



Artisan (UK) plc Annual report 2006



Artisan is a UK based house builder and business park developer.

Artisan (UK) plc

Artisan (UK) plc is the holding company for a group of property development companies and a property holding company. Artisan (UK) plc commenced trading in December 1998. The current principal trading companies are shown below.

Rippon Homes Limited

Rippon Homes, which has been part of the Artisan Group since December 2000, is a residential house developer based in Mansfield operating in the East Midlands and Yorkshire areas. Rippon Homes incorporates the Living Heritage division for more exclusive properties.

Artisan (UK) Developments Limited

This company develops business parks consisting of commercial office space together with light industrial units where there is an appropriate location. Its activity is currently concentrated in Cambridgeshire and Hertfordshire.

Artisan (UK) Projects Limited

This company manages the construction activity, principally for Artisan (UK) Developments Limited.

Artisan (UK) Properties Limited

It has not been the Group's intention to hold property in the long term, but where the Group holds tenanted properties and properties available for tenants, they are held in this company.

All of the above are 100% subsidiaries of Artisan (UK) plc

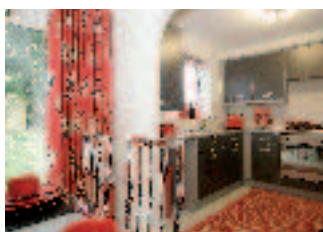
01 Financial highlights
05 Chairman's statement
06 Operational review
07 Financial review
09 Directors and advisers
10 Report of the directors
12 Corporate governance

14 Report on directors' remuneration
17 Report of the independent auditors
18 Group profit and loss account
19 Group balance sheet
20 Company balance sheet
21 Group cash flow statement
22 Notes forming part of the financial statements
34 Notice of annual general meeting

Financial highlights

“The group has exceeded market expectations...”

- 24% rise in pre tax profits to £2.6m (2005: £2.1m)
- 28% growth in earnings per share to 0.77p (2005: 0.60p)
- Shareholders' funds increased by 21% to £19.1m
- Residential land bank expanded by 21% during the financial year
- Commercial development profitability level increased



“The two business divisions, Residential Houses and Business Parks, create well designed and carefully built products in the right locations for our customers.”



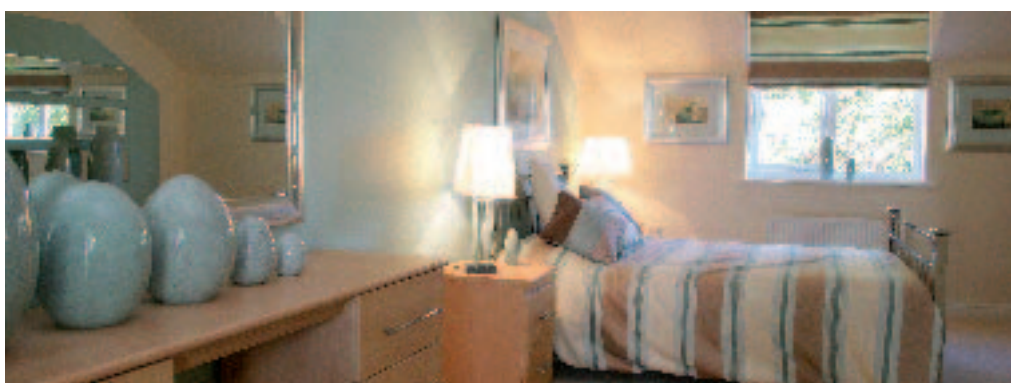
developing property, building value



Award winning "Edgehill" development at Mansfield Woodhouse showcases Rippon Homes "Living Heritage" range.



The impressive "Bembridge" bungalow justifies its position as one of Rippon Homes most popular bungalows.



The master suite in the "Melbourne" occupies the entire second floor, as a spacious bedroom, dressing area and en-suite facility.



The carefully managed "Part Exchange" scheme provides our customers with the "Easy way to buy their new home".

living the dream



ARTISAN (UK) DEVELOPMENTS



Light industrial units at Colmworth Business Park, St Neots.



Appealing design at Vantage Business Park, Huntingdon.



Bespoke headquarters and electronics manufacturing building at Colmworth.



Two storey, long leasehold offices at Eaton Court, St Neots.

creating space for business

Chairman's statement

“...excellent results for the year...”

I am pleased to report a further profitable year. We had viewed the 2005 result as exceptional, in that it benefited from a large commercial sale late in the financial year that contributed significant profits and brought forward profits expected for the year to 31 March 2006. However, were it not for one-off employment costs of £0.3m in the year, our operating profits in 2006 would have exceeded those in 2005.

In the event operating profits were broadly stable at £2.6m (2005: £2.7m) whilst pre-tax profits increased to £2.6m from last year's £2.1m.

A feature of the housing market is the potential for short term volatility, but the Board believes the long term prospects for housebuilding are strongly founded and because of this we continue to build up land reserves at Rippon Homes.

The market for our commercial business parks continued to be active during the year under review. The level of sales was slightly lower than expected due to one potential sale, late in the year, not completing as expected. The prospects for this area of the business remain positive for 2006/07.

The Infiniteland litigation, which has been running since 2002, has now been concluded in our favour and some recovery of costs has been achieved. I welcome this outcome and I trust this now marks the end of a period for the Company where significant amounts of management time have been spent dealing with this litigation.

Your Board is looking forward to 2006/07 with confidence, however we are cautious in anticipating its prospects as we know that the housing market has been volatile and could move against developers. Housing margins will continue to be under pressure, whilst there is little positive move in house prices achieved in our local markets in Nottinghamshire, Yorkshire and Lincolnshire.

We are determined to take the Group forward to a more robust market capitalisation and believe the platform to achieve this growth is now firmly founded. Our future progress will be led by organic growth in both divisions supported where feasible by other opportunities. We will invest in further outlets to provide more sales opportunities and therefore the investment in additional land is of paramount importance to the Group. The investment in the current year will provide the sales opportunities in future years.

With this in mind, your Board does not recommend a dividend for the current year, so that funds for investment can be retained in the business.

These excellent results for the year, building on last year's success, have been achieved with the support of all the employees in the business, and I should like to acknowledge their efforts on behalf of the Board.

Michael W Stevens
Chairman

11 July 2006

Operational review

“We have continued to invest in the housing land bank...”

