £	Own shares held £	Total £
At 30 June 2020	2,668,291	11,356,683	173,088	515,569	91,750	(6,010,887)	(19,065)	8,775,429
Total comprehensive expense	-	-	-	-	-	(1,459,276)	-	(1,459,276)
Dividends forfeited	-	-	-	-	-	40,984	-	40,984
At 30 June 2021	2,668,291	11,356,683	173,088	515,569	91,750	(7,429,179)	(19,065)	7,357,137
Total comprehensive expense	-	-	-	-	-	(1,906,082)	-	(1,906,082)
At 30 June 2022	2,668,291	11,356,683	173,088	515,569	91,750	(9,335,261)	(19,065)	5,451,055

Artisan (UK) plc

Group statement of cash flows for the year ended 30 June 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(1,906,082)	(1,459,276)
Adjustments for:		
Depreciation	18,753	18,152
Interest receivable and similar income	(3,415)	(242)
Interest payable and similar charges	582,354	699,856
Tax charge/(credit)	326,933	(281,753)
Increase in stocks	(6,860,603)	(3,533,374)
Decrease in trade and other debtors	368,939	1,039,603
Increase in trade and other creditors	2,997,542	230,842
Cash used by operations	(4,475,579)	(3,286,192)
Interest received	259	242
Interest paid	(852,161)	(920,674)
Net cash used by operating activities	(5,327,481)	(4,206,624)
Cash flows from investing activities		
Purchase of tangible fixed assets	(33,733)	(20,634)
Net cash outflow from investing activities	(33,733)	(20,634)
Cash flows from financing activities		
Loans drawn down	17,284,273	16,110,847
Loans repaid	(12,369,575)	(13,880,776)
Equity dividends forfeited	-	40,984
Net cash from financing activities	4,914,698	2,271,055
Net decrease in cash and cash equivalents	(446,516)	(1,956,203)
Cash and cash equivalents at the beginning of the year	1,881,393	3,837,596
Cash and cash equivalents at the end of the year	1,434,877	1,881,393

The notes on pages 21 to 40 form part of these financial statements.

Artisan (UK) plc

Company statement of financial position at 30 June 2022

<i>Company number: 03630998</i>	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	10		486		787
Investments	11		236,810		1,616,277
			237,296		1,617,064
Current assets					
Debtors	13	14,909,009		14,132,244	
Cash at bank and in hand		182,330		28,278	
		15,091,339		14,160,522	
Creditors: amounts falling due within one year	14	(7,299,107)		(6,482,632)	
Net current assets			7,792,232		7,677,890
Net assets			8,029,528		9,294,954
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		(6,930,547)		(5,665,121)
Own shares	18		(19,065)		(19,065)
Shareholders' funds			8,029,528		9,294,954

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2022

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 loss for the year after tax was £1,265,426 (2021 – loss £1,077,472).

Geoff Melamet
Director

The notes on pages 21 to 40 form part of these financial statements.

Artisan (UK) plc

Company statement of changes in equity for the year ended 30 June 2022

	Share capital £	Share premium account £	Other reserve £	Merger reserve £	Capital Redemption Reserve £	Retained earnings £	Own shares held £	Total £
At 30 June 2020	2,668,291	11,356,683	173,088	689,328	91,750	(4,628,633)	(19,065)	10,331,442
Loss for the year	-	-	-	-	-	(1,077,472)	-	(1,077,472)
Other comprehensive income	-	-	-	-	-	-	-	-
Dividends forfeited	-	-	-	-	-	40,984	-	40,984
Total comprehensive expense	-	-	-	-	-	(1,036,488)	-	(1,036,488)
At 30 June 2021	2,668,291	11,356,683	173,088	689,328	91,750	(5,665,121)	(19,065)	9,294,954
Loss for the year	-	-	-	-	-	(1,265,426)	-	(1,265,426)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	-	(1,265,426)	-	(1,265,426)
At 30 June 2022	2,668,291	11,356,683	173,088	689,328	91,750	(6,930,547)	(19,065)	8,029,528

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022

1 Significant accounting policies

Artisan (UK) plc (the "Company") is a company incorporated as a public limited company under the Companies Act 2006 and domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the Directors on 23 December 2022.

