



ARTISAN
(UK) plc

Report and Accounts

15 months to 30 June 2007

Developing property, building value

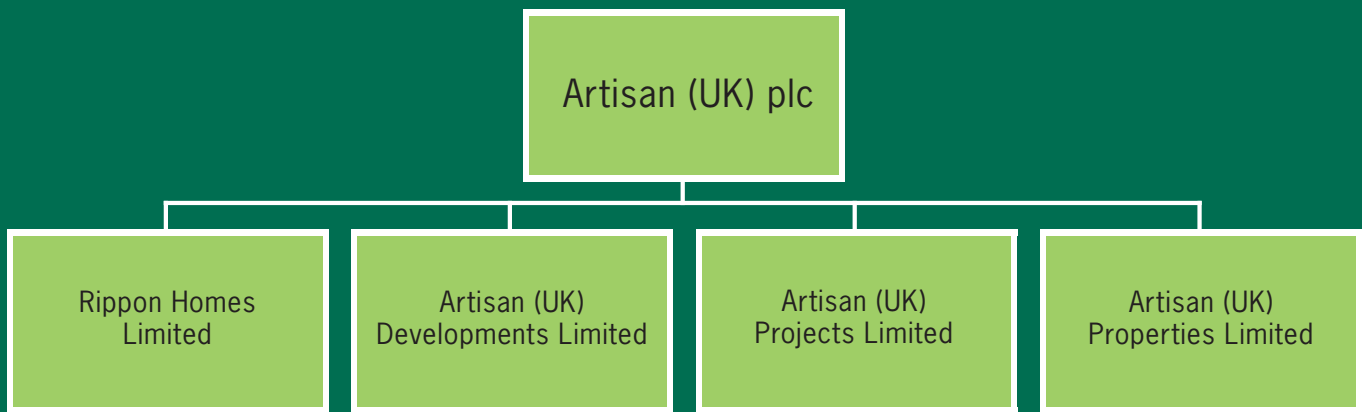


Artisan is a UK based house builder and business park developer.

CORPORATE PROFILE

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, Lincolnshire and Yorkshire areas. Rippon Homes incorporates the Living Heritage division for the 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 concentrated in East Anglia and Hertfordshire.

Artisan (UK) Projects Limited

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

Artisan (UK) Properties Limited

The company is engaged in property investment activities. It holds selected properties from its ongoing property portfolio where it believes the covenant of the tenant will provide scope for additional attractive returns to the Group. It will also consider selectively acquiring third party properties.

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

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Financial Highlights

- Turnover for 15 months up significantly to £41.0m (2006: £28.7m*)
- Operating profits have remained steady at £3.7m (2006: £3.7m*), largely due to margin pressure in residential sales
- Business park development division performing strongly, with turnover at £15.6m (2006: £9.7m) and operating profit before central charges at £2.4m (2006: £1.6m*)
- Final dividend of 1.5p per Ordinary Share recommended (2006: nil): total dividend for the period under review at 2.7p (2006: nil*)
- Board to continue investment in land stocks to provide future growth
- Profit before tax falls as expected to £2.8m (2006: £3.4m*), reflecting the impact of IFRS on income recognition and increased interest charge as a result of investment in inventories
- Maiden contribution from property investment division established during the period

*The comparatives for 2006 are based on the 12 months to 31 March 2006, restated to reflect the adoption of International Reporting Standards and changes in accounting policies



“Artisan has three divisions, Residential Houses and Business Parks, creating well designed and carefully built buildings, now enhanced by the property investment division”



ARTISAN
(UK) plc



developing property, building value



Well presented industrial units at St Ives, Cambs.



Attractive office units in Huntingdon, Cambs.



An individually specified, forward let office in Peterborough.

creating space for business



Spacious dining and lounge areas in 4-bedroom detached houses.



Attractive and practical kitchen in a detached development.



High quality units from the Living Heritage brand.

Chairman's statement

“...another period of strong results.”