The year to 31 March 2006 was a profitable year for house sales at Rippon Homes with once again a strong bias towards exchanges in March. Residential sales for this year were £19.4m (2005: £18.7m) although, reflecting the market conditions experienced generally in the sector, margins were slightly reduced. The improvement in turnover is derived from a change in the mix of sales to slightly more expensive units.

Improved consumer confidence in the housing market in January 2006 meant that sales were weighted towards the final month of the year which coincided with production delivery of stock. We are improving the delivery of stock by investing in a broader range of land to achieve, in so far as the market allows, a more balanced flow of units to meet sales demand and over a wider geographic area. Residential unit sales for the year were steady at 117 properties, compared with 118 units in the previous year.

Demand may have slipped back from the initial excitement that heralded the New Year but remains generally satisfactory although quite variable from week to week as consumers seem to be easily distracted from the housing market. However, as normal, the results for the year to 31 March 2007 will be reliant upon the market demand in the key sales seasons of the Autumn and New Year. Rippon Homes enjoys a low exposure to buy-to-let investors, and its houses are attractive to the more traditional buyer. This means Rippon Homes does not operate on a high percentage of forward-sales and, whilst it is therefore difficult to forecast sales volumes, it does allow pricing to respond to market conditions and take advantage of positive movements.

During the year, sales on the Group's business parks were £7.5m (2005: £8.6m). Last year's turnover would have been equalled had it not been for the late cancellation of one sale at the year end.

Whilst the turnover may not have grown, margins have improved, more than compensating for the lower turnover.

We have continued to invest in the housing land bank at Rippon Homes and during the year we increased our landholdings by 21%, ending the year with 279 plots owned or contracted (2005 - 230 plots). Future commercial development capacity has been enhanced by the purchase of two new sites (at St Neots and St Ives) at the end of the year and stands at over 15,700 square metres (2005: 15,500 square metres) of net developable floorspace, which is approximately three years' current production. A further site at Peterborough has been contracted since the year end and new outlets continue to be sourced.

Through the year to 31 March 2006, the Group has demonstrated the ability to return a good level of operating profits through its operations and enhance the prospects for future years.

Chris Musselle
Chief Executive

11 July 2006

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
Turnover				
2006	£19.4m	£7.5m	–	£26.9m
2005	£18.7m	£8.6m	–	£27.3m
Operating profit				
2006	£2.8m	£1.2m	£(1.3)m	£2.7m
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 Infiniteland 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

Directors and advisers

Directors

Michael W Stevens

Non-Executive Chairman

Christopher Musselle

Chief Executive and Finance Director

John Jones

Executive Director

Norman Saunders

Non-Executive

John Hemingway

Non-Executive

Secretary

Philip Speer

Company number

3630998

Registered office

Mace House,
Sovereign Court,
Ermine Business Park,
Huntingdon,
Cambridgeshire PE29 6XU

Auditors**BDO Stoy Hayward LLP**

8 Baker Street,
London W1U 3LL

Registrar**Capita Registrars**

The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Nominated Advisers**Brewin Dolphin Securities Limited,**

Edmund House,
12 - 22 Newhall Street,
Birmingham B3 3DB

Stockbroker**Brewin Dolphin Securities Limited,**

Edmund House,
12 - 22 Newhall Street,
Birmingham B3 3DB

Legal Advisers**Simmons & Simmons**

CityPoint,
One Ropemaker Street,
London EC2Y 9SS

Thomson Webb & Corfield

16 Union Road,
Cambridge CB2 1HE

Bankers**The Royal Bank of Scotland plc**

10 St Peter's Street,
St Albans,
Hertfordshire AL1 3LY

Report of the directors for the year ended 31 March 2006

The Directors present their report together with the audited financial statements for the year ended 31 March 2006.

Principal activities, review of the business and future developments

The principal activities of the Group during the year were property related services which included residential house building, commercial property development and property management. There have not been any significant changes in the Group's principal activities in the year under review. The directors are not aware of any likely major changes in the Group's activities in the next year.

The Chairman's Statement, Operational and Financial Reviews on pages 5 to 8 contain a review of the development and performance of the Group during the financial year and its position at the end of the year, covering the Enhanced Business Review requirements of the Companies Act 1985.

Principal risks and uncertainties

The Group's operations are clearly affected by the general economic cycle and in particular the house-building side of the business is subject to short-term volatility in demand. As mentioned in the Operational Review on page 6, Rippon Homes does not operate on a high percentage of forward-sales which allows it to respond to market conditions when setting prices. Conversely, our business model for commercial development is weighted towards achieving forward sales as this has the advantage that we are able to build units to meet our customers' exact requirements in terms of size and specification whilst at the same time limiting our exposure to unsold stock. However, speculative development of our general office and industrial product remains essential.

The ability to secure land for development is key to the Group's ongoing success and expansion. Whilst land is available there is no doubt that it is challenging to secure suitable sites on acceptable terms. We have a team of experienced land buyers tasked with identifying and evaluating potential sites supplemented by close relationships with agents, and a rigorous process for considering and approving land purchases.

As detailed in note 26 on page 31 the main risk arising from the Group's financial instruments is interest rate risk as the group's borrowings are at floating rates of interest. The Board have considered and will continue to consider whether any form of hedging is appropriate in relation to this risk, especially if the level of net indebtedness rises as expected.

Environment

The Group recognises the importance of its environmental responsibilities and aims to comply with all relevant environmental legislation. In particular, we aim to ensure that our designs meet the latest building regulations and the requirements of our customers.

Approximately 48% of our homes were built on brown-field sites during the year and all of the new plots acquired during the year are situated on brown or partially brown land. In many cases we incurred significant land remediation expenditure in dealing with contamination left by the previous occupiers of the land.

Employees and health and safety at work

Details of the number of employees and related costs can be found in note 3 on page 23.

As explained in the report on Corporate Governance on page 13, a high standard of health and safety management is promoted at all levels within the Group. This is reflected in the quarterly reports prepared by our external health and safety auditor that show the number of recorded accidents for the year were less than 30% of the benchmark figure for the Group. During the year no accidents occurred that were reportable to the Health and Safety Executive and one reportable incident occurred following which no action was taken.

Results and dividends

The profit and loss account is set out on page 18 and shows the profit for the year. The Group profit for the year after taxation amounted to £2,257,521 (2005 - £1,737,483).