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, a bridging loan of £4m secured against the Group's Wingerworth land holding and loans for specific development projects. At the balance sheet date the Group had net borrowings of £15.7m, comprising borrowings of £17.1m and cash balances on deposit at bank of £1.4m.

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. The Directors have also considered the position of the Group's external loan financing. Of the year-end development loan financing, £11.7m is projected to be repaid from sales on the related development sites during the going concern period. The Group has continued to draw down further funds against these loans to fund ongoing construction works and since year end has completed on £12.7m of sales. At the date of approval of the financial statements further exchanged sales total £7.4m and the remaining plots on the developments have a combined gross development value in excess of £50m when completed.

Of the £15.2m of development and bridge loan facilities due for repayment within the going concern period, £4.1m relates to a bridging loan facility secured against the Group's Wingerworth development site. The loan is due for repayment in early January 2023. The directors have received an informal offer to extend the loan for an additional 6 months from the lender while the Group finalises development loan financing for the site. The directors are confident that the extension of the loan will be completed in due course. However, were the existing lender to be unwilling to extend the loan facility as indicated, the directors are confident that they will be able to refinance the loan with an alternative lender on similar terms to those provided by the existing lender. In reaching this conclusion the directors have considered the significant value already generated through the planning process on the site against which the bridging loan is secured which they believe make the site an attractive opportunity for lenders. Accordingly the Directors are satisfied that the Group has adequate resources to continue operating for the foreseeable future and that there are no material uncertainties in reaching this conclusion. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

1 Significant accounting policies (*continued*)

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.

In respect of sales of property turnover and profit are recognised upon unconditional exchange of contracts when it is probable that the company will receive the contracted payment. 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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

1 Significant accounting policies (*continued*)

Finance costs

Borrowing and other costs incurred in respect of obtaining loans are accounted for on an accruals basis using the effective interest rate method and amortised to the consolidated statement of comprehensive income over the term of the associated borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantively ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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 capitalised borrowing costs where applicable.

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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

1 Significant accounting policies (*continued*)

Taxation

Income tax comprises current and deferred tax.

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

Deferred tax expected to be payable or recoverable on differences at the 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.

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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

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.

- 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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

1 Significant accounting policies (*continued*)

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

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 21.

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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

1 Significant accounting policies (*continued*)

Key sources of estimation and uncertainty (*continued*):

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

Furthermore due to the nature of the Group's activity, and in particular the size and length of the development cycle, the Group has to allocate site wide developments costs between units being built or completed in the current year and those for future years. In doing this it also has to forecast the costs to complete on such developments. The Group also has to consider the proportion of overheads that it is appropriate to allocate to 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.

v. Deferred tax asset

A deferred tax asset has been recognised in respect of trading losses which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognized only where the Group considers it probable that it will be able to use such losses by offsetting them against future taxable profits. This requires estimates to be made of future profitability for the Group and there are inevitably judgements and uncertainties around such estimates.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

2 Analysis of turnover

Analysis by class of business:

	2022 £	2021 £
Residential	16,650,998	15,474,389
Commercial	6,417,791	2,597,812
Other	2,305	3,720
	<u>23,071,094</u>	<u>18,075,921</u>

Turnover arose wholly within the UK.