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

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

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

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

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

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

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

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

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

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

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

Michael W Stevens
Chairman

26 September 2007

Operational review

“...increased turnover...because stock available...”

The 15 months to 30 June 2007 has seen the commercial business park operations reach record levels of turnover and profit. Turnover has grown to £15.6m (2006: £9.7m) including inter group sales of £1.5m (2006: £nil). The inter group sales are in respect of the investment property activity. The increased turnover has been achieved because built stock and land has been available to meet demand. In addition a record level of forward sales was achieved which has provided turnover not only in the period but also for the year to 30 June 2008.

The commercial stock has been utilised in providing sales and investment land for Artisan (UK) Properties. During the 15 month period the acquisition of sites at Peterborough and King's Lynn were completed and a site at Ipswich since contracted in line with the Board's plans. Consequently land stocks stand at 21,000m² of net developable floor space (2006: 16,550m²). Since the period end further sites have been agreed and, if these all complete, Artisan (UK) Developments will be well placed for sales outlets.

Residential has faced more challenging conditions. Whilst an improved spread of product offered across sites over a broader geographic region has enabled an improved turnover to be achieved, 160 units contributing £26.9m of turnover (2006: 107 units contributing £19.0m turnover), the sales have been more difficult to achieve at target prices. The increased use of incentives and less sales price growth has resulted in profit before central charges of £2.6m (2006: £3.0m).

Land supply is important to both businesses and Rippon Homes has 337 plots owned or contracted at 30 June 2007 (2006: 279). Further sites are subject to agreed bids.

Artisan (UK) Properties has, as an extension to the Artisan (UK) Development activities, secured its first two investment agreements during the period. The first is a 36,500 sq ft industrial unit for Black Teknigas Ltd, a subsidiary of Watts Industries. The agreement for this investment includes a five-year option for an extension of 18,500 sq ft to the property.

The second investment property is for a 5,000 sq ft new office for Speymill Group plc, a group that has recently established new areas of activity and grown existing ones.

We believe that each investment holds the potential for appreciation in value over the next few years and we will look for similar opportunities.

As the lease on the current Artisan Huntingdon office expires, Artisan will be moving to new offices of 3,000 sq ft alongside Speymill Group's new offices.

The 15 months to 30 June 2007 has shown that the combination of residential and commercial operations has successfully balanced profitability in the face of challenging residential market conditions.

Chris Musselle
Chief Executive

26 September 2007

Financial review

“...greater levels of turnover...”

Results

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

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

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

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

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

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

“...net assets have grown 11.2%.”

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

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

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

Work-In-Progress

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

Capital Reorganisation

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

Chris Musselle

Chief Executive

26 September 2007

Directors and advisers

Directors

Michael W Stevens

Non-Executive Chairman

Christopher Musselle

Chief Executive and Finance Director

John Jones

Executive Director

Michael Eyres

Executive Director

Norman Saunders

Non-Executive Director

John Hemingway

Non-Executive Director

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 Adviser**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**Thomson Webb & Corfield**

16 Union Road,
Cambridge CB2 1HE

Bankers**The Royal Bank of Scotland plc**

Corporate Banking,
Conqueror House,
Vision Park,
Chivers Way,
Histon,
Cambridge CB24 9NL

Report of the directors for the period ended 30 June 2007

The Directors present their report together with the audited financial statements for the 15 month period ended 30 June 2007.

The Company has changed its accounting reference date from 31 March to 30 June. This followed from an assessment of the impact of the change in the accounting policy for revenue recognition adopted under IFRS on the results of the Group in relation to its key selling periods. The change in accounting reference date also brings the Group in line with many other property companies who tend to have reporting periods ending 30 June or 31 December.

Principal activities, review of the business and future developments

The principal activities of the Group during the period were property related services which included residential house building, commercial property development and property investment and management. There have not been any significant changes in the Group's principal activities in the period under review, although a renewed emphasis has been placed on property investment as an adjunct to the existing businesses. 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 period and its position at the end of the period, 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.

