Notes forming part of the Group financial statements
for the period ended 30 June 2007

1 Significant accounting policies
Artisan (UK) plc (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the fifteen months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were approved by the Directors on 26 September 2007.

Statement of compliance
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU (IFRS). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 41 to 47.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group, and reconciliation of total equity and profit for the comparative period reported under UK GAAP to those reported under IFRS is given in note 28.

Basis of preparation
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements with the exception of certain policies subject to the transitional arrangements of IFRS, as detailed below.

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis, except for the revaluation of certain properties.

At the date of issue of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures; and the related amendment to IAS 1 on Capital Disclosures (effective for annual periods beginning on or after 1 January 2007).
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IAS 23 Revised Borrowing Costs (effective for periods beginning on or after 1 January 2009).
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset – Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008).

The adoption of IFRS 7 and IFRS 8 is anticipated only to change certain disclosures made in the financial statements. IFRS 7 requires additional disclosures in respect of financial instruments. IFRS 8 requires segmental information to be reported in financial statements based on how that information is reported internally which, for the Group, is not expected to be materially different to the current segmental disclosures.

IAS 23 Borrowing Costs currently permits two approaches to accounting for borrowing costs. The benchmark treatment is to charge them as an expense in the period in which they are incurred, with a permitted alternative treatment being to add borrowing costs to the carrying value of a qualifying asset. The revision to IAS 23 requires interest to be capitalised in certain circumstances. The impact for the Group will be to defer the expensing of borrowing costs in line with the sale of finished stocks and work in progress rather than writing them off as incurred. The Group expects to adopt this revision when it comes into effect for the year ending 30 June 2010.

IFRIC 10 addresses the apparent conflict between IAS 36 Impairment of Assets that requires an annual impairment review of goodwill and IAS 34 Interim Financial Reporting that requires application of the same accounting policies in the interim financial statements as in annual financial statements. The IFRIC concluded that IAS 36 should take precedence and accordingly the Group will apply IFRIC 10 in respect of future interim reporting periods and will only carry out goodwill impairment reviews on an annual basis.

IFRIC 11 will affect which member of the Group bears the cost of share-based payments and the presentation of liabilities and equity. However, based on the current options in issue the effect is considered to be immaterial.

The directors anticipate that the adoption of interpretations IFRIC 12, 13 and 14 in future periods will have no impact on the financial statements of the Group.

Transition to IFRS
IFRS 1 "First-time adoption of International Financial Reporting Standards" sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements.

The Group is required to establish its IFRS accounting policies as at 30 June 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 April 2005.

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

1 Significant accounting policies continued

IFRS 1 provides a number of optional exemptions to this general principle. The most significant of these are set out below together with a description, in each case, of the exemption adopted by the Group.

Business combinations that occurred before the opening IFRS balance sheet date

The Group has elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that took place before the date of transition to IFRS and, therefore, business combinations effected before 1 April 2005, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated. As a result, the opening balance sheet includes £2,454,760 in respect of goodwill arising from past business combinations accounted for using the acquisition method under UK GAAP and a merger reserve of £515,569 following the creation of Artisan (UK) plc from the de-merger of Dean Corporation plc and the simultaneous acquisition of Artisan (UK) Developments Limited by the Group.

Share-based payments

The Group has elected to apply IFRS to relevant share-based payment transactions only where rights were granted after 7 November 2002 and not vested at 1 April 2005.

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, direct 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 exerciseable or convertible are taken into account. The results of any subsidiaries sold or acquired are included in the Group income statement 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 disclosed above (see 'transition to IFRS'). 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 income statement.

Revenue recognition

Revenue is stated exclusive of VAT and represents the value of work done and properties sold, excluding part exchange properties which are included within cost of sales. In respect of sales of property, revenue and profit are recognised upon legal completion of the legal transfer of title to the customer. Profit or loss is calculated with reference to each site or phase within a site.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses. Revenue 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.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the separable identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset.

In accordance with IFRS 3 and as allowed by IFRS 1, goodwill has been frozen at its net book value as at 1 April 2005. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment, with any impairment losses being recognised immediately in the income statement.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation on property, plant and equipment 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:

Freehold buildings	–	2% per annum on the straight line basis
Leasehold improvements	–	25% per annum on the straight line basis
Motor vehicles	–	20–25% per annum on the straight line or reducing balance basis
Fixtures and fittings	–	15–25% per annum on the straight line or reducing balance basis
Plant and machinery	–	15–25% per annum on the straight line or reducing balance basis

Freehold land is not depreciated.