3 Directors and employees

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff costs, including directors, consist of:				
Wages and salaries	2,813,970	2,168,143	378,580	93,059
Social security costs	293,397	233,447	24,045	11,105
Other pension costs	127,000	127,031	32,365	29,723
	<u>3,234,367</u>	<u>2,528,621</u>	<u>434,990</u>	<u>133,887</u>

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

	Number	Number	Number	Number
Administration	26	24	3	3
Operations	33	29	-	-
	<u>59</u>	<u>53</u>	<u>3</u>	<u>3</u>

	2022 £	2021 £
Directors' remuneration consists of:		
Directors' emoluments	532,724	437,604
Directors' pension contributions	62,365	61,105
	<u>595,089</u>	<u>498,709</u>

The total amount payable to the highest paid director in respect of emoluments was £205,532 (2021 - £155,532). Company pension contributions of £29,432 (2021 - £29,432) were made to a money purchase scheme on their behalf.

Pension contributions to money purchase schemes were made in respect of 3 directors (2021 - 3).

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

4 Operating loss

	2022 £	2021 £
This has been arrived at after charging/(crediting):		
Depreciation	18,753	18,152
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of:		
- the Company's annual accounts	25,000	21,168
- the subsidiaries' annual accounts	34,650	25,607
Fees payable to the Company's auditor for other services:		
- tax compliance	15,750	15,750
- other	5,500	5,500
Hire of plant and machinery	295,448	208,623
Other operating lease rentals:		
- vehicles	-	832
- land and buildings	111,610	71,593
Rent receivable	(2,305)	(1,720)
	<u> </u>	<u> </u>

5 Interest receivable and similar income

	2022 £	2021 £
Shared equity loans	3,415	117
Other interest	-	125
	<u> </u>	<u> </u>
	3,415	242
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2022 £	2021 £
Bank loans and development loans repayable within 5 years	439,980	572,069
Convertible loan note	120,000	120,000
Other loans	22,374	7,787
	<u> </u>	<u> </u>
	582,354	699,856
	<u> </u>	<u> </u>

Finance costs capitalised in the period to work in progress were £1,819,723 (2021: £1,370,222) based on actual borrowing costs incurred.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

7 Tax charge/(credit)

Recognised in the income statement

	2022 £	2021 £
<i>Current tax</i>		
UK corporation tax on profit for the year	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	326,933	(281,753)
	<u>326,933</u>	<u>(281,753)</u>
Total tax credit reported in the income statement	326,933	(281,753)

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

	2022 £	2021 £
Loss before tax	(1,579,149)	(1,741,029)
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.0% (2021 – 19.0%)	(300,038)	(330,796)
Effects of:		
Expenses not deductible for tax purposes	328,047	1,122
Capital allowances for the year in excess of depreciation	(5,724)	(3,788)
Utilisation of tax losses brought forward	(92,283)	(89,215)
Unrelieved trading losses for the year carried forward	185,074	405,757
Other	-	40,617
Recognition of previously unrecognised deferred tax asset	-	(70,367)
Prior year adjustment	-	52,101
Remeasurement of deferred tax asset	211,857	(287,184)
	<u>326,933</u>	<u>(281,753)</u>
Tax charge/(credit) for the year	326,933	(281,753)

Subject to the agreement of HM Revenue & Customs, total trading tax losses are approximately £19.7 million (2021 - £19.5 million) available for set off against future years profits. The deferred tax charge in the period is in respect of movements in unrelieved losses carried forward. Following substantive enactment of the Finance Bill 2021 on 24 May 2021, the rate of corporation tax will increase to 25% from 1 April 2023. The deferred tax asset in the Group's balance sheet has been valued at the increased rate, being the rate at which the asset is expected to reverse.

8 Dividends

No interim dividend was paid (2021 - Nil p per ordinary share). The Directors do not propose to pay a final dividend for the year (2021 - 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 loss 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 £1,265,426 (2021 loss £1,077,472).

The auditors' remuneration for audit services to the parent company was £25,000 (2021 - £21,168).

