

## Financial review

“Earnings per share have increased by 28%...”

### Results

The Profit before taxation for the year increased to £2.65m (2005: £2.14m) a growth of 24% and Group operating profit has been broadly stable at £2.57m (2005: £2.72m). Profit before tax has grown as a result of the improvement in commercial trading margin and the exceptional revenue arising from the successful conclusion to the litigation proceedings against Infiniteland Limited.

Earnings per share have increased by 28% to 0.77p (2005: 0.60p).

Group turnover for the year to 31 March 2006 was £26.9m (2005: £27.3m). In the year to 31 March 2005 the turnover had been enhanced by the sale of a large block of commercial units at the year end masking the improvement in residential turnover this year.

The £1.3m of central expense comprises £1.0m of central overhead plus £0.3m of one-off employment costs. In addition to this operating profit there is the exceptional £0.4m recovery of costs together with associated interest of £0.1m in respect of the successful conclusion of the litigation.

The taxation charge for the year is £0.4m resulting in an effective tax rate of 14.7% (2005: 18.6%) of profit before tax. The low effective rate of tax for the year is due to the use of brought forward tax losses (including capital losses in relation to the recovery of legal costs on

litigation), adjustments in the amount of provision carried in respect of prior years and claims for tax relief for remediation of contaminated land.

### Balance sheet

The net assets of the Group have continued to grow with an increase from £15.7m to £19.1m, the result of the retained profit for the year and the new share issue. The Group has net borrowings of £6.6m (2005: £7.1m). The group had a drawn bank debt of £20.0m (2005: £17.3m) resulting in substantial cash balances being available. Our banking facility allows positive bank balances in the group to be offset against loan drawdown for the purposes of interest calculation. The available cash balance greatly assists flexibility in managing the business, particularly as regards land purchases. The gearing ratio is now 34.4% (2005: 44.9%), reflecting the improved net assets and the funding available for continued investment in trading stocks as your Board seeks to improve the depth of the land

### Summary of operating results

	Residential	Commercial	Central	Total
<b>Turnover</b>				
<b>2006</b>	<b>£19.4m</b>	<b>£7.5m</b>	<b>-</b>	<b>£26.9m</b>
2005	£18.7m	£8.6m	-	£27.3m
<b>Operating profit</b>				
<b>2006</b>	<b>£2.8m</b>	<b>£1.2m</b>	<b>£(1.3)m</b>	<b>£2.7m</b>
2005	£3.1m	£1.1m	£(1.3)m	£2.9m

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

“...improved banking facility finalised...”

bank in both operations. The improved banking facility finalised after the year end is a three year rolling facility for a significantly increased amount. As stated before, 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.

#### Work in progress

Work in progress has increased from £21.8m to £26.4m, reflecting the continued investment in both residential and commercial land banks. The work in progress is divided between our residential stocks of £18.6m (2005: £15.4m) and commercial stocks of £7.8m (2005: £6.4m). We expect work in progress to increase further as funds are invested in the land bank.

#### Share capital

In the year there was one issue of 40m of new ordinary shares raising £1.1m. This was in support of improved bank facilities, which have now been agreed. The shares were issued to Aspen Finance Limited, a company in which your Chairman Michael Stevens has a beneficial interest.

#### Non-core assets

Since the year end Artisan (UK) plc has disposed of its small residual shareholding in Stratus Services Group Inc. There are no other non-core holdings.

#### Litigation

The dispute with Infiteland Limited over the sale of Bickerton Construction Limited was finally resolved in November 2005 when the purchaser's application to appeal to the House of Lords was refused by both the Court of Appeal and the Appeals Committee of the House of Lords.

Also, as we previously reported, the liquidator of Bickerton Construction Limited had made enquiries into management charges from Artisan around the time of the sale of Bickerton. In a report to all creditors of Bickerton Construction Limited, the liquidator has stated that no further investigations or actions are to be carried out.

**Chris Musselle**  
Chief Executive

11 July 2006