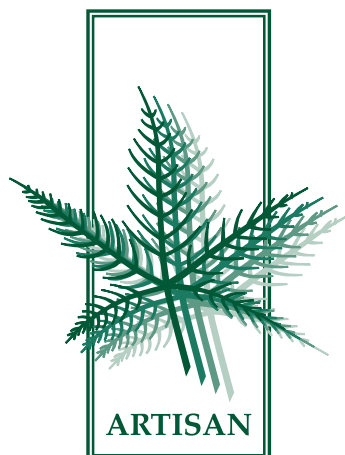


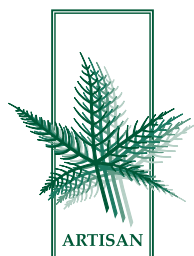


ARTISAN (UK) PLC

Annual Report and Accounts

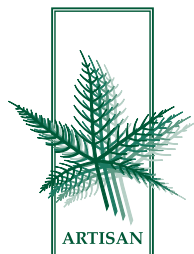
for the year to

31 March 2004



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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 and Lincolnshire areas. Rippon Homes now incorporates the Living Heritage name for the more exclusive properties.

ARTISAN (UK) DEVELOPMENTS LIMITED

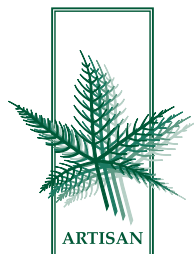
This company develops business parks consisting of commercial office space together with light industrial units where there is an appropriate location. Its activity is concentrated in Cambridgeshire and Hertfordshire.

ARTISAN (UK) PROJECTS LIMITED

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

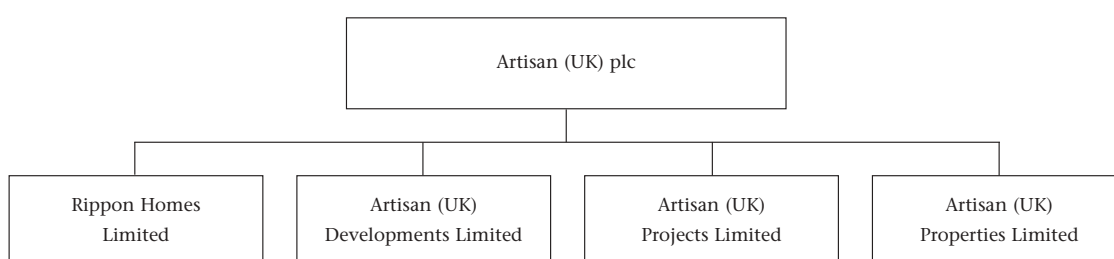
ARTISAN (UK) PROPERTIES LIMITED

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

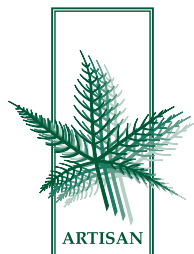


CORPORATE PROFILE

GROUP STRUCTURE AND PRINCIPAL OPERATING SUBSIDIARIES



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



DIRECTORS AND ADVISERS

COMPANY NUMBER:

3630998

REGISTERED OFFICE:

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

DIRECTORS:

Michael Stevens	(NON-EXECUTIVE CHAIRMAN)
Martyn Freeman	(CHIEF EXECUTIVE)
Christopher Musselle	(FINANCE DIRECTOR)
Norman Saunders	(NON-EXECUTIVE)
John Hemingway	(NON-EXECUTIVE)

SECRETARY:

Philip Speer

AUDITORS:

BDO Stoy Hayward LLP, 8 Baker Street, London W1U 3LL

REGISTRAR:

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

NOMINATED ADVISERS:

Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL

STOCKBROKER:

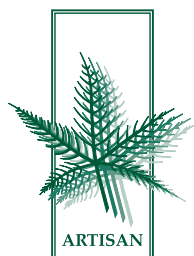
Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL

LEGAL ADVISERS:

Simmons & Simmons, Citypoint, One Ropemaker Street, London, EC2Y 9SS
Philip Speer & Co., 51 Cambridge Place, Cambridge, CB2 1NS

BANKERS:

The Royal Bank of Scotland plc, 10 St Peter's Street, St Albans, Herts, AL1 3LY

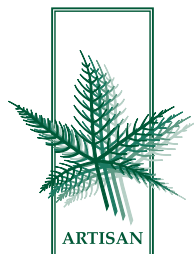


FINANCIAL HIGHLIGHTS

For the year ended 31 March 2004

	31 March 2004	31 March 2003
	£	£
<u>GROUP TURNOVER</u>	<u>32,116,765</u>	<u>35,290,017</u>
<u>GROUP OPERATING PROFIT</u>	<u>2,022,046</u>	<u>267,920</u>
<u>PROFIT/(LOSS) BEFORE INTEREST AND TAX</u>	<u>1,555,435</u>	<u>(4,747,791)</u>
<u>EARNINGS/(LOSS) PER SHARE</u>	<u>0.27p</u>	<u>(1.95)p</u>
<u>NET ASSETS</u>	<u>13,977,659</u>	<u>13,149,505</u>
<u>NET DEBT</u>	<u>(4,212,534)</u>	<u>(10,620,698)</u>

<u>ANNUAL GENERAL MEETING</u>	<u>3 SEPTEMBER 2004</u>
<u>INTERIM RESULTS 2005</u>	<u>ANNOUNCEMENT EXPECTED DECEMBER 2004</u>
<u>FINAL RESULTS 2005</u>	<u>ANNOUNCEMENT EXPECTED JULY 2005</u>



CHAIRMAN'S STATEMENT

During the year to March 2004 we concentrated on the two key core businesses of Residential Housing development and Commercial development and also made arrangements to conclude the non-core disposals programme, ahead of our expectations.

Our own performance reflects the markets in which we operate, with housing profits robust, but commercial sales elusive. However I am pleased to note that sales enquiries on our commercial sites since the start of 2004/05 have increased in line with more recent market reports.

The perceived strength of the housing market has made it more difficult than expected to agree an acceptably priced housebuilding company acquisition. A number of indicative and initial offers were made by your management but were not successful in attracting potential vendors at a realistic valuation. Notwithstanding the possible short term cycle fluctuations in the housing market, we remain convinced of the long term growth potential for good UK housebuilders and we remain committed to this course. Our activity concentrating on sensibly priced homes in the East Midlands and Lincolnshire has proved stronger than in more volatile areas.