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

10 Tangible fixed assets

Group	Plant and machinery £	Motor vehicles £	Leasehold improvements £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>					
At 1 July 2021	16,143	9,699	43,412	190,631	259,885
Additions	20,700	-	-	13,033	33,733
Disposals	-	-	-	-	-
At 30 June 2022	36,843	9,699	43,412	203,664	293,618
<i>Depreciation</i>					
At 1 July 2021	3,737	3,239	40,101	177,102	224,179
Provided for the year	6,570	2,429	3,311	6,443	18,753
Disposals	-	-	-	-	-
At 30 June 2022	10,307	5,668	43,412	183,545	242,932
<i>Net book value</i>					
At 30 June 2022	26,536	4,031	-	20,119	50,686
At 30 June 2021	12,406	6,460	3,311	13,529	35,706
Company				Equipment, fixtures and fittings £	
<i>Cost</i>					
At 1 July 2021					17,205
Additions					-
At 30 June 2022					17,205
<i>Depreciation</i>					
At 1 July 2021					16,418
Provided for the year					301
At 30 June 2022					16,719
<i>Net book value</i>					
At 30 June 2022					486
At 30 June 2021					787

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

11 Fixed asset investments

Company	Subsidiary undertakings £
<i>Cost</i>	
At 1 July 2021	10,750,979
Additions	-
At 30 June 2022	10,750,979
<i>Provision for impairment</i>	
At 1 July 2021	9,134,702
Impairment charge	1,379,467
At 30 June 2022	10,514,169
<i>Net book value</i>	
At 30 June 2022	236,810
At 30 June 2021	1,616,277

The Company recognised an impairment charge of £1,593,167 (2021 – £1,841,952) and a reversal of impairment charges of £213,700 (2021 - £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 2022 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%	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
Rippon Homes Old Dalby 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 and development
Artisan Contracting Limited	Ordinary	100%	House building and development
Rippon Homes Ruskington Limited	Ordinary	100%	Dormant
Rippon Homes Woodhall Spa LLP*	n/a	64%	House building and development

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

*Rippon Homes Ltd is the designated partner at 30 June 2022 and the first development activity started after the year end.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

12 Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Raw materials and consumables	4,000	4,000	-	-
Land held for development	4,097,936	4,300,157	-	-
Work in progress	20,480,824	13,028,932	-	-
Completed developments and houses for sale	2,020,017	589,362	-	-
	<u>26,602,777</u>	<u>17,922,451</u>	<u>-</u>	<u>-</u>

Stocks with a carrying amount of £25,375,033 (2021 - £15,211,222) have been pledged as security for the Group's borrowings.

£5,720,018 (2021 - £Nil) of stocks are valued at net realisable value rather than at historical cost.

£20,072,240 (2021 - £15,584,791) of stocks were recognised as an expense in the year.

13 Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
<i>Amounts falling due within one year:</i>				
Trade debtors	35,630	693,659	-	4,800
Shared equity debtors	120,820	102,786	-	-
Amounts owed by subsidiary undertakings	-	-	14,896,734	14,121,204
Amounts recoverable on contracts	627,378	201,935	-	-
Other debtors	33,650	188,649	5,222	-
Prepayments and accrued income	89,756	71,110	7,053	6,240
Deferred tax asset in respect of tax losses	122,263	245,175	-	-
	<u>1,029,497</u>	<u>1,503,314</u>	<u>14,909,009</u>	<u>14,132,244</u>
<i>Amounts falling due after one year:</i>				
Shared equity debtors	9,623	24,501	-	-
Deferred tax asset in respect of tax losses	747,412	951,433	-	-
	<u>757,035</u>	<u>975,934</u>	<u>-</u>	<u>-</u>
	<u>1,786,532</u>	<u>2,479,248</u>	<u>14,909,009</u>	<u>14,132,244</u>

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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

14 Creditors: amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Development and bridging loans	14,215,995	7,880,938	-	-
Trade creditors	2,049,001	1,100,721	22,617	25,110
Amounts owed to subsidiary undertakings	-	-	5,846,201	5,375,769
Other taxes and social security	126,344	133,235	12,338	32,927
Other creditors	24,200	6,857	16,021	-
Retentions	1,027,265	831,856	-	-
Accruals and deferred income	4,108,293	2,258,054	251,930	48,826
Convertible loan note	1,000,000	1,000,000	1,000,000	1,000,000
Aspen Finance Limited loan	150,000	-	150,000	-
	22,701,098	13,211,661	7,299,107	6,482,632