The planning process is uncertain. Where possible land acquisition terms are linked to the grant of planning permission. However, the timing of planning permission can become elongated and this can affect the delivery of intended sales within any given accounting period.

As the purchase of either a residential or commercial unit is normally a significant commitment by our purchaser, the purchaser's confidence to proceed is affected by the general economic outlook and the actions and anticipated actions of the Monetary Policy Committee of the Bank of England.

As detailed in note 24 on page 37 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 is required 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 54% of our homes were built on brown-field sites during the period and 71% of the new plots acquired during the period 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 pages 28 and 29.

As explained in the report on Corporate Governance on page 14, 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 period were less than 50% of the benchmark figure for the Group.

Results and dividends

The income statement is set out on page 19 and shows the profit for the period. The Group profit for the period after taxation amounted to £2,111,877 (2006 – £2,787,476).

The Directors have proposed a final dividend for the period of 1.5p (2006 – £Nil) per ordinary share of 20p amounting to £122,980 (2006 – £Nil). An interim dividend of 1.2p per ordinary share of 20p amounting to £98,384 was paid during the period.

Directors

The following Directors have held office during the period:

Michael Stevens
Christopher Musselle
Norman Saunders
John Hemingway
John Jones

Michael Eyres was appointed as a director after the period end on 20 July 2007.

Directors' shareholdings

The Directors at 30 June 2007 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	Ordinary shares		Options	
	30 June 2007	31 March 2006 (restated)	30 June 2007	31 March 2006 (restated)
Michael Stevens	2,422,908	1,741,666	–	–
Christopher Musselle	19,200	14,471	187,499	141,666
John Jones	5,400	2,500	87,500	62,500
Norman Saunders	1,050	1,166	–	–
John Hemingway	–	–	–	–

The number of shares and options at 31 March 2006 have been restated to reflect the capital reorganisation during the period (see note 20).

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 period.

Substantial shareholders

At 25 September 2007 the Company has been notified of the following interests in its issued share capital:

	Ordinary shares of 20p each	
Aspen Finance Limited	2,422,908	29.5%

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 30 June 2007 was 11 days (2006 – 11 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.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have chosen to prepare the Parent Company accounts in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Report of the directors continued

Parent Company financial statements

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

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Brewin Dolphin Securities Limited, 12 Smithfield Street, London, EC1A 9BD on 6 November 2007 at 11am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

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

26 September 2007

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 period:

The Board of Directors

During the period to 30 June 2007 the Board comprised a non-executive Chairman, a Chief Executive and Finance Director, the Managing Director of Rippon Homes Limited and two independent Non-Executive Directors. The Board includes Non-Executive Directors of sufficient calibre and number to bring independent judgement on the key issues facing the Group.

After the period end the Managing Director of Artisan (UK) Developments Limited was appointed to the Board as an Executive Director.

The Chief Executive continues to combine the role of Finance Director, although he is supported in this role by a suitably qualified Group Financial Controller. The Board will keep the board structure under review.

The Board met regularly throughout the period 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 15 to 17.

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 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.

Corporate governance continued

- 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 throughout the period ended 30 June 2007 with those provisions of the Combined Code which they consider to be practicable and appropriate for a relatively small public company.

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.

Report on directors' remuneration continued

Directors' remuneration

	Salary and fees £	Bonus £	Benefits £	Compensation for loss of office £	Pension contributions £	Total 15 months ended 30 June 2007 £	Total Year ended 31 March 2006 £
Executives							
Christopher Musselle	188,370	65,000	24,710	–	18,825	296,905	239,612
John Jones	145,225	25,000	16,456	–	–	186,681	83,588
Martyn Freeman	–	–	–	–	–	–	318,325
Non-executives							
Michael Stevens	85,000	–	–	–	–	85,000	60,000
Norman Saunders	27,900	–	4,944	–	–	32,844	22,310
John Hemingway	27,900	–	–	–	–	27,900	18,330
Total 15 months to 30 June 2007	474,395	90,000	46,110	–	18,825	629,330	
Total year ended 31 March 2006	349,706	90,510	37,703	244,321	19,925		742,165

Pension contributions of £12,959 and £6,966 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 with Jermyn Consultancy Services Limited for the provision of his services.