In the meantime, I am delighted to report an operating profit of £2.02m being a great improvement to last year's modest £268,000 profit. We have also improved the net profit before tax at £1.1m from last year's £5.3m loss before tax, principally as there has been no further requirement for write downs on non-core assets. I also draw your attention to the substantial reduction in borrowings to £4.7m (2003: £11.4m) compared with £23.3m two years ago, providing us with a healthy base with which to invest to take the Group forward.

The outturn for the year to 31 March 2004 is all the more creditable given the substantial distraction and cost of a long drawn out court battle against the claims from the purchaser of the Bickerton Construction business. I am most pleased that the senior judge hearing the case dismissed those claims and clearly rejected the allegations made against the Company and in particular our Finance Director. It is disappointing that the claimants have been

granted leave to appeal and allowed to defer settlement of their liabilities.

The irksome legacy of Bickerton aside, we have realised substantially all our investments in Stratus and Wigmore, and closed the book on these non-property activities.

The coming year will no doubt be heavily dependent on the short term prospects for the UK housing market. Underlying demand for quality new housing remains strong. Whilst we understand that the market can react irrationally to the sentiment in the second-hand property market, I believe that the Group is strong enough to cope with a degree of rising interest rates in the markets in which we operate.

Another unknown for the remainder of this year is the timing of when the UK Government may introduce its Property Investment Fund proposals, how this will influence our product and the opportunity for Artisan and its shareholders.

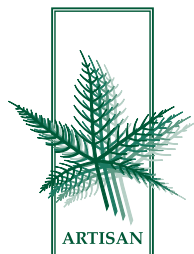
No dividend is proposed for the current year as the Board believes it is necessary to retain funds in the business whilst we continue to develop the core activities. However, we do not forget that a key objective is to provide shareholders with a return on their investment.

The Board, the staff, and the professional team, are determined to maximise the opportunities the coming year is expected to bring following their laudable efforts in the year under review. I look forward to working with them as Artisan moves out of a period of consolidation.

MICHAEL STEVENS

Chairman

13 July 2004



OPERATIONS REVIEW

Rippon Homes now undertakes most of our residential housing development and it continued its solid profitability during 2003/04 holding minimal stock throughout the year as demand surpassed supply. A total of 126 houses were sold and land was acquired for 136 new plots with terms agreed on another 74.

This company has responded well to the challenges of the Government and planning system, and is now successfully selling more densely developed sites, with a reduction in average house size and an increase in the number of three storey buildings. Our land buying strategy has taken us closer to the larger conurbations of the East Midlands and also towards the highly populated South Yorkshire region.

Following the integration of Living Heritage as a division of Rippon Homes, 31 residual Living Heritage stock units were sold during the year, with the division retaining only a small portfolio of flats from the older stock, which are now being tenanted prior to an eventual disposal. Living Heritage now continues marketing premium developments as part of Rippon Homes.

The occupational demand for the business parks developed by Artisan (UK) Developments only started to recover at the very end of the financial year and, as a consequence, this division was unable to cover its overheads and interest costs from the 3,000 square metres of offices and industrial units sold in the twelve months.

The sum of this activity takes us into 2004/05 with circa 26,000 square metres of commercial development capacity over four business parks in Hertfordshire and Cambridgeshire and 168 housing plots owned or contracted for purchase, together with the lowest gearing the Group has enjoyed for a considerable period. The low gearing provides us with the opportunity to increase debt to support future growth.

The funding capacity is planned to be put to good use in 2004/05 as we look to acquire more housing plots, both through Rippon Homes and through investment in selected projects, whilst continuing our search for a suitable additional housebuilding operation. A number of discussions were held with a variety of housebuilders over the past twelve months, but agreement on pricing has proved very difficult in such buoyant times in the housing market, and your directors have maintained the requirement for a purchase price that makes good long term sense over the full business cycle.

MARTYN FREEMAN

Chief Executive

13 July 2004



FINANCIAL REVIEW

RESULTS

Group turnover for the year to 31 March 2004 was at a slightly reduced £32.1m (2003: £35.3m). However this reduction of £3.2m is as a result of sales of old stock left from the Living Heritage portfolio in the previous year prior to its transfer to Rippon Homes Limited to continue as the brand developing the more exclusive properties. There now remain 5 apartments from the old stock, which have been available for short let prior to an eventual sale.

Operating profit has improved by £1.75m to £2.02m from a profit of £268,000, which is an encouraging trend. As a result of both improved trading and the elimination of losses on the old Living Heritage stock, profit from residential activity has improved significantly. However because of depressed market conditions and low volumes the commercial development activity has recorded a loss in the year. Having enjoyed a successful series of sales, the property dealing division is without stock at present, although Artisan will continue to seek opportunities particularly where there is a longer term development opportunity.

Summary of operating results (Continuing Activities)

	Residential £m	Commercial £m	Property Dealing £m	Central £m	Total (excluding goodwill) £m
Turnover					
– 2004	26.6	4.8	0.7	–	32.1
– 2003	28.1	4.7	2.5	–	35.3
Operating Profit					
– 2004	3.3	(0.3)	–	(0.8)	2.2
– 2003	1.6	0.5	0.1	(1.6)	0.6

There has been additional exceptional expenditure in respect of disposals of group undertakings in previous years. This is largely in respect of Bickerton Construction Limited.

SHARE CAPITAL

In April 2003, new shares (3m shares at 2p) were issued in settlement of outstanding liabilities to the vendors of Living Heritage.

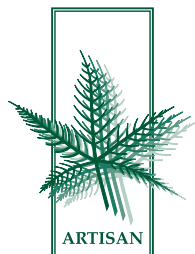
BALANCE SHEET

The net assets of the Group have been increased from £13.1m to £14.0m principally as a result of the retained profit for the year. Net debt has continued to reduce by a further £6.4m over the year to 31 March 2004. At 31 March 2004 the group had net cash balances of £0.4m (2003: £0.3m) and borrowings of £4.7m (2003: £11.4m). The reduction has been through the realisation of non-core assets and the sale of old Living Heritage stock. The gearing ratio has been reduced to 31.4% (2003: 83.8%) as a result of continuing debt repayments in the year. However as funds are invested in further land for residential investment, indebtedness is expected to rise from this low level.