15 Creditors: amounts falling due after one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Development loans	1,722,719	1,750,000	-	-

16 Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Are repayable as follows:				
<i>In less than one year:</i>				
Development and bridging loans	14,220,106	7,980,599	-	-
Less unamortised facility fees	(4,111)	(99,661)	-	-
Convertible loan note	1,000,000	1,000,000	1,000,000	1,000,000
Aspen Finance Limited loan	150,000	-	150,000	-
Total less than one year	15,365,995	8,880,938	1,150,000	1,000,000
<i>In more than one year but not more than two years</i>				
Development loans	1,722,719	1,750,000	-	-
Total greater than one year and less than two years	1,722,719	1,750,000	-	-
Total greater than two years and less than five years	-	-	-	-
Total borrowings	17,088,714	10,630,938	1,150,000	1,000,000

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

16 Loans (*continued*)

The interest rate profile of the borrowings is as follows:

	Currency	Nominal interest rate	Year of maturity	2022 £	2021 £
Bridging loans:					
Bridging loan 1	GBP	10% per annum	2022	51,802	-
Bridging loan 2	GBP	7.75% p.a. plus bank's commercial variable rate	2023	4,102,211	3,764,844
Development loans:					
Senior loan 1	GBP	Commercial variable rate plus 6.0%	2023	1,484,964	1,736,345
Senior loan 2	GBP	LIBOR plus 6.5% (minimum 7.0%)	2022	-	277,026
Senior loan 3	GBP	Interest base plus 8.25% (minimum 9%)	2022	-	650,144
Senior loan 4	GBP	Interest base plus 8.25% (minimum 9%)	2022	-	489,724
Senior loan 5	GBP	Commercial variable rate plus 6.1%	2024	1,280,022	-
Senior loan 6	GBP	Commercial variable rate plus 6.29%	2024	1,269,520	-
Senior loan 7	GBP	Variable lending rate plus 4.75% (minimum variable lending rate 1%)	2023	95,000	-
Senior loan 8	GBP	Commercial variable rate plus 6.0%	2024	1,588,350	-
Senior loan 9	GBP	Interest base plus 6.2% (minimum interest base 1%)	2024	1,504,213	-
Senior loan 10	GBP	Commercial variable rate plus 6.25%	2023	2,268,901	-
Mezzanine loan 1	GBP	17% per annum	2021	-	488,885
Mezzanine loan 2	GBP	17% per annum	2024	722,719	-
Mezzanine loan 3	GBP	18% per annum	2024	575,123	-
Land loan 1	GBP	LIBOR plus 7% (minimum 7.75%)	2021	-	573,631
Land loan 2	GBP	1.5% per calendar month	2023	-	750,000
Land loan 3	GBP	1.5% per calendar month	2023	1,000,000	1,000,000
Convertible loan note	GBP	12%	n/a	1,000,000	1,000,000
Aspen Finance loan	GBP	12%	n/a	150,000	-
Less:					
Unamortised facility fees				(4,111)	(99,661)
Total loans				17,088,714	10,630,938

Whilst some loans have final repayment dates greater than one year, technically they are repayable on demand and are consequently shown as due within one year in the financial statements.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

16 Loans (*continued*)

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

The development and bridging loans are secured by fixed and floating charges over the company to which they have been advanced and are generally guaranteed, either in part or in full, by Rippon Homes and/or Artisan (UK) plc.

