

## Chairman's statement

“...another period of strong results.”

I am very pleased to report another period of strong results. Turnover for 15 months has grown significantly to £41.0m (2006: £28.7m) largely as a result of growth in the commercial business park activities from £9.7m in 2006 to £15.6m in 2007. Turnover for Rippon Homes, the Group's residential housebuilder rose to £26.9m in comparison with £19.0m in 2006 in the face of a difficult residential market in our core area the East Midlands.

Your Board has recognised the need to report under International Financial Report Standards (“IFRS”). The adoption of IFRS has, as previously announced, resulted in a change in our revenue recognition basis to accounting on completion of sales transactions and we have adopted an accounting reference date of 30 June which better aligns Artisan with other companies in the sector. As this is the first time we have accounted to 30 June, this report and accounts is for a 15 month period to 30 June 2007. The comparative figures for the 12 months to 31 March 2006 have been re-stated to reflect the adoption of IFRS and change in accounting policies. The effects of IFRS on these results has been to inflate 2006's turnover and profit before tax, largely as a result of changes in income recognition, disguising the improved trading performance achieved during the period under review.

Operating profits have remained steady at £3.7m (2006: £3.7m) although this is for a longer period. Whilst profits derived from the business park activities have remained strong, margin levels for residential sales have suffered. This is due to a difficult market requiring use of incentives with a lack of sales value increase. At the same time the supply of land, particularly residential, has remained constrained and land values have not decreased.

The scarcity of land with planning permission is the prime reason for land values and the consequential price of new homes remaining at high levels. If Government targets are to be met, improvements in the whole planning process will need to be implemented.

Your Board is looking forward to 2008 with cautious optimism. We are very confident that the delivery and quality of our product more than meets customer expectations and this allows us to remain competitive in securing sales against competitors. However, the extended series of interest rate rises has long since succeeded in dampening the East Midlands residential market and both the continued policy as regards interest rates and the availability of consumer finance as a consequence of the volatile global financial markets currently seen, has the potential for a significant impact on our achievements for the financial year to 30 June 2008. We believe that these conditions will affect many in our sector.

The background to the commercial division has been much more buoyant, and it is clear that the extended business cycle that the UK has been experiencing has brought about a need for both established companies to seek new premises and greater demand from smaller companies and start ups. Our results show that we can meet customer requirements in a flexible and efficient way. There is scope to expand our brand name further in a dynamic and fast moving area of the country.

The strategy of your Board is to maintain investment in land stocks to provide for future growth. We have good and improved banking facilities that we expect to utilise increasingly as land is acquired. Whilst this approach may increase short term financing costs, we believe that it is essential for the continued growth of the Group.

Earlier this year the Board decided the business had matured sufficiently to be able to consider retaining some of our let properties rather than disposing of them immediately as investment sales. As previously announced, the first two properties falling into this category are premises for Black Teknigas and Speymill Group plc. Further property investment opportunities will be assessed as they arise out of the normal course of trading.

We also recognise the interest of our shareholders in a dividend stream and I was particularly pleased to announce in January 2007 the restoration of a dividend with an interim dividend of 1.2p. I am also pleased that your Board has decided to recommend a final dividend of 1.5p bringing total dividends payable for the 15 months to 30 June 2007 to 2.7p.

The investment the Group has made in its two core divisions over the last 3 years, and the re-establishment of the investment property division has created a much more soundly based company than it was formerly. Recent events indicate that we may be entering a period of more stormy waters that present opportunities as well as challenges, and we expect that we have at least neared the top of the interest rate cycle.

The continued success of Artisan is dependent on the team approach; and the loyalty and hard work of our employees is what drives the business forward. I thank them greatly.

**Michael W Stevens**  
Chairman  
26 September 2007