The result of the substantial write-downs over the last two years had been to create substantial negative distributable reserves. As advised in last year's report and accounts, we applied to court to cancel these negative reserves by reduction of the share premium account. The application was successful and distributable reserves are now positive.

NON-CORE ASSETS

Artisan has concentrated on realising and rationalising its non-core assets and has now brought this programme to a conclusion with post year end realisations of holdings in Stratus Services Group Inc and Partners in Property Solutions plc modestly in excess of balance sheet value. Artisan retains a small number of common stock shares in Stratus. We were very successful in achieving an early realisation of our investment in The Wigmore Group plc, again at a value slightly in excess of the carrying value at 31 March 2003. The Wigmore disposal realised cash of £1.2m during the year.



FINANCIAL REVIEW

We remain in dispute with Infiniteland Ltd over the sale of Bickerton Construction Ltd. Artisan has endured a long and expensive High Court hearing which found entirely in favour of Artisan by dismissing Infiniteland's claim against Artisan and upholding our own claim in respect of deferred consideration. However Infiniteland have been granted leave to appeal subject to certain conditions, which to date they have not met. The full outstanding debt remains provided for whilst litigation continues and no assumption of any funds recoverable has been made. We are addressing the enquiries from the liquidator of Bickerton Construction principally concerning management charge transactions prior to disposal. We are also managing potential bond claims totalling approximately £700,000, against which some prudent provision has been made.

OTHER ACTIVITIES

Although we have not succeeded in sourcing the right acquisition, Artisan remains fully committed towards finding new acquisitions to generate greater activity in the core activities of the Group.

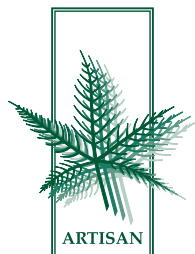
BANKERS

Artisan is pleased to report that after careful negotiation, new corporate banking facilities have been agreed with The Royal Bank of Scotland plc. These new facilities are on terms satisfactory to the Group and allow for greater funding to be available than hitherto.

CHRIS MUSSELLE

Finance Director

13 July 2004



DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activities of the Group during the year were property related services which included residential house building, commercial property development and property management.

The Chairman's statement, operations and financial reviews are set out on pages 6 to 9 and contain details of the Group's progress during the year together with an indication of future developments.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 20 and shows the profit for the year. The Group profit for the year after taxation amounted to £768,802 (2003 – loss £5,338,801).

The Directors do not propose to pay a final dividend for the year (2003 – £Nil). No ordinary dividends were paid in the year (2003 – £Nil).

DIRECTORS

The following Directors have held office during the year:

Michael Stevens
Christopher Musselle
Martyn Freeman
Norman Saunders
John Hemingway

DIRECTORS' SHAREHOLDINGS

The Directors at 31 March 2004 and their interests in the share capital (beneficially or potentially beneficially held) of the Company at the dates stated were:

	31 Mar 04	31 Mar 03	31 Mar 04	31 Mar 03
	Ordinary Shares	Ordinary Shares	Options	Options
Michael Stevens	29,666,667	26,666,667	–	–
Christopher Musselle	298,853	298,853	1,780,000	1,780,000
Martyn Freeman	204,000	204,000	1,500,000	1,500,000
Norman Saunders	46,666	46,666	–	–
John Hemingway	–	–	–	–

SUBSTANTIAL SHAREHOLDERS

At 13 July 2004 the Company has been notified of the following interests in its issued share capital pursuant to Part VI of the Companies Act 1985:

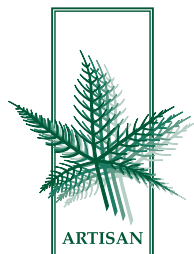
	Ordinary shares of 0.5p each
Aspen Finance Limited	29,666,667 (10.28%)

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

CREDITORS PAYMENT POLICY

Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with all relevant terms and conditions. The number of average days purchases of the Company represented by trade creditors at 31 March 2004 was 29 (2003 – 35 days).

For the property trading members of the Group, creditor days have been calculated as nil, as payment for current asset investments will usually occur on the completion date.



DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Butchers Hall, 87 Bartholomew Close, London, EC1A 9HP on 3 September 2004 at 11.30 am. Notice of the Annual General Meeting will be separately enclosed with the distribution of the Report and Accounts.

AUDITORS

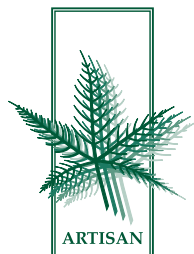
On 31 December 2003, BDO Stoy Hayward, the Company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

PHILIP SPEER

Secretary

13 July 2004



CORPORATE GOVERNANCE

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

The Board of Directors

During the year to 31 March 2004 the Board comprised a non-executive Chairman, a Chief Executive, a Finance Director 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.

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

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

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

Audit Committee

The Audit Committee consists of Norman Saunders, Chairman, and John Hemingway. The Audit Committee meets at least twice a year and considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. Meetings are also attended by relevant Executive Directors. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

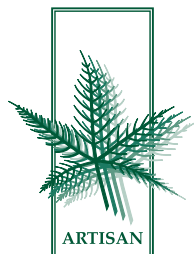
Remuneration Committee

The Remuneration Committee consists of John Hemingway, Chairman, and Norman Saunders. The Committee's role is, amongst other responsibilities, to consider and approve the remuneration and benefits of the Executive Directors. In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of The Combined Code. The Report on Directors' Remuneration is set out on pages 15 to 18.

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.



CORPORATE GOVERNANCE

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

The Board has delegated the detailed design of the system of internal control to the executive directors. The Board has also appointed a manager with specific responsibility for operational risk management. During the year the ability of the Group Financial Controller and the Operational Risk Surveyor to approach the Audit Committee was formalised.