Residual value and expected useful life are re-assessed annually.

1 Significant accounting policies continued

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on a purchase cost basis. Work in progress includes materials and labour costs and an appropriate proportion of overheads incurred on developments in progress or awaiting sale at the balance sheet date.

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 actual or estimated net selling price.

Leases
Leases where the lessee retains substantially all of the risks and benefits of ownership are classified as operating leases. Operating lease rental charges are charged to the income statement 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.

Taxation
Income tax comprises current and deferred tax.

Current tax is the expected tax payable on taxable income for the period, 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 balance sheet 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 balance sheet date.

Dividends
Dividends are recorded in the period 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Borrowings
Borrowings are recognised initially at fair value and subsequently at amortised cost. Borrowing costs are charged as an expense over the period for which they are attributable.

Retirement benefit costs
The Group operates defined contribution pension schemes for employees. Contributions are charged to the income statement in the period in which they become payable.

Share-based payment
Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 and not vested by 1 April 2005 in accordance with IFRS 2 and IFRS 1.

Calculation of the fair value of share options at the date of grant is undertaken using an appropriate method of calculation and charged to the income statement over the vesting period. Market vesting conditions are factored into the calculation of the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market condition. The fair value of the options currently in existence has been calculated using the Monte Carlo simulation model, based upon publicly available market data at the point of grant.

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.

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

1 Significant accounting policies continued

Key sources of estimation uncertainty:

i. Carrying value of land and work in progress and estimation of costs to complete
The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. As residential development in particular is speculative by nature, most inventories are not covered by forward sale contracts. 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 development costs between units being built or completed in the current period and those for future periods. 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 inventories.

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.

ii. Part exchange properties
The carrying values of part exchange properties are assessed based on external valuations completed on the properties. These valuations are based on the prevailing market conditions in the second hand housing market and to the extent that housing market price levels change, the values of the part exchange properties may vary. Part exchange property values at the end of the financial period were based on recent valuations and realistic market expectations.

iii. Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Further details of impairment are set out in note 9.

iv. 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.

2 Segmental analysis

The Group operates through its three principal business segments: Residential Development, Commercial Development and Property Investment. These segments form the basis of the primary segmental reporting information set out below:

Period 1 April 2006 to 30 June 2007

Income statement	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Revenue					
External revenue	26,961,175	14,070,981	–	–	41,032,156
Inter-segment revenue	–	1,512,276	–	(1,512,276)	–
	26,961,175	15,583,257	–	(1,512,276)	41,032,156
Segment result					
Segment result before central charges	2,575,694	2,421,118	261,580	(278,852)	4,979,540
Central charges	(823,592)	(571,331)	(53,858)	–	(1,448,781)
Segment result after central charges	1,752,102	1,849,787	207,722	(278,852)	3,530,759
Unallocated corporate expenses					(693,648)
Unallocated corporate income					860,611
Finance expense					(933,642)
Finance income					18,829
Profit before taxation					2,782,909
Tax expense					(671,032)
Profit after taxation					2,111,877

2 Segmental analysis continued

Period 1 April 2006 to 30 June 2007 (continued)

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	**115,897**	**26,200**	**–**	**–**	**142,097**
Unallocated corporate capital expenditure					**3,753**
Total capital expenditure					**145,850**
Depreciation of property plant and equipment	**46,917**	**7,977**	**–**	**–**	**54,894**
Unallocated corporate depreciation of property, plant and equipment					**4,704**
Total depreciation of property, plant and equipment					**59,598**
Balance sheet					
Assets					
Segment assets	**36,992,095**	**9,979,405**	**1,533,070**	**(13,333,388)**	**35,171,182**
Unallocated corporate assets					**5,508,262**
Consolidated total assets					**40,679,444**
Liabilities					
Segment liabilities	**5,032,517**	**3,096,404**	**3,001**	**(8)**	**8,131,914**
Unallocated corporate liabilities					**934,400**
Net borrowings					**10,752,945**
Consolidated total liabilities					**19,819,259**

The Group does not operate outside the United Kingdom and hence no geographical segmental analysis is required.