The Directors do not propose to pay a final dividend for the year (2005 - £Nil). No interim dividends were paid in the year (2005 - £Nil).

Directors

The following Directors have held office during the year:

Michael Stevens	
Christopher Musselle	
Norman Saunders	
John Hemingway	
John Jones	(appointed 7 September 2005)
Martyn Freeman	(resigned 6 September 2005)

Directors' shareholdings

The Directors at 31 March 2006 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	2006	2005 or date of appointment, if later	2006	2005 or date of appointment, if later
Michael Stevens	69,666,667	29,666,667	–	–
Christopher Musselle	578,853	448,853	5,666,666	3,833,333
John Jones	100,000	100,000	2,500,000	2,500,000
Norman Saunders	46,666	46,666	–	–
John Hemingway	–	–	–	–

Indemnification of directors

Qualifying third party indemnity provisions (as defined in Section 309B(i) of the Companies Act 1985) are in force for Directors who held office during the year.

Substantial shareholders

At 10 July 2006 the Company has been notified of the following interests in its issued share capital pursuant to Part VI of the Companies Act 1985:

Ordinary shares of 0.5p each

Aspen Finance Limited	71,666,667	(21.81%)
-----------------------	------------	----------

Michael Stevens, a director, is beneficially interested in the shares held by Aspen Finance Limited as a director of Aspen Finance Limited and a potential beneficiary of its parent company, Okaba Management Inc.

Creditors payment policy

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. The number of average days purchases of the Company represented by trade creditors at 31 March 2006 was 11 days (2005 - 51 days).

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Annual General Meeting

The Annual General Meeting of the Company will be held at 28 Portland Place, London, W1 on 5 September 2006 at 10.45 am. Notice of the Annual General Meeting can be found on page 34.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Philip Speer

Secretary

11 July 2006

Corporate governance

The Directors acknowledge the importance of the Principles set out in the 2003 FRC Combined Code on Corporate Governance. Although not required to make these disclosures, the Directors set out below how the principles that they consider to be applicable to the Company have been applied during the year:

The Board of directors

During the year to 31 March 2006 the Board initially comprised a non-executive Chairman, a Chief Executive, a Finance Director and two independent Non-Executive Directors. Since 7 September 2005 the executive directors comprised the Chief Executive and the Managing Director of Rippon Homes Limited. The Board includes Non-Executive Directors of sufficient calibre and number to bring independent judgement on the key issues facing the Group.

The Chief Executive currently undertakes the role of Finance Director in addition to his own duties. The Board regard this as an interim measure following the management restructuring in September 2005 and will keep the board structure under review.

The Board meets regularly throughout the year to review performance against pre-agreed budgets. The Board has a formal schedule of matters specifically reserved to it for decision covering overall strategy, acquisition and divestment policy, approval of budgets and major capital expenditure projects and general treasury and risk management policies. To enable the Board to discharge its duties, all Directors have full access to all relevant information and to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, the Directors may take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

A nominations committee is not considered appropriate because of the small size of the Board but all appointments or potential appointments are fully discussed by all Board members. All new Directors and senior management are given a comprehensive introduction to the Group's business, including visits to the principal sites and meetings with senior management. Any training necessary will be provided at the Company's expense.

The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and then submit to re-election at intervals of three years. The Chief Executive is not subject to retirement by rotation, but would expect to submit voluntarily to re-election at intervals of three years.

Audit Committee

The Audit Committee consists of Norman Saunders, Chairman, and John Hemingway. The Audit Committee meets at least twice a year and considers the appointment and fees of the external auditors and

discusses the scope of the audit and its findings. Meetings are also attended by relevant Executive Directors. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

Remuneration Committee

The Remuneration Committee consists of John Hemingway, Chairman, and Norman Saunders. The Committee's role is, amongst other responsibilities, to consider and approve the remuneration and benefits of the Executive Directors. In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of The Combined Code. The Report on Directors' Remuneration is set out on pages 14 to 16.

Internal control

The Board has ultimate responsibility for the system of internal control operating throughout the Group and for reviewing its effectiveness.

No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide the Board with reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action.

The Company has had procedures in place throughout the year and up to the date of approval of this Annual Report, which accord with the Internal Control Guidance for Directors on the Combined Code published in September 1999.

The Board has delegated the detailed design of the system of internal control to the executive directors.

The control framework and key procedures are as follows:

- The Executive Directors meet regularly together, and with other senior executives, to consider Group financial performance, business development and Group management issues. The Directors and officers of Group subsidiaries comprise executives with appropriate functional responsibilities. Directors of key operating companies meet regularly to manage their respective businesses.
- The Group Board establishes corporate strategy and Group business objectives. Divisional management must integrate such objectives into divisional business strategies for presentation to the Group Board with supporting financial objectives.
- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives and endorsed by divisional management.

This is an integral part of the strategic planning process. The appropriateness of controls is considered by the executives, having regard to cost/benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are considered at each regular Board meeting and are formally reviewed and approved by the Group Board annually.

- Divisional budgets, containing financial and operating targets, capital expenditure proposals and performance indicators are reviewed by the Executive Directors and must support divisional business strategies. The consolidated Group budget is approved by the Group Board.
- Reports on Group and divisional performances are regularly provided to Directors and discussed at Group Board meetings. Performance against both budgets and objectives together with management of business risks are reviewed with divisional management, as are forecasts and material sensitivities. The Board regularly receives reports from key executives and functional heads covering areas such as forecasts, business development, strategic planning, legal and corporate matters.
- There is a group-wide policy governing appraisal and approval of investment expenditure and asset disposals. Post investment performance reviews are undertaken.
- Clearly defined organisation structures and appropriate delegated authorities for executives are in place throughout the Group.

Relations with shareholders

Communications with shareholders are given high priority. All shareholder enquiries to the Directors are attended to by a Director. There is a regular commentary for shareholders including presentations after the Company's preliminary announcement of the year end results and at the half year, as well as the investor relations section of the Company's website.

The Board also uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Chairmen of the Audit and Remuneration Committees are available at Annual General Meetings to answer questions.

Established procedures ensure the timely release of share price sensitive information and the publication of financial results and regulatory financial statements.