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

Martyn Freeman's remuneration for the previous year relates to the period up to his resignation on 6 September 2005.

Pension contributions were made in respect of 1 Director (2006 – 2).

Share price performance

The closing mid-market price of the Company's shares on 30 June 2007 was 167.5p per share and the high and low prices during the period were 177.0p and 125.0p 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 30 June 2007 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

	At 31 March 2006	Granted in period	At 30 June 2007	Exercise price	Date from which exercisable	Expiry date	Conditions
Approved scheme							
Christopher Musselle	12,500	–	12,500	120p	1 April 2007	1 April 2014	(a)
John Jones	12,500	–	12,500	120p	1 April 2007	1 April 2014	(a)
Unapproved scheme							
Christopher Musselle	22,916	–	22,916	120p	1 April 2007	1 April 2010	(b)
	22,917	–	22,917	120p	1 April 2007	1 April 2010	(c)
	22,916	–	22,916	152p	31 July 2008	30 July 2011	(c)
	22,917	–	22,917	152p	31 July 2008	30 July 2011	(d)
	–	22,916	22,916	150p	24 July 2009	23 July 2012	(d)
	–	22,917	22,917	150p	24 July 2009	23 July 2012	(e)
	37,500	–	37,500	640p	17 May 2003	18 May 2010	
John Jones	12,500	–	12,500	120p	1 April 2007	1 April 2010	(b)
	12,500	–	12,500	120p	1 April 2007	1 April 2010	(c)
	12,500	–	12,500	152p	31 July 2008	30 July 2011	(c)
	12,500	–	12,500	152p	31 July 2008	30 July 2011	(d)
	–	12,500	12,500	150p	24 July 2009	23 July 2012	(d)
	–	12,500	12,500	150p	24 July 2009	23 July 2012	(e)

The number of share options in existence at 31 March 2006, the options granted in the period and the exercise prices have been restated to reflect the capital re-organisation during the year (see note 20).

No options were exercised during the period (2006 – None).

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 170p
- until 31 March 2008 190p
- until 31 March 2009 220p
- 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 170p ('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 190p ('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 220p ('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.

- e) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 260p ('the threshold price') 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.

In respect of the unapproved options exercisable between 1 April 2007 and 1 April 2010, if the conditions are not satisfied by the third anniversary of the date of grant, then the options will nonetheless be exercisable if the conditions of any options subsequently issued under the Unapproved scheme are fulfilled.

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 on the page opposite.

On behalf of the Remuneration Committee

John Hemingway

26 September 2007

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 period ended 30 June 2007 which comprise the Group income statement, the Group statement of changes in equity, the Group and Company balance sheets, the Group 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 Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company 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 Corporate Profile, Directors and Advisers, Financial Highlights, Chairman’s Statement, Operational and Financial Reviews, Directors’ Report, Corporate Governance Statement and 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 IFRSs as adopted by the European Union, of the state of the Group’s affairs as at 30 June 2007 and of its profit for the period 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 30 June 2007;
- 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

26 September 2007

Group income statement

for the period ended 30 June 2007

	Note	15 month period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Revenue	2	41,032,156	28,664,400
Cost of sales		(35,093,001)	(23,503,665)
Gross profit		5,939,155	5,160,735
Other operating income		410,264	741,459
Administrative expenses		(2,913,381)	(2,218,052)
		3,436,038	3,684,142
Revaluation surplus on investment properties	10	261,684	–
Operating profit	4	3,697,722	3,684,142
Finance income		18,829	119,425
Finance expense	5	(933,642)	(448,686)
Profit before taxation		2,782,909	3,354,881
Tax expense	6	(671,032)	(567,405)
Profit for the period		2,111,877	2,787,476
Basic earnings per share	8	25.71p	38.24p
Diluted earnings per share	8	25.71p	38.24p