Year ended 31 March 2006

Income statement	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Revenue					
External revenue	19,019,916	9,644,484	–	–	28,664,400
Inter-segment revenue	–	–	11,154	(11,154)	–
	19,019,916	9,644,484	11,154	(11,154)	28,664,400
Segment result					
Segment result before central charges	3,046,327	1,621,081	11,157	(11,154)	4,667,411
Central charges	(678,687)	(417,324)	(38,355)	–	(1,134,366)
Segment result after central charges	2,367,640	1,203,757	(27,198)	(11,154)	3,533,045
Unallocated corporate expenses					(482,904)
Unallocated corporate income					634,001
Finance expense					(448,686)
Finance income					119,425
Profit before taxation					3,354,881
Tax expense					(567,405)
Profit after taxation					2,787,476

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

2 Segmental analysis continued

Year ended 31 March 2006 (continued)

Other information	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Capital expenditure	35,639	5,561	–	–	41,200
Unallocated corporate capital expenditure					3,747
Total capital expenditure					44,947
Depreciation of property, plant and equipment	23,303	3,838	–	–	27,141
Unallocated corporate depreciation of property, plant and equipment					5,226
Total depreciation of property, plant and equipment					32,367
Balance sheet					
Assets					
Segment assets	35,408,103	8,832,316	32,554	(13,414,476)	30,858,497
Unallocated corporate assets					3,534,455
Consolidated total assets					34,392,952
Liabilities					
Segment liabilities	6,029,139	1,937,429	–	(6)	7,966,562
Unallocated corporate liabilities					1,049,543
Net borrowings					6,563,065
Consolidated total liabilities					15,579,170

3 Employees

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Staff costs, including directors, consist of:		
Wages and salaries	**4,577,688**	3,932,151
Social security costs	**454,070**	401,011
Equity settled share-based payments	**51,957**	43,373
Other pension costs	**116,619**	89,825
	5,200,334	4,466,360

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors' Remuneration on pages 15 to 17.

3 Employees continued

Included within wages and salaries and social security costs for the Group and Company for the previous year are amounts of £244,321 and £26,781 respectively being compensation for loss of office in respect of the former Chief Executive.

	Period 1 April 2006 to 30 June 2007 Number	Year ended 31 March 2006 Number
The average number of employees, including directors, during the period was:		
Administration	35	30
Operations	85	86
	120	116

4 Operating profit

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
This has been arrived at after charging/(crediting):		
Depreciation	59,598	32,367
Auditors' remuneration – audit services	95,000	77,000
– tax compliance	32,000	28,500
– tax advisory	5,500	2,500
– other services not covered above	14,500	25,000
Hire of plant and machinery	77,526	51,565
Other operating lease rentals – vehicles	103,113	76,337
– land and buildings	352,344	330,274
Rent receivable	(400,264)	(336,351)
Exceptional recovery of costs in respect of the sale of group undertakings in previous periods	(10,000)	(405,108)
Profit on sale of property, plant and equipment	(3,190)	(8,935)
Equity settled share-based payments	51,957	43,373

During the period overhead costs totalling £1,504,527 (2006 – £1,363,048) were allocated from administrative expenses to work-in-progress.

5 Finance expense

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Hire purchase	–	409
Bank overdrafts and loans repayable within 5 years	929,407	448,182
Other interest	4,235	95
	933,642	448,686

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

6 Tax expense

Recognised in the income statement	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Current tax		
UK corporation tax on profits for the period	**525,110**	643,540
Adjustment in respect of prior period	**(25,258)**	(254,568)
Total current tax	**499,852**	388,972
Deferred tax expense		
Reversal of temporary differences	**171,180**	178,433
Total tax expense reported in the income statement	**671,032**	567,405

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

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Profit on ordinary activities before tax	**2,782,909**	3,354,881
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	**834,873**	1,006,464
Effects of:		
Expenses not deductible for tax purposes	**45,274**	48,728
Non-taxable income	**(957)**	(2,681)
Capital allowances for the period in excess of depreciation	**(1,907)**	(3,726)
Capital loss adjustment	**(1,898)**	(97,199)
Utilisation of tax losses	**(148,191)**	(54,868)
Utilisation of provisions	**(1,102)**	(24,602)
Claim for land remediation tax relief	**(24,791)**	(50,143)
Small companies rate relief	**(5,011)**	–
Adjustment in respect of previous years	**(25,258)**	(254,568)
Tax charge for the period	**671,032**	567,405

Subject to the agreement of HM Revenue & Customs, there are trading tax losses of approximately £3.3 million (2006 – £3.7 million) available for set off against future years profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses may be carried forward indefinitely.