The control framework and key procedures are as follows:

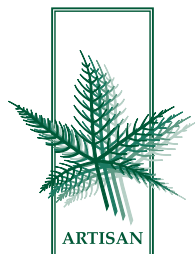
- The Executive Directors meet regularly together, and with other senior executives, to consider Group financial performance, business development and Group management issues. The Directors and officers of Group subsidiaries comprise executives with appropriate functional responsibilities. Directors of key operating companies meet regularly to manage their respective businesses.
- The Group Board establishes corporate strategy and Group business objectives. Divisional management must integrate such objectives into divisional business strategies for presentation to the Group Board with supporting financial objectives.
- There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Major business risks and their financial implications are appraised by the responsible executives and endorsed by divisional management. This is an integral part of the strategic planning process. The appropriateness of controls is considered by the executives, having regard to cost/benefit, materiality and the likelihood of risks crystallising. Key risks and actions to mitigate those risks are considered at each regular Board meeting and are formally reviewed and approved by the Group Board annually.
- Divisional budgets, containing financial and operating targets, capital expenditure proposals and performance indicators are reviewed by the Executive Directors and must support divisional business strategies. The consolidated Group budget is approved by the Group Board.
- Reports on Group and divisional performances are regularly provided to Directors and discussed at Group Board meetings. Performance against both budgets and objectives together with management of business risks are reviewed with divisional management, as are forecasts and material sensitivities. The Board regularly receives reports from key executives and functional heads covering areas such as forecasts, business development, strategic planning, legal and corporate matters.
- There is a group-wide policy governing appraisal and approval of investment expenditure and asset disposals. Post investment performance reviews are undertaken.
- Clearly defined organisation structures and appropriate delegated authorities for executives are in place throughout the Group.

Relations with Shareholders

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

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

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



CORPORATE GOVERNANCE

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.

Statement by Directors on Compliance with the Provisions of the Combined Code

The Board consider that they have complied with the provisions of the Combined Code throughout the year ended 31 March 2004 which they consider to be practicable and appropriate for a relatively small public company in accordance with the recommendations on corporate governance.

Directors' Responsibilities for the Financial Statements

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

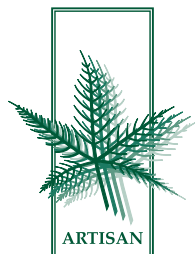
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare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

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

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

Going Concern

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



REPORT ON DIRECTORS' REMUNERATION

This report has been prepared by the Remuneration Committee on behalf of the Board for submission to shareholders. In so doing, the provisions of schedule B to The Combined Code annexed to the Listing Rules of the UK Listing Authority have been followed, where considered to be appropriate.

REMUNERATION COMMITTEE MEMBERS

The Remuneration Committee consists of Norman Saunders and John Hemingway. The Remuneration Committee meets as required during the year and 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.



REPORT ON DIRECTORS' REMUNERATION

REMUNERATION PACKAGES

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

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

DIRECTORS' SERVICE AGREEMENTS

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

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

PENSIONS

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

NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REMUNERATION

	Salary and Fees £	Bonus £	Compensation for loss of office £	Benefits £	Pension contributions £	Total 31 March 2004 £	Total 31 March 2003 £
Executives							
MARTYN FREEMAN	125,000	26,650	–	17,891	12,500	182,041	151,203
CHRISTOPHER MUSSELLE	125,000	26,650	–	17,891	12,500	182,041	155,328
STEPHEN DEAN	–	–	–	–	–	–	515,000
ALAN BROOKES	–	–	–	–	–	–	37,551
JOHN JONES	–	–	–	–	–	–	39,374
Non-Executives							
MICHAEL STEVENS	–	–	–	–	–	–	–
NORMAN SAUNDERS	17,900	–	–	2,068	–	19,968	23,833
JOHN HEMINGWAY	15,350	–	–	–	–	15,350	12,904
Total 2004	283,250	53,300	–	37,850	25,000	399,400	
Total 2003	435,784	21,600	405,000	39,784	33,025		935,193

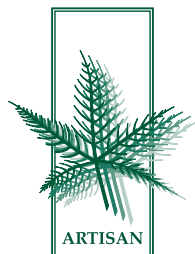
Pension contributions of £12,125 and £12,500 were paid in the prior year in respect of Martyn Freeman and Christopher Musselle respectively.

Stephen Dean resigned from the Board on 17 September 2002. Alan Brookes resigned from the Board on 23 April 2002.

John Jones resigned from the Board on 23 May 2002.

The value of benefits received during the year relates principally to the provision of company cars (or car allowances), life assurance and medical expenses cover.

Pension contributions were made in respect of 2 directors (2003 – 3).



REPORT ON DIRECTORS' REMUNERATION

SHARE OPTIONS

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

At 31 March 2004 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

Approved scheme	At 31 March 2003 and 31 March 2004	Exercise price	Date from which exercisable	Expiry date
CHRISTOPHER MUSSELLE	280,000	7p	10/9/2002	10/9/2009
Unapproved scheme				
MARTYN FREEMAN	1,500,000	16p	17/5/2003	18/5/2010
CHRISTOPHER MUSSELLE	1,500,000	16p	17/5/2003	18/5/2010

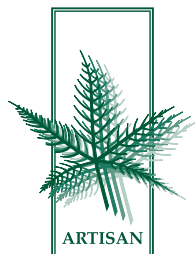
No options were granted, exercised or lapsed during the year.

The closing mid-market price of the company's shares on 31 March 2004 was 2.38p per share and the high and low prices during the year were 4.25p and 1.25p respectively.

Options granted since the year end

Immediately prior to the grant of new options on 1 April 2004, Christopher Musselle surrendered 280,000 existing share options in the Approved Executive Share Option scheme. 200,000 existing share options in the Approved Executive Share Option scheme were also surrendered by a subsidiary company director.

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.