Group statement of changes in equity

	Share capital £	Share premium account £	Merger reserve £	Capital redemption reserve £	Retained earnings £	Own shares held £	Total £
At 1 April 2005	1,442,647	9,456,668	515,569	91,750	3,376,299	–	14,882,933
Profit and total income and expense recognised for the year	–	–	–	–	2,787,476	–	2,787,476
Issue of shares	200,000	900,000	–	–	–	–	1,100,000
Credit in respect of employee share schemes	–	–	–	–	43,373	–	43,373
At 31 March 2006	1,642,647	10,356,668	515,569	91,750	6,207,148	–	18,813,782
Profit and total income and expense recognised for the period	–	–	–	–	2,111,877	–	2,111,877
Dividends paid	–	–	–	–	(98,384)	–	(98,384)
Issue of shares	3	15	–	–	–	–	18
Purchase of own shares	–	–	–	–	–	(19,065)	(19,065)
Credit in respect of employee share schemes	–	–	–	–	51,957	–	51,957
At 30 June 2007	1,642,650	10,356,683	515,569	91,750	8,272,598	(19,065)	20,860,185

Group balance sheet

at 30 June 2007

	Note	30 June 2007 £	31 March 2006 £
ASSETS			
Non-current assets			
Intangible assets	9	2,454,760	2,454,760
Investment properties	10	1,515,897	–
Property, plant and equipment	11	437,058	352,779
Deferred tax assets	12	–	171,180
		4,407,715	2,978,719
Current assets			
Inventories	13	34,792,561	30,167,798
Current asset investment	14	–	1,000
Trade and other receivables	15	1,478,042	1,242,085
Cash and cash equivalents		1,126	3,350
		36,271,729	31,414,233
Total assets		40,679,444	34,392,952
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	16	(10,752,945)	(6,563,065)
Current liabilities			
Trade and other payables	17	(8,098,715)	(8,058,660)
Current tax provisions		(523,527)	(509,700)
Provisions	19	(444,072)	(447,745)
		(9,066,314)	(9,016,105)
Total liabilities		(19,819,259)	(15,579,170)
Net assets		20,860,185	18,813,782
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Called up share capital	20	1,642,650	1,642,647
Share premium account	21	10,356,683	10,356,668
Merger reserve	21	515,569	515,569
Capital redemption reserve	21	91,750	91,750
Retained earnings	21	8,272,598	6,207,148
Own shares	21	(19,065)	–
Total equity		20,860,185	18,813,782

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2007.

Chris Musselle
Director

Group cash flow statement

for the period ended 30 June 2007

	Note	Period 1 April 2006 to 30 June 2007 £	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £	Year ended 31 March 2006 £
Cash flows from operating activities					
Cash (used by)/generated from operations	23	(2,330,514)		445,423	
Finance income received		18,829		119,425	
Finance costs paid		(898,818)		(447,680)	
Tax paid		(486,025)		(683,012)	
Net cash used in operating activities			(3,696,528)		(565,844)
Cash flows from investing activities					
Purchase of property, plant and equipment		(145,850)		(44,947)	
Capital expenditure on investment properties		(238,767)		–	
Proceeds from sale of property, plant and equipment		5,163		8,935	
Proceeds from sale of current asset investment		1,309		–	
Net cash used in investing activities			(378,145)		(36,012)
Cash flows from financing activities					
Dividends paid		(98,384)		–	
Proceeds from the issue of ordinary share capital		18		1,100,000	
Purchase of own shares		(19,065)		–	
Movement on borrowings		4,189,880		(497,681)	
Capital element of hire purchase payments		–		(2,320)	
Net cash from financing activities			4,072,449		599,999
Net decrease in cash and cash equivalents			(2,224)		(1,857)
Cash and cash equivalents at the beginning of the period			3,350		5,207
Cash and cash equivalents at the end of the period			1,126		3,350