7 Dividends

Amounts paid to equity holders in the period:

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Interim dividend for the period ended 30 June 2007 of 1.2p per share	**98,384**	–

The Directors have proposed a final dividend for the period of 1.5p (2006 – £Nil) per ordinary share amounting to £122,980 (2006 – £Nil). This dividend has not been accrued at the balance sheet date.

8 Earnings per share

The basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of shares in issue.

	2007 Number	2006 Number
The weighted average number of shares were:		
Basic weighted average number of shares	**8,213,242**	7,289,948

The comparative figure has been restated to reflect the capital reorganisation which occurred on 19 January 2007 (see note 20). The restated weighted average number of shares has been calculated as if the consolidation had occurred at the start of the comparative period.

There were no dilutive potential ordinary shares in 2007 or 2006. Options outstanding in the period are set out in note 22.

9 Intangible non-current assets

	£
Goodwill	
Carrying value	
At 1 April 2006 and 30 June 2007	**2,454,760**
Carrying value	
At 1 April 2005 and 31 March 2006	2,454,760

Goodwill relates to the acquisition of Rippon Homes Limited in 2000. This balance had been subject to an annual impairment review and continues to be maintained at the 31 March 2005 carrying value, being the value at the date of transition to IFRS.

Impairment reviews are carried out using value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to Rippon. The growth rates are based on management strategic plan for the business and reflect significant further investment in the land bank.

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the coming year and extrapolates cash flows for the following four years based on an a projected growth rate of 24 per cent per annum, thereafter year five cash flows are assumed to arise in perpetuity without further growth. The rate used to discount the forecast cash flows is 9.5 per cent.

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

10 Investment properties

	£
Fair value	
At 1 April 2006	–
Additions – transfer from trading stock	**804,218**
– capital expenditure	**449,995**
	1,254,213
Revaluations included in income statement	**261,684**
At 30 June 2007	**1,515,897**
Historical cost of investment properties	**1,254,213**

The fair values of the Group's investment properties at 30 June 2007 have been arrived at on the basis of valuations carried out by Barker Storey Matthews, independent valuers not connected with the Group. The valuations are on the basis of market value as defined by the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

11 Property, plant and equipment

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost						
At 1 April 2006	315,400	1,714	176,236	115,128	184,034	792,512
Additions	–	–	16,540	49,359	79,951	145,850
Disposals	–	–	(450)	(33,082)	(3,972)	(37,504)
At 30 June 2007	**315,400**	**1,714**	**192,326**	**131,405**	**260,013**	**900,858**
Depreciation						
At 1 April 2006	33,867	1,477	175,154	73,412	155,823	439,733
Provided for the period	7,216	96	5,165	23,164	23,957	59,598
Eliminated on disposals	–	–	(450)	(33,082)	(1,999)	(35,531)
At 30 June 2007	**41,083**	**1,573**	**179,869**	**63,494**	**177,781**	**463,800**
Net book value						
At 30 June 2007	**274,317**	**141**	**12,457**	**67,911**	**82,232**	**437,058**
At 31 March 2006	281,533	237	1,082	41,716	28,211	352,779
Cost						
At 1 April 2005	315,400	1,407	221,602	110,580	168,086	817,075
Additions	–	307	384	28,308	15,948	44,947
Disposals	–	–	(45,750)	(23,760)	–	(69,510)
At 31 March 2006	**315,400**	**1,714**	**176,236**	**115,128**	**184,034**	**792,512**
Depreciation						
At 1 April 2005	28,094	1,232	219,943	85,253	142,354	476,876
Provided for the year	5,773	245	961	11,919	13,469	32,367
Eliminated on disposals	–	–	(45,750)	(23,760)	–	(69,510)
At 31 March 2006	**33,867**	**1,477**	**175,154**	**73,412**	**155,823**	**439,733**
Net book value						
At 31 March 2006	**281,533**	**237**	**1,082**	**41,716**	**28,211**	**352,779**
At 31 March 2005	287,306	175	1,659	25,327	25,732	340,199

12 Deferred tax

	Short term temporary differences £
At 1 April 2005	**349,613**
Charge to income	**(178,433)**
At 31 March 2006	**171,180**
Charge to income	**(171,180)**
At 30 June 2007	–

The deferred tax asset arose following the change in accounting policy for revenue recognition.