REPORT ON DIRECTORS' REMUNERATION

SHARE OPTIONS

The options granted to the Executive Directors are as follows:

Name	Share options granted on 1 April 2004	Total share options now held	Exercise price	Scheme	Conditions (see below)
MARTYN FREEMAN	500,000	500,000	3.00p	Approved	a)
	916,666	916,666	3.00p	Unapproved	b)
	916,667	916,667	3.00p	Unapproved	c)
		1,500,000	16.00p	Unapproved	
CHRISTOPHER MUSSELLE	500,000	500,000	3.00p	Approved	a)
	916,666	916,666	3.00p	Unapproved	b)
	916,667	916,667	3.00p	Unapproved	c)
		1,500,000	16.00p	Unapproved	

Conditions

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

The threshold price is

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

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

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

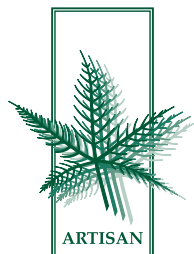
DIRECTORS' INTERESTS

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 10 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

JOHN HEMINGWAY

13 July 2004



REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ARTISAN (UK) PLC

We have audited the financial statements of Artisan (UK) plc for the year ended 31 March 2004 on pages 20 to 37 which have been prepared under the accounting policies set out on pages 24 to 25.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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

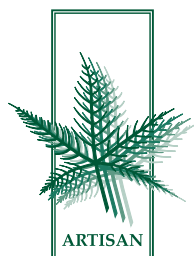
In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

London

13 July 2004

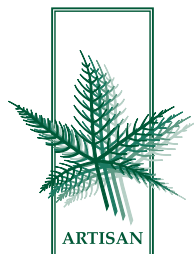


GROUP PROFIT & LOSS ACCOUNT

For The Year Ended 31 March 2004

		31 March 2004	31 March 2003
	Note	£	£
TURNOVER			
Continuing operations	2	32,116,765	35,290,017
Cost of sales	2	(28,325,253)	(32,369,023)
GROSS PROFIT		3,791,512	2,920,994
Administrative expenses	2	(1,775,720)	(2,681,483)
Other operating income	2	6,254	28,409
GROUP OPERATING PROFIT	4	2,022,046	267,920
Continuing operations		2,022,046	468,683
Discontinued activities		–	(200,763)
Profit on disposal of fixed assets		–	261,614
Loss on sale of group undertaking in prior year		(20,343)	(4,082)
Exceptional provisions in respect of sale of group undertakings in previous years	5	(554,504)	(1,177,949)
Exceptional termination payments	5	–	(570,000)
Exceptional profits, losses and provisions arising on current asset investments and loan notes	5	108,236	(3,525,294)
Interest payable	6	1,555,435	(4,747,791)
Interest receivable and similar income		(486,958)	(791,941)
		36,409	200,931
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,104,886	(5,338,801)
Taxation	7	(336,084)	–
RETAINED PROFIT/(LOSS) FOR THE YEAR	21	768,802	(5,338,801)
Basic earnings/(loss) per share	9	0.27p	(1.95)p
Diluted earnings/(loss) per share	9	0.27p	(1.95)p

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



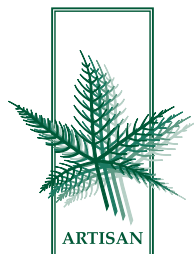
GROUP BALANCE SHEET

at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		2,628,190		2,785,174
Tangible assets	11		368,178		434,475
			2,996,368		3,219,649
CURRENT ASSETS					
Investments	13		177,037		398,976
Stocks and work in progress	14		18,726,086		22,242,791
Debtors	15		5,079,480		6,281,528
Cash at bank and in hand			355,653		344,371
			24,338,256		29,267,666
CREDITORS: amounts falling due within one year	16		12,409,645		18,054,598
NET CURRENT ASSETS			11,928,611		11,213,068
TOTAL ASSETS LESS CURRENT LIABILITIES			14,924,979		14,432,717
CREDITORS: amounts falling due after more than one year	17		52,320		308,212
Provisions for liabilities and charges	19		895,000		975,000
			13,977,659		13,149,505
CAPITAL AND RESERVES					
Called up share capital	20		1,442,647		1,427,647
Share premium account	21		9,456,668		18,844,878
Merger reserve	21		515,569		515,569
Capital redemption reserve	21		91,750		91,750
Profit and loss account	21		2,471,025		(7,730,339)
EQUITY SHAREHOLDERS' FUNDS	22		13,977,659		13,149,505

The financial statements were approved by the Board on 13 July 2004

CHRIS MUSSELLE
Director



COMPANY BALANCE SHEET

at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£	£	£	£
FIXED ASSETS					
Tangible assets	11		15,215		20,900
Investments	12		10,452,149		10,452,149
			10,467,364		10,473,049
CURRENT ASSETS					
Investments	13		177,037		398,976
Debtors	15		3,162,397		6,816,378
Cash at bank and in hand			747,756		675,204
			4,087,190		7,890,558
CREDITORS: amounts falling due within one year	16		1,840,183		5,467,566
NET CURRENT ASSETS			2,247,007		2,422,992
TOTAL ASSETS LESS CURRENT LIABILITIES			12,714,371		12,896,041
CREDITORS: amounts falling due after more than one year	17		50,000		300,000
Provisions for liabilities and charges	19		895,000		975,000
			11,769,371		11,621,041
CAPITAL AND RESERVES					
Called up share capital	20		1,442,647		1,427,647
Share premium account	21		9,456,668		18,844,878
Merger reserve	21		689,328		689,328
Capital redemption reserve	21		91,750		91,750
Profit and loss account	21		88,978		(9,432,562)
EQUITY SHAREHOLDERS' FUNDS			11,769,371		11,621,041

The financial statements were approved by the Board on 13 July 2004

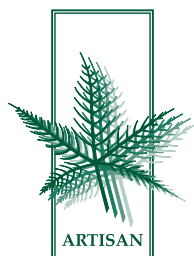
CHRIS MUSSELLE
Director



GROUP CASH FLOW STATEMENT

For the year ended 31 March 2004

	Note	31 March 2004		31 March 2003	
		£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	23		6,517,922		15,305,940
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		36,409		204,984	
Interest paid		(486,958)		(1,269,142)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(450,549)		(1,064,158)
TAXATION					
UK corporation tax paid			(237,295)		(1,935,166)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Sale of tangible fixed assets		34,284		555,339	
Purchase of tangible fixed assets		(31,813)		(24,996)	
NET CASH INFLOW FROM INVESTING ACTIVITIES			2,471		530,343
ACQUISITIONS AND DISPOSALS					
Disposal of subsidiary undertaking in prior year		(20,343)		(18,618)	
Net cash disposed with subsidiary undertakings		–		(6,190)	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS			(20,343)		(24,808)
MANAGEMENT OF LIQUID RESOURCES					
Sale of current asset investments			817,897		178,786
EQUITY DIVIDENDS PAID			–		(403,294)
NET CASH INFLOW BEFORE FINANCING			6,630,103		12,587,643
FINANCING					
Issue of shares		–		500,000	
Share buy back		–		(1,162,967)	
Movement in borrowing		(8,655,115)		(11,123,893)	
Capital element of finance leases		(17,413)		(186,248)	
NET CASH OUTFLOW FROM FINANCING			(8,672,528)		(11,973,108)
(DECREASE)/INCREASE IN CASH	24		(2,042,425)		614,535



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for income and expenditure on contracts and developments, provision for doubtful debts, depreciation and taxes.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings for the year ended 31 March 2004.