Health and safety

A high standard of health and safety management is promoted at all levels within the Group. The Group's health and safety approach is supported by training programmes at operating businesses, Group health and safety rules and monitoring and auditing to promote a

high level of awareness and commitment. The two senior subsidiary company directors with direct responsibility achieved significant health and safety qualifications. Their success has been appropriately recognised.

Statement by directors on compliance with the provisions of the Combined Code

The Board consider that they have complied with the provisions of the Combined Code throughout the year ended 31 March 2006 which they consider to be practicable and appropriate for a relatively small public company.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing these financial statements.

Going concern

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Report on directors' remuneration

This report has been prepared by the Remuneration Committee on behalf of the Board for submission to shareholders.

Remuneration Committee members

The Remuneration Committee consists of John Hemingway and Norman Saunders. The Remuneration Committee meets as required during the year but at least twice a year.

Remuneration Committee responsibilities

The Remuneration Committee provides advice and recommendations to the Board regarding the Company's framework for executive remuneration and its duties include:

- monitoring the remuneration policies applied in the Group having regard to relevant market comparisons and practice;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of Executive Directors of the Company. Its approach is consistent with the Group's overall philosophy that all staff should be competitively rewarded;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of senior executives of the Group;
- ensuring that the remuneration policy and the Group's practices for Executive Directors facilitate the employment and motivation of top quality personnel and adequately reward individual contributions made to the Group while at the same time remaining appropriate in terms of the Group's performance; and, if considered appropriate;
- monitoring the Group's employee share schemes in relation to legislative and market developments and determining within the overall remuneration policy the level of options or awards under such schemes, and making recommendations for the grant of options.

Policy

The Company has given full consideration to the principles of and has complied as far as possible with the provisions of the Combined Code on Directors' remuneration.

A strategic aim is to align as closely as possible the interests of employees and shareholders. This is achieved by attracting, training, developing and retaining talented staff at all levels throughout the Group underpinned by the provision of highly competitive salaries and benefits to all employees.

Individual salary, bonus and benefit levels for Executive Directors and other senior executives are reviewed annually by the Remuneration Committee and are determined by reference to a range of criteria including:

- personal performance;
- level of responsibility;
- the performance of the Group relative to its competitors; and
- the practice of other listed companies, in particular those operating in similar sectors.

Remuneration packages

The remuneration package for Executive Directors comprises short term and longer term benefits, post retirement benefits and share options. The Remuneration Committee is empowered to take external advice to help ensure the appropriateness of these benefits, where it considers it appropriate to do so.

Short term benefits comprise annual salary, provision of a company car (or car allowance), life assurance, medical expenses insurance and performance bonuses.

Directors' service agreements

Each of the Executive Directors has a service agreement which requires not more than twelve months notice of termination.

The Non-Executive Directors have contracts with the Company terminable at six months notice.

Pensions

Pension contributions are paid on a money purchase basis to the personal pension schemes of the Executive Directors. These arrangements are continually reviewed to ensure that they are appropriate. There is no intention to set up an occupational pension scheme.

Non-Executive Directors

The fees of Non-Executive Directors are set by the Board.

Directors' remuneration

	Salary and fees £	Bonus £	Benefits £	Compensation for loss of office £	Pension contributions £	Total 31 March 2006 £	Total 31 March 2005 £
Executives							
Christopher Musselle	132,610	75,000	19,043	–	12,959	239,612	212,600
John Jones	61,356	15,510	6,722	–	–	83,588	–
Martyn Freeman	59,080	–	7,958	244,321	6,966	318,325	214,601
Non-executives							
Michael Stevens	60,000	–	–	–	–	60,000	60,000
Norman Saunders	18,330	–	3,980	–	–	22,310	20,602
John Hemingway	18,330	–	–	–	–	18,330	16,800
Total 2006	349,706	90,510	37,703	244,321	19,925	742,165	
Total 2005	353,281	105,780	39,728	–	25,814		524,603

Pension contributions of £12,814 and £13,000 each were paid in the prior year in respect of Christopher Musselle and Martyn Freeman respectively.

The remuneration for Michael Stevens is payable in accordance with an agreement currently with Jermyn Consultancy Services Limited for the provision of his services.

John Jones' remuneration for the year is in respect of the period commencing from the date of his appointment as a director on 7 September 2005.

Pension contributions were made in respect of 2 directors (2005 - 2).

Share price performance

The closing mid-market price of the company's shares on 31 March 2006 was 3.7p per share and the high and low prices during the year were 3.88p and 2.63p respectively.

Share options

The Company believes that share ownership by Executive Directors and senior executives strengthens the links between their personal interest and those of investors.

At 31 March 2006 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

	At 31 March 2005	Granted in year	At 31 March 2006	Exercise price	Date from which exercisable	Expiry date	Conditions
Approved scheme							
Christopher Musselle	500,000	–	500,000	3.000p	1 April 2007	1 April 2014	(a)
John Jones	500,000	–	500,000	3.000p	1 April 2007	1 April 2014	(a)
Unapproved scheme							
Christopher Musselle	916,666	–	916,666	3.000p	1 April 2007	1 April 2010	(b)
	916,667	–	916,667	3.000p	1 April 2007	1 April 2010	(c)
	–	916,666	916,666	3.804p	31 July 2008	30 July 2011	(c)
	–	916,667	916,667	3.804p	31 July 2008	30 July 2011	(d)
	1,500,000	–	1,500,000	16.000p	17 May 2003	18 May 2010	
John Jones	500,000	–	500,000	3.000p	1 April 2007	1 April 2010	(b)
	500,000	–	500,000	3.000p	1 April 2007	1 April 2010	(c)
	–	500,000	500,000	3.804p	31 July 2008	30 July 2011	(c)
	–	500,000	500,000	3.804p	31 July 2008	30 July 2011	(d)
	–	500,000	500,000	3.804p	31 July 2008	30 July 2011	(d)

The options granted to John Jones in the year were granted before his appointment as a director on 7 September 2005.

No options were exercised during the year (2005 - None).

Report on directors' remuneration continued

Under the authority allowed in the existing Approved and Unapproved Executive Share Option schemes, share options have been issued to the Executive Directors of Artisan (UK) plc and other senior management of the trading companies within the Group. The number and terms of the share options were carefully considered by the Remuneration Committee and issued to help ensure that the interests of senior management of the Group are maintained alongside those of the shareholders. The Remuneration Committee believe that a principal interest of the shareholders is share price growth and accordingly the exercise of the shares is conditional upon share price growth in Artisan (UK) plc.