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 exercisable 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

	Residential Development £	Commercial Development £	Property Investment £	Eliminations £	Total £
Income statement					
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 £
<i>Current tax</i>		
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
<i>Deferred tax expense</i>		
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	
<i>Carrying value</i>	
At 1 April 2006 and 30 June 2007	2,454,760
<i>Carrying value</i>	
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

	£
<i>Fair value</i>	
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 £
<i>Cost</i>						
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
<i>Depreciation</i>						
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
<i>Net book value</i>						
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
<i>Cost</i>						
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
<i>Depreciation</i>						
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
<i>Net book value</i>						
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 exercisable 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.

Company balance sheet

at 30 June 2007

	Note	30 June 2007 £	30 June 2007 £	31 March 2006 £	31 March 2006 £
Fixed assets					
Tangible assets	4		5,091		7,005
Investments	5		10,452,149		10,452,149
			10,457,240		10,459,154
Current assets					
Investments	6		–		1,000
Debtors	7	24,348,226		17,453,515	
Cash at bank and in hand			305		243
		24,348,531		17,454,758	
Creditors: amounts falling due within one year	8	1,565,232		1,636,579	
Net current assets			22,783,299		15,818,179
Total assets less current liabilities			33,240,539		26,277,333
Creditors: amounts falling due after more than one year	9		18,579,420		12,341,754
Provisions for liabilities	11		444,072		447,745
Net assets			14,217,047		13,487,834
Capital and reserves					
Called up share capital	12		1,642,650		1,642,647
Share premium account	13		10,356,683		10,356,668
Merger reserve	13		689,328		689,328
Capital redemption reserve	13		91,750		91,750
Profit and loss account	13		1,455,701		707,441
Own shares	13		(19,065)		–
Shareholders' funds	14		14,217,047		13,487,834

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2007

Chris Musselle
Director

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

1 Accounting policies

The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK GAAP.

A cash flow statement has not been presented as permitted by FRS 1 (revised) 'Cash flow statements'.

Changes in accounting policy

During the year the Company adopted FRS 20 'Share-based payments'. Grants under the Company's Approved and Unapproved share option schemes fall within the scope of FRS 20. Whilst the adoption of this standard represents a change in accounting policy there is no impact on the comparative figures in the Company's balance sheet and hence there is no need to restate this. The profit for the year ended 31 March 2006 is reduced by the amount of the share-based payment charge for the year.

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:

Leasehold improvements	– 25% per annum on the straight line basis
Fixtures and fittings	– 25% per annum on the straight line basis

Fixed asset investments

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

Current asset investments

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

Own shares

The cost of the Company's investment in its own shares is shown as a reduction in shareholders' funds in retained earnings.

Share-based payments

In accordance with the transitional provisions FRS 20 has been applied to share options granted after 7 November 2002 that had not vested at 1 April 2006. The Company grants equity-settled share-based payments under the Approved and Unapproved share option schemes. The fair value of these grants is spread on a straight line basis over the vesting period, as adjusted for any leavers to the schemes.

Financial instruments

The Company's principal financial assets and liabilities are cash at bank and borrowings. Cash at bank is carried in the balance sheet at nominal value. Borrowings are recognised initially at net proceeds less issue costs and subsequently at amortised cost.

Operating leases

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.

2 Directors and employees

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Staff costs, including directors, consist of:		
Wages and salaries	556,294	749,079
Social security costs	51,030	91,976
Equity settled share-based payments	51,957	43,373
Other pension costs	24,557	25,149
	683,838	909,577

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.

Included within wages and salaries and social security costs for the 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	6	6
Operations	–	1
	6	7

3 Profit for the financial period

The 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 period, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £696,303 (2006: £448,369 – restated).

The auditors' remuneration for audit services to the Company was £17,000 (2006: £17,600).

