

## Financial review

“...greater levels of turnover...”

### Results

The adoption of IFRS has impacted on the results for this period and for the comparative year. A consequence of the adoption of IFRS has been the change to recognising sales at the point of legal completion rather than exchange of contracts. Details of the effects of the adoption of IFRS were set out in our announcement of 19 October 2006. This announcement shows that, principally due to the change of revenue recognition basis, the 2006 results were significantly improved by one particular sale that having been exchanged in March 2005, completed in April 2005 moving the revenue recognition into the year ended 31 March 2006. An accounting reference date of 30 June has also been adopted which brings Artisan's half yearly reporting more into line with many businesses in the housing development sector.

Operating profit of £3.7m for the 15 months to 30 June 2007 (2006: £3.7m) on greater levels of turnover reflects a reduction in residential margins whilst commercial business park margins have remained robust. However the 2006 operating profit included a net benefit of £0.1m arising from non-recurring income and expenditure in that year.

Finance expense has increased to £0.9m (2006: £0.4m) reflecting the increased investment in land and work-in-progress in accordance with the Group's strategy to increase outlets.

The notes to the accounts include a more detailed segmental analysis. However this can be summarised as below:-

	Residential £m	Commercial £m	Investment £m	Central £m	Total £m
<b>Turnover</b>					
<b>2007 (15 months)</b>	<b>26.9</b>	<b>15.6</b>	<b>–</b>	<b>(1.5)</b>	<b>41.0</b>
2006 (12 months)	19.0	9.7	–	–	28.7
<b>Operating profit before group management charges</b>					
<b>2007 (15 months)</b>	<b>2.6</b>	<b>2.4</b>	<b>0.3</b>	<b>(1.6)</b>	<b>3.7</b>
2006 (12 months)	3.0	1.6	–	(0.9)	3.7

The analysis of profit is before Group management charges. The Central column deducts from turnover the inter segment trading. The 2006 central costs were reduced by net non-recurring recovery of £0.1m.

“...net assets have grown 11.2%.”

The tax charge for the period is £0.7m resulting in an effective tax rate of 24.1% (2006: 16.9%). The reduction to standard rate is primarily due to the use of brought forward tax losses and a claim for land remediation tax relief.

The net assets have grown 11.2% from £18.8m to £20.9m as a result of the retained profit for the period. There have been no significant changes to share capital during the period other than the share consolidation in January 2007.

The Group has net borrowings of £10.8m (2006: £6.6m) resulting from increased investment in land and work-in-progress. The Group has drawn bank debt of £24.1m (2006: £20.0m) resulting in substantial cash balances being available. We anticipate further drawing on our bank facilities and utilising funds from our cash balances to further invest in new sites. Our bank facility allows positive bank balances in the Group to be offset against drawdown funds for the purposes of interest calculation allowing for an effective management of funding. The gearing ratio is now 51.5% (2006: 34.9%).

#### **Work-In-Progress**

Work-in-progress has increased from £30.2m to £34.8m reflecting continued investment in both residential and commercial stocks. As indicated in the segmental analysis within the notes to the accounts, the larger part of the Group assets is invested in the residential activities reflecting the greater level of trade and the greater cost of residential land. In addition the commercial operations are able to negotiate some of their sales on a forward basis, which can reduce the level of investment required.

#### **Capital Reorganisation**

In January 2007, a successful capital reorganisation was undertaken. This had the net effect of consolidating Artisan shares on a 1 for 40 basis. The effect of this was to reduce the number of registered shareholders from over 10,000 to under 5,000. The consolidation exercise provided shareholders that held only a few shares with a cost effective way of realising their interest and will secure significant savings to the Group in managing the Shareholder base.

**Chris Musselle**

**Chief Executive**

26 September 2007