Conditions

- a) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding the threshold price for a consecutive period of 30 days prior to the date of exercise.

The threshold price is:

- until 6 April 2007 4.25p
- until 31 March 2008 4.75p
- until 31 March 2009 5.50p
- after 31 March 2009 the option lapses

These options may be exercised between three and ten years after the options were granted.

- b) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 4.25p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- c) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 4.75p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- d) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 5.50p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.

Options recommended since the year end

On 4 July 2006, the Remuneration Committee recommended the grant of 2,833,333 further unapproved share options to the Executive Directors of Artisan (UK) plc. These options will be granted on 24 July 2006, their exercise price being fixed by reference to the average closing share price of the company in the previous week.

Options to be granted to Directors in this regard are as follows:

	Number	Conditions
Christopher Musselle	916,666	(a)
	916,667	(b)
John Jones	500,000	(a)
	500,000	(b)

Conditions

- a) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 5.50p for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- b) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 6.50p for a consecutive period of 90 days prior to third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 11 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

John Hemingway

11 July 2006

Report of the independent auditors to the shareholders of Artisan (UK) plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Artisan (UK) plc for the year ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Operational and Financial Reviews, the Directors' Report, the Corporate Governance Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies

Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

11 July 2006

Group profit and loss account for the year ended 31 March 2006

	Note	2006 £	2005 £
Turnover	2	26,927,485	27,326,235
Cost of sales		(22,361,527)	(22,612,319)
Gross profit		4,565,958	4,713,916
Administrative expenses		(2,327,663)	(2,300,930)
Other operating income		336,351	309,133
Operating profit	4	2,574,646	2,722,119
Loss on sale of group undertaking in prior year		–	(7,640)
Exceptional recovery of costs/(provision) in respect of sale of group undertakings in previous years	5	405,108	(125,000)
(Provision)/profits arising on current asset investments and loan notes		(4,000)	69,476
		2,975,754	2,658,955
Interest payable	6	(448,686)	(536,538)
Interest receivable and similar income		119,425	12,631
Profit on ordinary activities before taxation		2,646,493	2,135,048
Taxation	7	(388,972)	(397,565)
Retained profit for the year	21	2,257,521	1,737,483
Basic earnings per share	9	0.77p	0.60p
Diluted earnings per share	9	0.77p	0.60p

All recognised gains and losses in the current and prior year are included in the profit and loss account.

All amounts relate to continuing activities.

Group balance sheet

at 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible assets	10		2,314,222		2,471,206
Tangible assets	11		352,779		340,199
			2,667,001		2,811,405
Current assets					
Investments	13	1,000		5,000	
Stocks and work in progress	14	26,437,562		21,786,214	
Debtors	15	5,542,920		6,791,533	
Cash at bank and in hand		3,350		5,207	
		31,984,832		28,587,954	
Creditors: amounts falling due within one year	16	8,568,360		8,094,628	
Net current assets			23,416,472		20,493,326
Total assets less current liabilities			26,083,473		23,304,731
Creditors: amounts falling due after more than one year	17	6,563,065		7,060,746	
Provisions for liabilities	19	447,745		528,843	
Net assets			19,072,663		15,715,142
Capital and reserves					
Called up share capital	20	1,642,647		1,442,647	
Share premium account	21	10,356,668		9,456,668	
Merger reserve	21	515,569		515,569	
Capital redemption reserve	21	91,750		91,750	
Profit and loss account	21	6,466,029		4,208,508	
Shareholders' funds	22	19,072,663		15,715,142	

The financial statements were approved by the Board of Directors and authorised for issue on 11 July 2006.

Chris Musselle
Director

Company balance sheet

at 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	11		7,005		8,484
Investments	12		10,452,149		10,452,149
			10,459,154		10,460,633
Current assets					
Investments	13	1,000		5,000	
Debtors	15	17,453,515		17,305,770	
Cash at bank and in hand		243		2,186	
		17,454,758		17,312,956	
Creditors: amounts falling due within one year	16	1,636,579		1,898,963	
Net current assets			15,818,179		15,413,993
Total assets less current liabilities			26,277,333		25,874,626
Creditors: amounts falling due after more than one year	17		12,341,754		13,449,691
Provisions for liabilities	19		447,745		528,843
Net assets			13,487,834		11,896,092
Capital and reserves					
Called up share capital	20		1,642,647		1,442,647
Share premium account	21		10,356,668		9,456,668
Merger reserve	21		689,328		689,328
Capital redemption reserve	21		91,750		91,750
Profit and loss account	21		707,441		215,699
Shareholders' funds			13,487,834		11,896,092

The financial statements were approved by the Board of Directors and authorised for issue on 11 July 2006.

Chris Musselle
Director

Group cash flow statement

for the year ended 31 March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Net cash inflow/(outflow) from operating activities	23		40,315		(2,121,632)
Returns on investments and servicing of finance					
Interest received		119,425		12,631	
Interest paid		(447,680)		(489,149)	
Net cash outflow from returns on investments and servicing of finance			(328,255)		(476,518)
Taxation					
UK corporation tax paid			(683,012)		(520,064)
Capital expenditure and financial investment					
Sale of tangible fixed assets		8,935		4,894	
Purchase of tangible fixed assets		(44,947)		(25,294)	
Net cash outflow from investing activities			(36,012)		(20,400)
Acquisitions and disposals					
Disposal of subsidiary undertakings in prior year		405,108		(7,640)	
Net cash inflow/(outflow) from acquisitions and disposals			405,108		(7,640)
Net cash outflow before use of liquid resources and financing			(601,856)		(3,146,254)
Management of liquid resources					
Sale of current asset investments			–		477,966
Financing					
Issue of ordinary share capital		1,100,000		–	
Movement in borrowing		(497,681)		6,042,362	
Capital element of hire purchase payments		(2,320)		(5,892)	
Net cash inflow from financing			599,999		6,036,470
(Decrease)/increase in cash	24		(1,857)		3,368,182

Notes forming part of the financial statements for the year ended 31 March 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

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. Estimates are used principally when accounting for income and expenditure on contracts and developments, provision for doubtful debts, depreciation and taxes.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings for the year ended 31 March 2006.