Notes forming part of the Company financial statements continued

for the period ended 30 June 2007

4 Tangible assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Total £
<i>Cost</i>			
At 1 April 2006	1,714	34,524	36,238
Additions	–	3,753	3,753
Disposals	–	(2,194)	(2,194)
At 30 June 2007	1,714	36,083	37,797
<i>Depreciation</i>			
At 1 April 2006	1,477	27,756	29,233
Provided for the period	96	4,152	4,248
Disposals	–	(775)	(775)
At 30 June 2007	1,573	31,133	32,706
<i>Net book value</i>			
At 30 June 2007	141	4,950	5,091
At 31 March 2006	237	6,768	7,005

5 Fixed asset investments

	Subsidiary undertakings £
<i>Cost</i>	
At 1 April 2006 and 30 June 2007	11,452,149
<i>Provisions</i>	
At 1 April 2006 and 30 June 2007	1,000,000
<i>Net book value</i>	
At 30 June 2007 and 31 March 2006	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 30 June 2007 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.

6 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.

7 Debtors

	30 June 2007 £	31 March 2006 £
Trade debtors	23,019	26,244
Amounts owed from subsidiary undertakings	24,214,611	17,368,532
Other debtors	4,494	13,532
Prepayments and accrued income	106,102	45,207
	24,348,226	17,453,515

All amounts shown under debtors fall due for payment within one year.

8 Creditors: amounts falling due within one year

	30 June 2007 £	31 March 2006 £
Trade creditors	23,491	30,273
Amounts owed to subsidiary undertakings	1,085,453	1,049,758
Other taxes and social security	16,103	15,389
Accruals and deferred income	440,185	541,159
	1,565,232	1,636,579

9 Creditors: amounts falling due after more than one year

	30 June 2007 £	31 March 2006 £
Bank loans (secured – see note 10)	18,579,420	12,341,754

10 Borrowings

	30 June 2007 £	31 March 2006 £
Are repayable as follows:		
In more than one year but not more than two years:		
Bank borrowings	18,579,420	12,341,754

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.

Notes forming part of the Company financial statements continued

for the period ended 30 June 2007

11 Provisions for liabilities

	Provision for claims £
At 1 April 2006	447,745
Utilised during the period	(3,673)
At 30 June 2007	444,072

Details of provisions for liabilities are included in note 19 to the Group financial statements.

12 Share capital

Details of the share capital of the Company are included in note 20 to the Group financial statements.

13 Reserves

	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £	Own shares held £
At 1 April 2006	10,356,668	689,328	91,750	707,441	–
Retained profit for the period	–	–	–	696,303	–
Premium arising on issue of shares	15	–	–	–	–
Equity settled share- based payments	–	–	–	51,957	–
Purchase of own shares	–	–	–	–	(19,065)
At 30 June 2007	10,356,683	689,328	91,750	1,455,701	(19,065)

The own shares reserve represents the cost of “excess” fractional entitlements purchased pursuant to the Capital Reorganisation following the general meeting held on 19 January 2007.

14 Reconciliation of movements in shareholders' funds

	Period 1 April 2006 to 30 June 2007 £	Year ended 31 March 2006 £
Profit for the period	696,303	448,369
Shares issued in period	18	1,100,000
Own shares acquired in period	(19,065)	–
Equity settled share-based payments	51,957	43,373
Net movement in shareholders' funds	729,213	1,591,742
Opening shareholders' funds	13,487,834	11,896,092
Closing shareholders' funds	14,217,047	13,487,834

15 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 30 June 2007, bank borrowings of group company members covered by the Company's cross guarantee amounted to £Nil (31 March 2006 – £Nil).

In the normal course of business the Company has given counter indemnities in respect of performance bonds and financial guarantees. As at 30 June 2007, bonds in issue amount to £8,613 (31 March 2006 – £8,613).

16 Leasing commitments

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

	30 June 2007 Land and buildings £	30 June 2007 Other £	31 March 2006 Land and buildings £	31 March 2006 Other £
Within one year	1,096	969	–	–
Between two and five years	–	7,105	100,000	11,454

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