17 Share capital

	2022 £	2021 £
<i>Allotted, called up and fully paid</i>		
13,341,455 (2021 - 13,341,455) ordinary shares of 1p (2021 - 1p) each	133,415	133,415
253,487,645 (2021 - 253,487,645) deferred shares of 1p each (2021 - 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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

19 Financial instruments

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

Financial assets - Group

	2022 £	2021 £
Financial assets at fair value through profit and loss		
Non-current financial assets		
Trade debtors	9,623	24,501
Current financial assets		
Trade debtors	120,820	102,786
	<u>130,443</u>	<u>127,287</u>
Financial assets measured at amortised cost		
Current financial assets		
Cash at bank and in hand	1,434,877	1,881,393
Trade debtors	35,630	693,659
Amounts recoverable on contracts	627,378	201,935
Other debtors	29,792	11,881
	<u>2,127,677</u>	<u>2,788,868</u>
Total current financial assets	<u>2,127,677</u>	<u>2,788,868</u>
Total financial assets	<u>2,258,120</u>	<u>2,916,155</u>

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

Financial liabilities - Group

	2022 £	2021 £
Financial liabilities at fair value through profit and loss		
Current financial liabilities		
Convertible loan note	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Financial liabilities measured at amortised cost		
Non current financial liabilities		
Loans and borrowings	1,722,719	1,750,000
	<u>1,722,719</u>	<u>1,750,000</u>
Current financial liabilities		
Trade creditors	2,049,001	1,100,721
Retentions	1,027,265	831,856
Accrued charges	4,108,293	2,258,054
Loans and borrowings	14,365,995	7,880,938
	<u>21,550,554</u>	<u>12,071,571</u>
Total current financial liabilities	<u>21,550,554</u>	<u>12,071,571</u>
Total financial liabilities	<u>24,273,273</u>	<u>14,821,571</u>

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

19 Financial instruments (*continued*)

Financial liabilities – Group (*continued*)

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

	2022 £	2021 £
Non-current financial assets - trade debtors		
At beginning of year	127,287	284,524
Disposals	-	(154,075)
Gains and losses recognised in profit or loss	3,156	(3,162)
At end of year	130,443	127,287

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.

	2022 £	2021 £
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 2022 Aspen Finance Limited ("Aspen") owned 74.8% of the ordinary 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.

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 (2021 - £2,000). £4,000 was owed by Aspen at the year end (2021 - £6,800).

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 fell due for repayment on 1 July 2021. No formal agreement has been reached to extend the loan notes and interest of 12% p.a. continues to be paid. During the year the interest payable on the loan notes was £120,000 (2021 - £120,000). At the reporting date the Group owed Aspen £Nil of accrued interest (2021 - £Nil).

During the year Aspen advanced a loan of £150,000 to Artisan. The loan is repayable on demand and has an interest rate of 12%. During the year interest payable was £15,238 and at the reporting date the Group owed Aspen £15,238 of accrued interest.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

20 Related parties (*continued*)

Trading with related parties that are not part of the Group

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

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 (2021 - £30,000). The amount outstanding at the report date was £Nil (2021 - £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 £595,089 (2021 - £498,709). 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 Analysis of changes in net debt

	At 1 July 2021 £	Cash flow £	Non cash Movement £	At 30 June 2022 £
Cash at bank	1,881,393	(446,516)	-	1,434,877
	1,881,393	(446,516)	-	1,434,877
Debt due within one year	(8,880,938)	(4,976,867)	(1,508,190)	(15,365,995)
Debt due after more than one year	(1,750,000)	62,169	(34,888)	(1,722,719)
Net debt	(8,749,545)	(5,361,214)	(1,543,078)	(15,653,837)

22 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 2022, bonds in issue amount to £1,254,909 (2021 - £1,338,670).

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 £20,485 (2021 - £Nil).

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.

Artisan (UK) plc

Notes forming part of the financial statements for the year ended 30 June 2022 (*continued*)

23 Leasing commitments

At 30 June 2022, the Group had minimum lease payments under non-cancellable operating leases as follows:

Group	2022 £	2021 £
Not later than 1 year	103,536	32,283
Later than 1 year and not later than five years	110,541	-
	214,077	32,283

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