The results of businesses acquired or disposed of during the year have been included from the effective date of acquisition or up until the date of disposal. Profits or losses on intra-group transactions are eliminated in full.

The following principal accounting policies have been applied:

Turnover

Turnover 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, turnover is recognised when the sale becomes unconditional.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover 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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided on all tangible fixed assets 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

Stocks and work in progress

Stocks and work in progress 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 incomplete developments at the year end.

Land held for development or construction

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.

Assets financed by hire purchase and leases

Where assets are financed by hire purchase, the assets are treated as if they had been purchased outright. The amount capitalised is the cost of the asset. The corresponding hire purchase commitments are shown in creditors. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the outstanding capital amounts.

When assets are financed by operating leases, their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

1 Accounting policies continued

Goodwill

Goodwill arising from the purchase of subsidiary undertakings represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired.

Goodwill arising on acquisitions is capitalised as an intangible asset. Goodwill is amortised on a straight line basis from the time of acquisition over its useful economic life which the directors estimate is 20 years.

Goodwill is regularly reviewed and any impairments are taken to the profit and loss account as they are identified.

If an undertaking is subsequently divested, the appropriate unamortised goodwill or goodwill written off to reserves is dealt with through the profit and loss account in the period of disposal as part of the gain or loss on divestment.

Pensions

The group operates defined contribution pension schemes. Contributions are charged to the profit and loss account in the year in which they become payable.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

Comparative figures

Certain prior year amounts in the profit and loss account have been reclassified to conform with the 2006 presentation.

2 Turnover and operating profit

All turnover is generated from property-related activities within the UK.

During the year overhead costs totalling £1,363,048 (2005 - £1,362,866) were allocated from administrative expenses to work-in-progress.

3 Employees

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Staff costs, including directors, consist of:				
Wages and salaries	3,932,151	3,789,780	749,079	585,743
Social security costs	401,011	384,114	91,976	63,585
Other pension costs	89,825	97,226	25,149	30,101
	4,422,987	4,271,120	866,204	679,429

Details of remuneration, pension entitlement and interest in share options for each director are set out in the Report on Directors'

Remuneration on pages 14 to 16.

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

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
The average number of employees, including directors, during the year was:				
Administration	30	28	6	6
Operations	86	101	1	1
	116	129	7	7

Notes forming part of the financial statements continued

for the year ended 31 March 2006

4 Operating profit

	2006 £	2005 £
This has been arrived at after charging/(crediting):		
Depreciation	32,367	51,163
Amortisation of goodwill	156,984	156,984
Auditors' remuneration	77,000	73,500
– audit services		
– other services	56,000	51,742
Hire of plant and machinery	51,565	39,827
Other operating lease rentals	76,337	65,786
– vehicles		
– land and buildings	330,274	330,274
Rent receivable	(336,351)	(309,133)
Profit on sale of fixed assets	(8,935)	(2,784)

Included in the group audit fee is an amount of £17,600 (2005 – £18,504) in respect of the company.

5 Exceptional items

	2006 £	2005 £
(Credits)/charges recognised after arriving at operating profit:		
(Recovery of costs)/provision in respect of sale of group undertakings in previous years (see note 19)	(405,108)	125,000

6 Interest payable

	2006 £	2005 £
Hire purchase	409	1,009
Bank overdrafts and loans repayable within five years	448,182	473,532
Other interest	95	61,997
	448,686	536,538

7 Taxation

	2006 £	2005 £
Current tax		
UK corporation tax on profits for the year	643,540	569,515
Adjustment in respect of prior year	(254,568)	(171,950)
Taxation on profit on ordinary activities	388,972	397,565

7 Taxation continued

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

	2006 £	2005 £
Profit on ordinary activities before tax	2,646,493	2,135,048
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005: 30%)	793,948	640,514
Effects of:		
Expenses not deductible for tax purposes	35,716	56,341
Goodwill amortisation	47,095	46,620
Non-taxable income	(2,681)	–
Depreciation for year in excess of capital allowances	(3,726)	1,320
Capital loss adjustment	(97,199)	68,009
Utilisation of tax losses	(54,868)	(95,942)
Utilisation of provisions	(24,602)	(147,347)
Claim for land remediation tax relief	(50,143)	–
Adjustment in respect of previous years	(254,568)	(171,950)
Current tax charge for year	388,972	397,565

Subject to the agreement of HM Revenue & Customs, there are tax losses of approximately £3.7 million (2005 – £3.7 million) available for set off against future years profits.

8 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £491,742 (2005 – £126,721).

9 Earnings per share

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

	2006 Number	2005 Number
The weighted average number of shares were:		
Basic weighted average number of shares	291,597,919	288,529,426

There were no dilutive potential ordinary shares in 2006 or 2005.

10 Intangible fixed assets

Goodwill

£

Cost

At 1 April 2005 and 31 March 2006	3,136,389
-----------------------------------	-----------

Amortisation

At 1 April 2005	665,183
Charge for the year	156,984

At 31 March 2006	822,167
------------------	---------

Net book value

At 31 March 2006	2,314,222
------------------	-----------

At 31 March 2005	2,471,206
------------------	-----------

Notes forming part of the financial statements continued

for the year ended 31 March 2006

11 Tangible fixed assets

Group	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
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

The net book value of fixed assets includes an amount of £Nil (2005 – £Nil) in respect of assets held under hire purchase.

The depreciation charge includes an amount of £Nil (2005 – £12,197) in respect of assets held under hire purchase.

Company	Leasehold improvements £	Equipment, fixtures and fittings £	Total £
Cost			
At 1 April 2005	1,407	31,084	32,491
Additions	307	3,440	3,747
At 31 March 2006	1,714	34,524	36,238
Depreciation			
At 1 April 2005	1,232	22,775	24,007
Provided for the year	245	4,981	5,226
At 31 March 2006	1,477	27,756	29,233
Net book value			
At 31 March 2006	237	6,768	7,005
At 31 March 2005	175	8,309	8,484

12 Fixed asset investments

Company	Subsidiary undertakings £
Cost	
At 1 April 2005 and 31 March 2006	11,452,149
Provisions	
At 1 April 2005 and 31 March 2006	1,000,000
Net book value	
At 31 March 2006 and 31 March 2005	10,452,149

In the opinion of the directors the aggregate value of the Company's investments are not less than the amount included in the balance sheet.