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

The following principal accounting policies have been applied:

Turnover

Turnover represents the value of work done and properties sold excluding VAT. Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. In respect of sales of property, turnover is recognised when the sale becomes unconditional.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual

value of each asset over its expected useful life. It is calculated at the following rates:

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

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a purchase cost basis. Work in progress includes materials and labour costs and an appropriate proportion of overheads incurred on incomplete contracts and developments at the year end. Profit is recognised on long term contracts, as stated above.

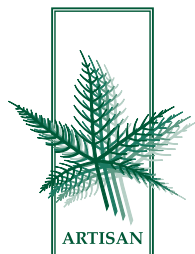
Land held for development/construction

Land held for building is stated at the lower of cost and net realisable value. Cost comprises land cost and direct materials and labour. Net realisable value is the actual or estimated net selling price.

Assets financed by hire purchase and leases

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

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



NOTES TO THE FINANCIAL STATEMENTS

The capital part reduces the outstanding capital amounts.

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

Deferred taxation

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

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

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

Deferred tax balances are not discounted.

Goodwill

Goodwill arising from the purchase of subsidiary undertakings and interests in associates, represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired.

Goodwill arising on acquisitions is capitalised as an intangible asset or, if arising in respect of an associate, recorded as part of the related investment. Goodwill is amortised on a straight line basis from the time of acquisition over its useful economic life which the Directors estimate is 20 years.

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

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

Pensions

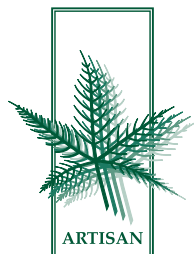
The group operates defined contribution pension schemes. Contributions are charged to the profit and loss account in the year in which they become payable.

Fixed asset investments

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

Current asset investments

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



NOTES TO THE FINANCIAL STATEMENTS

2 TURNOVER AND OPERATING PROFIT

Turnover is generated from property-related activities within the UK, with the exception of £713,945 (2003 - £729,733) arising in Spain.

	2004 Continuing operations £	2004 Discontinued operations £	2003 Continuing operations £	2003 Discontinued operations £
Cost of sales	28,325,253	–	32,369,023	–
Gross profit	3,791,512	–	2,920,994	–
Administrative expenses	1,775,720	–	2,480,720	200,763
Other operating income	6,254	–	28,409	–

The discontinued operations in 2003 reflect the disposal in that year of Artisan International s.a. which represents the withdrawal from operations in France.

During the year overhead costs totalling £1,517,042 (2003 – £1,197,849) were allocated from administrative expenses to work in progress.

3 EMPLOYEES

	2004 £	2003 £
Staff costs, including directors, consist of:		
Wages and salaries	3,203,103	3,604,738
Social security costs	343,007	323,443
Other pension costs	84,040	87,879
	3,630,150	4,016,060

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 18.

	2004 Number	2003 Number
The average number of employees, including directors, during the year was:		
Administration	27	31
Operations	99	117
	126	148

4 OPERATING PROFIT

	2004 £	2003 £
This has been arrived at after charging/(crediting):		
Depreciation	82,086	184,593
Amortisation of goodwill	156,984	156,984
Auditors' remuneration – audit services	70,000	67,500
– other services	42,727	22,500
Hire of plant and machinery	32,051	55,620
Other operating lease rentals – vehicles	15,203	47,830
– land and buildings	156,033	156,758
Rent receivable	(60,254)	(69,445)
Profit on sale of fixed assets	(18,260)	–



NOTES TO THE FINANCIAL STATEMENTS

5 EXCEPTIONAL ITEMS

	2004 £	2003 £
Charges/(credits) recognised after arriving at operating profit:		
a) Profits, losses and provisions arising on current asset investments and loan notes		
i) (Profit)/loss arising on disposal of UK listed investments	(108,236)	73,294
ii) Provision against carrying value of UK listed investments	–	160,000
iii) Provision against carrying value of convertible redeemable preferred stock in NASDAQ quoted company	–	3,292,000
	(108,236)	3,525,294
b) Termination payments in respect of former chairman	–	570,000
c) Costs incurred and provision against deferred consideration due and claims in respect of the disposal of group undertakings in prior years	554,504	1,177,949

6 INTEREST PAYABLE

	2004 £	2003 £
Hire purchase and finance leases	2,882	1,193
Bank overdrafts and loans repayable within 5 years	474,487	779,530
Other interest	9,589	11,218
	486,958	791,941

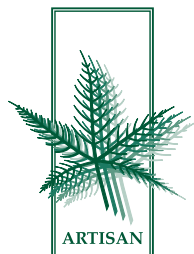
7 TAXATION

	2004 £	2003 £
<i>Current tax</i>		
UK corporation tax on profits of the year	336,084	–
Adjustment in respect of previous years	(85,146)	–
Total current tax	250,938	–
<i>Deferred tax</i>		
Origination and reversal of timing differences	85,146	–
Taxation on profit on ordinary activities	336,084	–

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

	2004 £	2003 £
Profit/(loss) on ordinary activities before tax	1,104,886	(5,338,801)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%)	331,466	(1,601,640)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	197,699	1,507,540
Non-taxable income	(71,998)	(38,917)
Depreciation for year in excess of capital allowances	4,020	(16,017)
Capital gains adjustment	–	(83,214)
(Utilisation)/carry forward of tax losses	(125,103)	232,248
Adjustment in respect of previous years	(85,146)	–
Current tax charge for year	250,938	–

Subject to the agreement of the Inland Revenue, there are tax losses of approximately £3 million available for set off against future years' profits.



NOTES TO THE FINANCIAL STATEMENTS

8 PROFIT/(LOSS) FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit for the year, dealt with in the profit and loss account of the company and after taking into account dividends from subsidiary undertakings, was £88,978 (2003 – loss of £9,371,629).