13 Inventories

	30 June 2007 £	31 March 2006 £
Raw materials and consumables	**23,870**	26,508
Land held for development and work in progress	**30,142,965**	23,515,125
Completed developments and houses for sale	**4,625,726**	6,626,165
	34,792,561	30,167,798

Inventories with a carrying amount of £34,792,561 (2006: £30,167,798) have been pledged as security for the Group's bank borrowings.

14 Current asset investments

	30 June 2007 £	31 March 2006 £
Listed investments	–	1,000

The listed investment was sold during the period at a profit of £308 to book value.

15 Trade and other receivables

	30 June 2007 £	31 March 2006 £
Trade receivables	**118,946**	218,990
Amounts recoverable on contracts	**661,321**	303,170
Other receivables	**263,942**	559,593
Prepayments and accrued income	**433,833**	160,332
	1,478,042	1,242,085

16 Non-current liabilities

	30 June 2007 £	31 March 2006 £
Bank loans (secured – see note 18)	**10,752,945**	6,563,065

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

17 Trade and other payables

	30 June 2007 £	31 March 2006 £
Trade payables	**1,835,845**	1,679,931
Other taxes and social security	**173,224**	140,851
Other payables	**227,347**	163,348
Retentions	**773,445**	683,683
Accruals and deferred income	**5,088,854**	5,390,847
	8,098,715	8,058,660

18 Borrowings

	30 June 2007 £	31 March 2006 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	**10,752,945**	6,563,065

The bank loans are secured by a fixed and floating charge over the assets of the Group. Set-off is available to the bank between the Company and its Group company members by virtue of the bank holding a debenture from each Company together with a cross corporate guarantee.

19 Provisions

	30 June 2007 £	31 March 2006 £
Provision for claims		
At beginning of period	**447,745**	528,843
Utilised during the period	**(3,673)**	(81,098)
At end of period	**444,072**	447,745

Provisions for claims represent residual costs in connection with the sale of Bickerton Construction Limited, including those relating to an indemnity provided. The provision made is the Directors' best estimate of the Group liabilities having taken legal advice.

20 Share capital

	30 June 2007 £	31 March 2006 £
Authorised		
25,000,000 (2006 – 1,000,000,000) ordinary shares of 20p (2006 – 0.5p) each	**5,000,000**	5,000,000
Allotted, called up and fully paid		
8,213,250 (2006 – 328,529,426) ordinary shares of 20p (2006 – 0.5p) each	**1,642,650**	1,642,647

During the period the company entered into the following share transactions:

Following shareholder approval at an extraordinary general meeting held on 19 January 2007 the Company undertook a Capital Reorganisation. Under the terms of the Capital Reorganisation each existing 0.5p ordinary share was consolidated on the basis of 1 Consolidated Share for every 6,000 Existing Ordinary Shares held, creating Consolidated Shares. Each Consolidated Share was then immediately sub-divided into 150 New Ordinary Shares of 20p each.

Prior to the Capital Reorganisation 574 ordinary shares of 0.5p each were issued to the Company Secretary at 3.25p per share so that the Company's issued share capital was exactly divisible by 6,000.

21 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.

Merger reserve – the merger reserve arose following the creation of Artisan (UK) plc 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 2007.

22 Share-based payments

Equity-settled share option schemes

The Group has Approved and Unapproved Executive Share Option schemes in place for the Executive Directors of Artisan (UK) plc and other senior management of the trading companies within the Group. Options are exerciseable at a price calculated as the average closing share price of the Company in the week prior to the date of grant and exercise is conditional upon the closing mid-market price of the Company's shares exceeding a threshold price for a specified period prior to the date of exercise. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant in the case of the Approved Scheme and 6 years for the Unapproved Scheme then the options expire. Options are generally forfeited if the director or employee leaves the Group.

Options granted, exercised and lapsed under the employee share option scheme were as follows:

	1 April 2006	Granted in period	Surrendered in period	**30 June 2007**	Exercise price range
Approved scheme	81,250	–	(12,500)	**68,750**	£1.20
Unapproved scheme	179,167	70,833	–	**250,000**	£1.20–£6.40

The number of options brought forward at 1 April 2006, the movements in the period and the exercise prices have been adjusted to reflect the Capital Reorganisation during the period.

The options outstanding at 30 June 2007 had a weighted average exercise price of £1.95 and a weighted average remaining contractual life of 4.4 years. In the period options were granted on 24 July 2006. The aggregate of the estimated fair values of the options granted on that date is £28,617.