At 31 March 2006 the principal subsidiary undertakings all of which are included within the consolidated financial statements, were:

Name	Class of share capital held	Proportion held	Nature of business
Artisan (UK) Developments Limited	Ordinary	100%	Commercial property development
Rippon Homes Limited	Ordinary	100%	House building and development
Artisan (UK) Projects Limited	Ordinary	100%	Building construction
Artisan (UK) Properties Limited	Ordinary	100%	Property sales and letting

All the above companies are registered in England and Wales.

13 Current asset investments

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Listed investments	1,000	5,000	1,000	5,000

The listed investment at the year end is quoted on NASDAQ in the United States of America. During the year a provision of £4,000 was made for diminution in value of the investment.

14 Stocks and work in progress

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Raw materials and consumables	26,508	29,483	—	—
Land held for development and work in progress	23,515,125	20,874,643	—	—
Completed developments and houses for sale	2,895,929	882,088	—	—
	26,437,562	21,786,214	—	—

Notes forming part of the financial statements continued

for the year ended 31 March 2006

15 Debtors

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	3,887,223	3,898,710	26,244	19,853
Amounts recoverable on contracts	935,772	2,547,516	–	–
Amounts owed from subsidiary undertakings	–	–	17,368,532	17,233,185
Other debtors	559,593	213,292	13,532	19,512
Prepayments and accrued income	160,332	132,015	45,207	33,220
	5,542,920	6,791,533	17,453,515	17,305,770

16 Creditors: amounts falling due within one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade creditors	2,363,614	2,242,031	30,273	161,602
Amounts owed to subsidiary undertakings	–	–	1,049,758	1,058,862
Corporation tax	509,700	803,740	–	169,200
Other taxes and social security	140,851	224,700	15,389	16,176
Other creditors	163,348	196,083	–	–
Accruals and deferred income	5,390,847	4,625,754	541,159	493,123
Amounts due under hire purchase agreements	–	2,320	–	–
	8,568,360	8,094,628	1,636,579	1,898,963

17 Creditors: amounts falling due after more than one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Bank loans (secured – see note 18)	6,563,065	7,060,746	12,341,754	13,449,691

18 Borrowings

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Are repayable as follows:				
In one year or less:				
Hire purchase agreements	–	2,320	–	–
In more than one year but not more than two years:				
Bank borrowings	6,563,065	–	12,341,754	–
In more than two years but not more than five years:				
Bank borrowings	–	7,060,746	–	13,449,691
	6,563,065	7,063,066	12,341,754	13,449,691

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.

Since the year-end the existing revolving credit facilities due for repayment in June 2007 have been renegotiated and a new and enhanced revolving facility has been agreed for the period to June 2009.

19 Provisions for liabilities

Group and Company	Provision for claims £
At 1 April 2005	528,843
Utilised during the year	(81,098)
At 31 March 2006	447,745

The company has continued to be engaged with matters arising from the sale of Bickerton Construction Limited. Judgement from the Court of Appeal was handed down in favour of Artisan (UK) plc. The appellants applied for leave to appeal directly to the House of Lords and this was refused, exhausting the appellants opportunities under the English judicial system. There are some residual costs in connection with this matter but also other associated matters including an indemnity on a bond provided and, therefore, provisions are maintained.

20 Share capital

	2006 £	2005 £
Authorised		
1,000,000,000 (2005 – 1,000,000,000) ordinary shares of 0.5p each	5,000,000	5,000,000
Allotted, called up and fully paid		
328,529,426 (2005 – 288,529,426) ordinary shares of 0.5p each	1,642,647	1,442,647

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

On 3 March 2006 40,000,000 ordinary shares were placed with Aspen Finance Limited at 2.75p per share to raise £1.1 million of additional working capital.

Notes forming part of the financial statements continued

for the year ended 31 March 2006

20 Share capital continued

Contingent rights to the allotment of shares

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

	31 March 2005	Granted in year	Surrendered in year	At 31 March 2006	Exercise price range
Approved scheme	3,250,000	–	–	3,250,000	3.00p
Unapproved scheme	7,666,666	4,666,666	5,166,666	7,166,666	3.00–16.00p

The above options are exercisable up to 1 April 2014.

Further details on share option schemes are provided in the Report on Directors' Remuneration on pages 14 to 16.

21 Reserves

	Group				Company			
	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £
At 1 April 2005	9,456,668	515,569	91,750	4,208,508	9,456,668	689,328	91,750	215,699
Retained profit for the year	–	–	–	2,257,521	–	–	–	491,742
Premium arising on issue of shares	900,000	–	–	–	900,000	–	–	–
At 31 March 2006	10,356,668	515,569	91,750	6,466,029	10,356,668	689,328	91,750	707,441

22 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the year	2,257,521	1,737,483
Shares issued in year	1,100,000	–
Net movement in shareholders' funds	3,357,521	1,737,483
Opening shareholders' funds	15,715,142	13,977,659
Closing shareholders' funds	19,072,663	15,715,142

23 Net cash inflow from operating activities

	2006 £	2005 £
Operating profit	2,574,646	2,722,119
Depreciation	32,367	51,163
Amortisation	156,984	156,984
Profit on disposal of fixed assets	(8,935)	(2,784)
Increase in stock	(4,651,348)	(3,060,128)
Decrease/(increase) in debtors	1,248,613	(1,948,506)
Increase(decrease) in creditors and provisions	687,988	(40,480)
Net cash inflow/(outflow) from operating activities	40,315	(2,121,632)

24 Reconciliation of change in cash to movement in net debt

	2006 £	2005 £
(Decrease)/increase in cash in the year	(1,857)	3,368,182
Repayment of secured bank loans	497,681	957,177
Repayment of other loans	–	61,207
New secured bank loans	–	(7,060,746)
Capital element of hire purchase agreements	2,320	5,892
Cash inflow from decrease in liquid resources	–	(477,966)
Movement in net debt in the year	498,144	(3,146,254)
Transfer in respect of loan notes redeemed with current asset investments	–	236,453
Profit on sale of current asset investments	–	69,476
Increase in provision against current asset investments	(4,000)	–
Opening net debt	(7,052,859)	(4,212,534)
Closing net debt	(6,558,715)	(7,052,859)

25 Analysis of net debt

	At 1 April 2005 £	Cash flow £	Non-cash movement £	At 31 March 2006 £
Cash at bank	5,207	(1,857)	–	3,350
	5,207	(1,857)	–	3,350
Hire purchase agreements	(2,320)	2,320	–	–
Debt due after more than one year	(7,060,746)	497,681	–	(6,563,065)
Current asset investments	5,000	–	(4,000)	1,000
Net debt	(7,052,859)	498,144	(4,000)	(6,558,715)

26 Financial instruments**(a) Policies and risks**

The Group's financial instruments comprise equity investments, bank loans, finance leases, cash and various items such as trade debtors and trade creditors that arise directly from its operations. Cash and bank loans are used to raise finance for the group's operations and acquisitions. The main purpose of holding equity investments is to achieve capital growth and realise profits on their disposal.

