

Financial review

“...activity at the year end was very successful...”

Results

The Group operating profit has improved to £2.72m (2004: £2.02m): an increase of 35%. In particular the commercial activity at the year end was very successful with over £3.0m of sales achieved in the last month. Profit has grown as a result of the improvement in commercial trading activity supported by a rise in the margins achieved on residential sales.

Earnings per share have increased by 122% to 0.60p (2004: 0.27p).

Group turnover for the year to 31 March 2005 reduced to £27.3m (2004: £32.1m) due in part to the weakness of the residential housing market compared to the prior year despite the excellent recovery in business park development activity. In the year to 31 March 2004 the turnover was enhanced by the sales of older Living Heritage stock accounting for much of the reduction in turnover.

There has been some additional exceptional expenditure in respect of disposals of group undertakings in previous years. This is largely in respect of the litigation continuing through the year over the Group's sale of Bickerton Construction Limited.

Share capital

In the year there has been no share capital issued. Share options granted are detailed in the Remuneration Report.

Balance sheet

The net assets of the Group have continued to grow with an increase from £14.0m to £15.7m as a result of the retained profit for the year. At 31 March 2005 the Group had net cash balances of £nil (2004: £0.4m) reflecting the funding basis of our new banking facilities whereby all positive bank balances in the group are offset against loan drawdown. This is particularly advantageous in reducing net interest payable. The Group has borrowings of £7.1m (2004: £4.7m). The gearing ratio is now 44.9% (2004: 31.4%) reflecting the continued investment in trading stocks as your Board seeks to improve the depth of the residential land bank. Your Board expects to take advantage of the opportunities to be gained by increasing this gearing ratio as worthwhile new projects are identified in both residential and commercial activities.

Summary of operating results

	Residential	Commercial	Property dealing	Central	Total
Turnover					
2005	£18.7m	£8.6m	–	–	£27.3m
2004	£26.6m	£4.8m	£0.7m	–	£32.1m
Operating profit					
2005	£3.1m	£1.1m	–	£(1.3)m	£2.9m
2004	£3.3m	£(0.1)m	–	£(1.0)m	£2.2m

The analysis of profit is before group management charges and excludes goodwill amortisation.

122%

EPS growth

12%

Net asset growth

“...banking facilities...proven to be of significant benefit...”

Work in progress

Work in progress has increased from £18.7m to £21.8m reflecting the continued investment in residential land bank, whilst commercial work in progress has been successfully reduced through profitable trading. The investment in commercial work in progress will increase from the low point following the successful sales of finished units at the year end as further stock is developed for sale. As the completion of two of the office parks can now be foreseen, further investment in new business park sites is expected.

Non-core assets

Artisan has, as indicated last year, essentially finalised the disposal of its non-core assets with the realisations of its holdings in Stratus Services Group Inc and Partners in Property Solutions plc, both modestly in excess of balance sheet value. Artisan retains a small number of common stock shares in Stratus.

Litigation

The dispute with Infiteland Limited over the sale of Bickerton Construction Limited continued to be a distraction during the year. After enduring the long and expensive High Court hearing which found in favour of Artisan in the previous financial year, Infiteland were granted leave to appeal to the Court of Appeal. The appeal hearing was heard in February 2005 and judgment handed down in June 2005, again in favour of Artisan, dismissing Infiteland's claims and upholding Artisan's right to collect the £503,000 debt outstanding together with substantial costs and interest. The Court of Appeal did not grant leave to Infiteland to appeal this judgment,

but as Infiteland intend to seek leave to appeal directly to the House of Lords, the full outstanding debt remains provided for whilst litigation continues and no assumption of any funds recoverable has been made.

Also as we previously reported, the liquidator of Bickerton Construction Limited has made enquiries into management charges from Artisan around the time of the sale of Bickerton. At the end of 2004 the liquidator threatened legal action in respect of management charges of £1,400,000 paid by Bickerton to Artisan in June 2001. If proceedings are issued Artisan intends to defend its position on the validity of the management charges. If the defence is unsuccessful, the matter may result in a repayment by Artisan of an amount equal to all or part of the management charges plus costs.

Bankers

The new corporate banking facilities agreed with The Royal Bank of Scotland plc have proven to be of significant benefit to the Group. Following the completion of the first year on 30 June 2005, the £5m top slice of funding has been renewed for a further year, the balance having been drawn down on a three year committed revolving credit facility. The new facility has been entered into with the clear understanding that it is Artisan's intention to improve its land banks and seek acquisitions.

Chris Musselle
Finance Director

11 July 2005