9 EARNINGS/(LOSS) PER SHARE

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

	2004 Number	2003 Number
The weighted average number of shares were:		
Basic weighted average number of shares	288,332,705	274,187,964

There were no dilutive potential ordinary shares in 2004 or 2003.

10 INTANGIBLE FIXED ASSETS

	£
GOODWILL	
Cost	
At 1 April 2003 and 31 March 2004	3,136,389
Amortisation	
At 1 April 2003	351,215
Charge for the year	156,984
At 31 March 2004	508,199
Net book value	
At 31 March 2004	2,628,190
At 31 March 2003	2,785,174



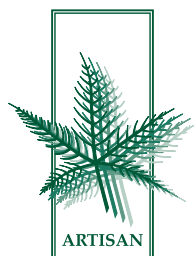
NOTES TO THE FINANCIAL STATEMENTS

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
GROUP						
Cost						
At 1 April 2003	315,800	53,212	231,370	280,146	271,376	1,151,904
Additions	–	–	229	9,685	21,899	31,813
Disposals	(400)	–	–	(155,589)	–	(155,989)
At 31 March 2004	315,400	53,212	231,599	134,242	293,275	1,027,728
Depreciation						
At 1 April 2003	16,548	49,121	223,504	220,947	207,309	717,429
Provided for the year	5,773	3,524	5,472	31,700	35,617	82,086
Eliminated on disposals	–	–	–	(139,965)	–	(139,965)
At 31 March 2004	22,321	52,645	228,976	112,682	242,926	659,550
Net book value						
At 31 March 2004	293,079	567	2,623	21,560	50,349	368,178
At 31 March 2003	299,252	4,091	7,866	59,199	64,067	434,475

The net book value of fixed assets includes an amount of £12,197 (2003 – £38,726) in respect of assets held under hire purchase. The depreciation charge includes an amount of £9,352 (2003 – £70,796) in respect of assets under hire purchase.

	Leasehold improvements £	Equipment, fixtures and fittings £	Total £
COMPANY			
Cost			
At 1 April 2003	27,407	34,350	61,757
Additions	–	6,365	6,365
At 31 March 2004	27,407	40,715	68,122
Depreciation			
At 1 April 2003	23,377	17,480	40,857
Provided for the year	3,474	8,576	12,050
At 31 March 2004	26,851	26,056	52,907
Net book value			
At 31 March 2004	556	14,659	15,215
At 31 March 2003	4,030	16,870	20,900



NOTES TO THE FINANCIAL STATEMENTS

12 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £
COMPANY	
Cost	
At 1 April 2003 and 31 March 2004	11,452,149
Provisions	
At 1 April 2003 and 31 March 2004	1,000,000
Net book value	
At 31 March 2004 and 31 March 2003	10,452,149

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

At 31 March 2004 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%	House building and commercial development
Artisan (UK) Properties Limited	Ordinary	100%	Property sales and letting

All the above companies are registered in England and Wales.

13 CURRENT ASSET INVESTMENTS

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Listed investments at cost	378,145	825,528	378,145	825,528
Unlisted investments at cost	90,465	90,465	90,465	90,465
Provisions against listed investments	(291,573)	(517,017)	(291,573)	(517,017)
	177,037	398,976	177,037	398,976

The listed investment at the year end is quoted on NASDAQ in the United States of America.

14 STOCKS AND WORK IN PROGRESS

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Raw materials and consumables	68,137	83,031	–	–
Land held for development	1,669,008	426,004	–	–
Work in progress	16,468,857	14,450,833	–	–
Completed developments and houses for sale	520,084	7,282,923	–	–
	18,726,086	22,242,791	–	–



NOTES TO THE FINANCIAL STATEMENTS

15 DEBTORS

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Trade debtors	4,130,233	4,210,346	17,889	30,418
Amounts recoverable on contracts	282,088	313,941	–	–
Amounts owed from subsidiary undertakings	–	–	2,783,870	5,556,169
Other debtors	505,814	1,571,887	249,208	1,147,967
Prepayments and accrued income	161,345	100,208	111,430	81,824
Deferred tax – capital allowances	–	85,146	–	–
	5,079,480	6,281,528	3,162,397	6,816,378

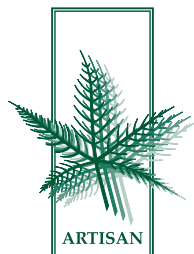
Included in other debtors is £236,453 (2003 – £124,175) of convertible redeemable preferred stock in a NASDAQ quoted company repayable by July 2008.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank loans and overdrafts (secured – see note 18)	4,625,805	10,934,949	250,000	1,350,000
Other loans	61,207	103,471	61,207	103,471
Trade creditors	4,797,947	3,225,175	103,450	144,078
Amounts owed to subsidiary undertakings	–	–	1,000,000	3,000,000
Corporation tax	926,239	912,596	169,200	169,200
Other taxes and social security	256,463	203,115	15,600	15,917
Other creditors	123,236	198,390	–	–
Accruals	1,612,856	2,459,489	240,726	684,900
Amounts due under hire purchase agreements	5,892	17,413	–	–
	12,409,645	18,054,598	1,840,183	5,467,566

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank loans (secured – see note 18)	50,000	300,000	50,000	300,000
Amounts due under hire purchase agreements	2,320	8,212	–	–
	52,320	308,212	50,000	300,000



NOTES TO THE FINANCIAL STATEMENTS

18 BORROWINGS

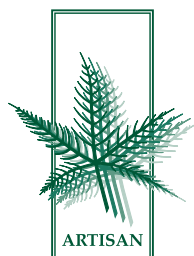
	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Are repayable as follows:				
In one year or less:				
Bank borrowings	4,625,805	10,934,949	250,000	1,350,000
Other loans and borrowings	61,207	103,471	61,207	103,471
Hire purchase agreements	5,892	17,413	–	–
In more than one year but not more than two years:				
Bank borrowings	50,000	300,000	50,000	300,000
Hire purchase agreements	–	5,892	–	–
In more than two years but not more than five years:				
Hire purchase agreements	2,320	2,320	–	–
	4,745,224	11,364,045	361,207	1,753,471

The loans and overdrafts 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 FOR LIABILITIES AND CHARGES

Group and Company	Provision for claims £
At 1 April 2003	975,000
Utilised during the year	(500,000)
Charge for the year in the profit and loss account	420,000
At 31 March 2004	895,000

The Company has been engaged with matters arising from the sale of Bickerton Construction Limited. This has principally been in respect of litigation with the purchasers, Infiniteland Limited, culminating in a High Court hearing which was found in favour of Artisan (UK) plc. However, the claimants are intending to pursue an appeal. Further costs of this dispute have been incurred during the year to 31 March 2004. In connection with this matter and other associated matters including indemnities on bonds provided, provisions are maintained.