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 equity investments held by the Group are susceptible to changes in value arising from market factors. The performance of each investment is constantly monitored by the directors and the company's advisers.

The Group is also subject to foreign exchange risk in respect of an immaterial investment denominated in Euros and US dollars as set out in note 26(c).

Short term debtors and creditors have been excluded from the disclosures.

Notes forming part of the financial statements continued

for the year ended 31 March 2006

26 Financial instruments continued

(b) Interest rate risk profile of financial liabilities

Currency	Total £	Fixed rate financial liabilities £	Floating rate financial liabilities £	Weighted average interest rate %	Weighted average period for which rate is fixed years
At 31 March 2006					
Sterling	6,563,065	–	6,563,065	6.08	–
At 31 March 2005					
Sterling	7,063,066	2,320	7,060,746	6.25	1.00

The hire purchase agreements are all term agreements none of which exceed 4 years.

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 31 March 2006				
Sterling, Euros and US dollars	4,350	–	3,350	1,000
At 31 March 2005				
Sterling, Euros and US dollars	10,207	–	5,207	5,000

Floating rate financial assets comprises cash held in UK and Spanish bank accounts. Financial assets on which no interest is paid comprises an equity investment in listed securities denominated in US dollars.

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

	2006 £	2005 £
Within one year	–	2,320
After one and within two years	6,563,065	–
After two and within five years	–	7,060,746
	6,563,065	7,063,066

(e) Borrowing facilities

The group has no undrawn committed facilities as at 31 March 2006 (2005 – Nil).

26 Financial instruments continued**(f) Fair value of financial liabilities and financial assets**

	2006 Book value £	2006 Fair value £	2005 Book value £	2005 Fair value £
Long term borrowings	6,563,065	6,563,065	7,060,746	7,060,746
Hire purchase	–	–	2,320	2,320
Cash	3,350	3,350	5,207	5,207
Current asset investments	1,000	1,000	5,000	5,000

The fair value of financial liabilities is based on market rates of interest.

The fair value of current asset investments are based on quoted market values, directors' valuation or actual disposal transactions after the year end.

27 Contingent liabilities and commitments

A cross guarantee held by the bank in favour of Artisan (UK) plc and its group company members has been given by the Company for all monies owing. At 31 March 2006, bank borrowings of group company members covered by the Company's cross guarantee amounted to £Nil (2005 – £Nil).

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. As at 31 March 2006, bonds in issue amount to £8,613 (2005 – £8,613).

As previously disclosed, the liquidator of Bickerton Construction Limited had made enquiries into management charges from Artisan around the time of the sale of Bickerton. The liquidator has now stated in his latest report to creditors that no further actions or investigations are to be carried out.

28 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	2006 Land and buildings £	2006 Other £	2005 Land and buildings £	2005 Other £
Within one year	4,400	23,081	12,400	8,480
Between two and five years	118,850	62,632	110,850	60,363
After five years	207,024	–	207,024	–

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the eighth Annual General Meeting of Artisan (UK) plc ("the Company") will be held at 28 Portland Place, London W1B 1DE on Tuesday, 5 September 2006 at 10.45 am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of Resolutions 1 to 5 inclusive as ordinary resolutions, and, in the case of Resolution 6 as a special resolution:

1. That the report of the Directors and the audited accounts of the Company for the year ended 31 March 2006 be received
2. That Norman Stanley Saunders be re-elected as a director of the Company
3. That Christopher Paul Musselle be re-elected as a director of the Company
4. That John Alfred Jones be re-elected as a director of the Company
5. That BDO Stoy Hayward LLP be re-appointed auditors of the Company, and that the Directors be authorised to determine the auditors' remuneration
6. That the Directors be and are hereby empowered, pursuant to Section 95(1) of the Companies Act 1985, to allot equity securities (as defined in Section 94(2) of that Act) as if Section 89(1) of that Act did not apply to such allotment, provided that –
 - (a) this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £500,000; and
 - (b) this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or (if earlier) on 4 December 2007, but so that the Directors shall be empowered to allot equity securities after such expiry in pursuance of an offer or agreement entered into prior to such expiry

BY ORDER OF THE BOARD

Philip R Speer
Company Secretary

Registered Office:
Mace House
Sovereign Court
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU

Date: 11 July 2006

Notes:

1. Any person entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons to attend and, on a poll, vote in his place. A proxy need not be a member of the Company.
2. A form of proxy for use at the Annual General Meeting is enclosed and, to be valid, it must be lodged at the offices of the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR together with the power of attorney or other written authority, if any, under which it is signed (or a notorially certified copy of such power or authority) not less than 48 hours before the time fixed for the meeting.
3. The appointment of a proxy does not preclude the appointing shareholder from subsequently attending and voting in person at the Annual General Meeting.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to vote at the Annual General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be entered on the Register of Members of the Company by 5.00 pm on 1 September 2006.

ARTISAN (UK)
DEVELOPMENTS LIMITED

ARTISAN (UK) plc

Mace House
Sovereign Court
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU

Telephone: 01480 436666
Fax: 01480 436231
Email: email@artisan-plc.co.uk

www.artisan-plc.co.uk

ARTISAN (UK)
PROJECTS LIMITED

Mace House
Sovereign Court
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU

Telephone: 01480 436777
Fax: 01480 436230
Email: general@
artisandevelopments.co.uk

www.artisandevelopments.co.uk

RIPPON HOMES LIMITED

Leeming Lane South
Mansfield Woodhouse
Nottinghamshire
NG19 9AQ

Telephone: 01623 659000
Fax: 01623 420807
Email: info@ripponhomes.co.uk

www.ripponhomes.co.uk