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

22 Share-based payments continued

The fair value of the options currently in existence has been calculated using the Monte Carlo simulation model and the following assumptions:

	Approved Scheme 2004 award	Unapproved Scheme 2004 award	Unapproved Scheme 2005 award	Unapproved Scheme 2006 award
Date of grant	1-Apr-04	1-Apr-04	18-Jul-05	24-Jul-06
Share price at grant	100.0p	100.0p	156.0p	150.0p
Exercise price	120.0p	120.0p	152.0p	150.0p
Expected term	5 years	3 years	3 years	3 years
Expected volatility	80%	80%	51.5%	43%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	4.70%	4.60%	4.10%	4.76%
Value per option	64.0p	46.2p	55.2p	40.4p

The expected volatility is based on a forward weighted average historical volatility of the Company's share price over a period commensurate with the expected term but adjusted for any extraordinary one off events that distort the underlying trend. The risk free rate is based on the implied yield of zero coupon government bonds. The expected terms are based on management's best estimate taking into account historical behaviour and the underlying terms of the schemes.

The total charge for the period relating to equity settled share-based payments was £51,957.

Further details on share option schemes are provided in the Report on Directors' Remuneration on pages 15 to 17.

23 Cash (used by)/generated from operations

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Profit before taxation	**2,782,909**	3,354,881
Provision arising on current asset investment	**–**	4,000
Profit on disposal of current asset investment	**(309)**	–
Depreciation	**59,598**	32,367
Share-based payments charge	**51,957**	43,373
Profit on disposal of property, plant and equipment	**(3,190)**	(8,935)
Increase in inventories	**(5,428,981)**	(3,509,210)
Increase in trade and other receivables	**(235,957)**	(488,302)
(Decrease)/increase in trade and other payables	**(205,997)**	769,086
Decrease in provisions	**(3,673)**	(81,098)
Revaluation surplus on investment properties	**(261,684)**	–
Finance income	**(18,829)**	(119,425)
Finance expense	**933,642**	448,686
Cash (used by)/generated from operations	**(2,330,514)**	445,423

24 Financial instruments

(a) Policies and risks

The Group's financial instruments comprise bank loans, cash and various items such as trade receivables and trade payables that arise directly from its operations. Cash and bank loans are used to raise finance for the Group's operations and acquisitions.

The main risk arising from the Group's financial instruments are interest rate risk, as the Group's borrowings are at floating rates of interest, and liquidity risk. The Group has not entered into any derivative transactions.

The Group is exposed to credit risk from credit sales on forward sale build contracts where the customer has purchased land and entered into a contract for the development of a building. It is the Group's policy, implemented locally, to assess the credit risk of major customers before entering into such contracts. The risk is managed by receiving staged payments as the development progresses. However, the majority of the Group's transactions involve the sale of property and the proceeds of sale are collected on completion.

(b) Interest rate risk profile of financial liabilities

Currency	Total £	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Weighted average interest rate %
At 30 June 2007					
Sterling	**19,122,508**	**–**	**10,752,945**	**8,369,563**	**3.63**
At 31 March 2006					
Sterling	14,928,619	–	6,563,065	8,365,554	2.67

The Group's floating rate financial liabilities bear interest at rates based on the Group's bank's base rate.

(c) Interest rate risk profile of financial assets

Currency	Total £	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is earned £
At 30 June 2007				
Sterling and Euros	**1,045,335**	**–**	**1,126**	**1,044,209**
At 31 March 2006				
Sterling, Euros and US dollars	1,086,103	–	3,350	1,082,753

Floating rate financial assets comprises cash held in UK and Spanish bank accounts.

(d) Maturity profile of the Group's financial liabilities

	30 June 2007 £	31 March 2006 £
Within one year	**8,369,563**	8,365,554
After one and within two years	**10,752,945**	6,563,065
Total	**19,122,508**	14,928,619

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

24 Financial instruments continued

(e) Borrowing facilities

The group has £5,941,689 undrawn committed facilities as at 30 June 2007 (31 March 2006 – £Nil).

(f) Fair value of financial liabilities and financial assets

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

25 Related parties

Artisan (UK) plc is the parent company and ultimate controlling party of the Group.

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 15 to 17.

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Short-term employee benefits	**610,505**	477,919
Post-employment benefits	**18,825**	19,925
Termination benefits	**–**	244,321
Equity settled share-based payments	**41,462**	27,306
	670,792	769,471

26 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 2007, bonds in issue amount to £1,052,777 (31 March 2006 – £917,070).

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 success of any claims

At the period end the Directors are unaware of any material liability that is not provided within the financial statements.

27 Leasing commitments

Commitments under non-cancellable operating leases expiring:

	30 June 2007 Land and buildings £	**30 June 2007 Other £**	31 March 2006 Land and buildings £	31 March 2006 Other £
Within one year	**2,359**	**16,743**	–	14,602
Between two and five years	**32,775**	**75,670**	192,854	127,437
After five years	**2,035,736**	**–**	2,294,516	–

28 Explanation of transition to IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 1 have been applied in preparing the consolidated financial statements including comparative information for the year ended 31 March 2006 and in preparing the opening IFRS balance sheet at 1 April 2005 (the Group's date of transition).

In preparing its opening IFRS balance sheet and comparative information for the year to 31 March 2006, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP.

The reconciliation of total equity at 1 April 2005 and 31 March 2006 is as follows:

	31 March 2006 £	1 April 2005 £
Total equity previously reported under UK GAAP	19,072,663	15,715,142
IFRS adjustments:		
Revenue recognition (IAS 18)	(570,599)	(1,165,376)
Tax effect of IFRS adjustments (IAS 12)	171,180	349,613
Business combinations (IFRS 3)	156,984	–
Other opening balance sheet adjustment	(16,446)	(16,446)
Total IFRS adjustments	(258,881)	(832,209)
Total equity	18,813,782	14,882,933

The reconciliation of profits for the year ended 31 March 2006 is as follows:

	Year ended 31 March 2006 £
Profit for the year previously reported under UK GAAP	2,257,521
IFRS adjustments:	
Revenue recognition (IAS 18)	594,777
Tax effect of IFRS adjustments (IAS 12)	(178,433)
Business combinations (IFRS 3)	156,984
Share based payments (IFRS 2)	(43,373)
Total IFRS adjustments	529,955
Profit for the year under IFRS	2,787,476

The principal differences between UK GAAP and IFRS for the Group are:

Revenue recognition

IAS 18 provides that revenue from the sale of goods shall be recognised only when a number of conditions have been satisfied. These conditions include the requirements that:

1) the significant risks and rewards of ownership of the goods have been transferred to the buyer; and

2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

IAS 18 also states that, in most cases, the transfer of risks and rewards of ownership coincides with the transfer of legal title or the passing of possession to the buyer. Therefore, the point at which revenue is recognised has been changed from exchange to completion to fall in line with IFRS.

Notes forming part of the Group financial statements continued

for the period ended 30 June 2007

28 Explanation of transition to IFRS continued

The change to IFRS affects the timing of revenue and profit recognition. Over the lifecycle of a development there will be no effect on the total amount of profit recognised in the Income Statement as a result of applying IAS 18.

Income Taxes

IAS 12 requires that full provision be made for temporary differences between the carrying amount and tax bases of assets and liabilities.

The balance sheet at 31 March 2006 includes an additional deferred tax asset of £171,180 as a result of the change in the timing of revenue recognition on speculative housing and commercial sales in line with IAS 18.

Business Combinations

IFRS 3 requires that goodwill be capitalised at cost and then be subject to an annual impairment review. Amortisation of goodwill is prohibited.

The goodwill carried by the Group relates to the acquisition of Rippon Homes Ltd in December 2000. The Group has chosen the option allowed by IFRS 1 to apply IFRS 3 prospectively from the transition date, rather than restate previous business combinations. Goodwill has therefore been frozen at net book value on 1 April 2005.

The operating profit impact for the year ended 31 March 2006 is the elimination of the amortisation charge of £156,984 with a corresponding increase in net assets. There is no associated tax impact. There is no impairment charge for the year ended 31 March 2006.

Share-based Payment

In accordance with the transitional provisions of IFRS 2 and as allowed by IFRS 1, the Group has recognised a charge for employee share options granted after 7 November 2002 that had not vested by 1 April 2005. As the options in existence are equity settled with market based performance conditions, their fair value has been calculated using the Monte Carlo simulation model. The resulting charge is spread over the vesting period of the options, adjusted to reflect any options lapsing as a result of termination of employment.

The impact on operating profit of the share based payment charge for the year ended 31 March 2006 is a reduction in profit of £43,373.