NOTES TO THE FINANCIAL STATEMENTS

20 SHARE CAPITAL

	2004 £	2003 £
Authorised		
400,000,000 ordinary shares of 0.5p each	2,000,000	2,000,000
Allotted, called up and fully paid		
288,529,426 ordinary shares of 0.5p each	1,442,647	–
285,529,426 ordinary shares of 0.5p each	–	1,427,647

In the year ended 31 March 2004 the movements in ordinary shares issued were as follows:

	Ordinary shares of 0.5p each Number	Nominal value £
At 1 April 2003	285,529,426	1,427,647
Issue of shares	3,000,000	15,000
At 31 March 2004	288,529,426	1,442,647

The issue of shares during the year was made in settlement of a liability of the Group amounting to £59,352.

Contingent rights to the allotment of shares

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

	Shares	Exercise price range	Weighted exercise price
Approved scheme			
At 1 April 2003 and 31 March 2004	480,000	7.00-15.00p	10.33p
Unapproved scheme			
At 1 April 2003 and 31 March 2004	3,000,000	16.00p	16.00p

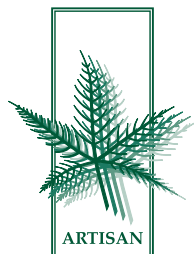
The above options are exercisable between 17 May 2003 and 18 May 2010.

Subsequent to the year end, the options in the approved scheme have been surrendered and further share options have been granted. Further details are provided in the Report on Directors' Remuneration on pages 17 and 18.

21 RESERVES

	Group				Company			
	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £	Share premium account £	Merger reserve £	Capital redemption reserve £	Profit and loss account £
At 1 April 2003	18,844,878	515,569	91,750	(7,730,339)	18,844,878	689,328	91,750	(9,432,562)
Shares issued in the year	44,352	–	–	–	44,352	–	–	–
Share premium reduction	(9,432,562)	–	–	9,432,562	(9,432,562)	–	–	9,432,562
Retained profit for the year	–	–	–	768,802	–	–	–	88,978
At 31 March 2004	9,456,668	515,569	91,750	2,471,025	9,456,668	689,328	91,750	88,978

On 21 January 2004, the High Court approved a reduction in the Company's share premium account of £9,432,562, as approved by the Company's shareholders at the Annual General Meeting on 9 September 2003. The reduction had the effect of eliminating the company's deficit on its profit and loss account at 31 March 2003.



NOTES TO THE FINANCIAL STATEMENTS

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(loss) for the year	768,802	(5,338,801)
Shares bought back in the year	–	(1,162,967)
Shares issued in year	59,352	500,000
Net movement in shareholders' funds	828,154	(6,001,768)
Opening shareholders' funds	13,149,505	19,151,273
Closing shareholders' funds	13,977,659	13,149,505

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	2,022,046	267,920
Depreciation	82,086	191,438
Amortisation	156,984	156,984
Profit on disposal of fixed assets	(18,260)	–
Decrease in stock	3,516,705	10,956,834
Decrease in debtors	629,180	6,592,020
Increase/(decrease) in creditors and provisions	129,181	(2,859,256)
Net cash inflow from operating activities	6,517,922	15,305,940

24 RECONCILIATION OF CHANGE IN CASH TO MOVEMENT IN NET DEBT

	2004 £
Decrease in cash in the year	(2,042,425)
Cash outflow from changes in debt and lease financing	8,672,528
Cash inflow from decrease in liquid resources	(817,897)
Movement in net debt in the year	5,812,206
Conversion of debtors to current asset investments	600,000
Profit on sale of current asset investments	108,236
Increase in provision against current asset investments	(112,278)
Opening net debt	(10,620,698)
Closing net debt	(4,212,534)



NOTES TO THE FINANCIAL STATEMENTS

25 ANALYSIS OF NET DEBT

	At 1 April 2003 £	Cash Flow £	Non-cash movement £	At 31 March 2004 £
Cash at bank	344,371	11,282	–	355,653
Bank overdrafts	(1,664,921)	(2,053,707)	–	(3,718,628)
Finance leases	(1,320,550)	(2,042,425)	–	(3,362,975)
Debt due within one year	(25,625)	17,413	–	(8,212)
Debt due after more than one year	(9,373,499)	8,655,115	(250,000)	(968,384)
Current asset investments	(300,000)	–	250,000	(50,000)
	398,976	(817,897)	595,958	177,037
Net debt	(10,620,698)	5,812,206	595,958	(4,212,534)

26 FINANCIAL INSTRUMENTS

(a) Policies and risks

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

The main risk arising from the Group's financial instruments are interest rate risk, as some of the Group's borrowings are at floating rates of interest, and liquidity risk. The Group has not entered into any derivative transactions. The equity investments held by the Group are susceptible to changes in value arising from market factors. The performance of each investment is constantly monitored by the directors and the Company's advisers.

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

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

(b) Interest rate risk profile of financial liabilities

Currency	Total £	Fixed rate financial liabilities £	Floating rate financial liabilities £	Weighted average interest rate %	Weighted average period for which rate is fixed years
At 31 March 2004					
Sterling	4,745,224	69,419	4,675,805	6.28	1.00
At 31 March 2003					
Sterling	11,364,045	129,096	11,234,949	6.09	1.80

The bank borrowings related to term loans fully repayable by March 2005. The finance leases all relate to term agreements none of which exceed 4 years. Other loans include £61,207 (2003 – £103,471) of loan notes repayable within one year.

The Group's floating rate financial liabilities bear interest at rates based on LIBOR.



NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk profile of financial assets

Currency	Total £	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is earned £
At 31 March 2004				
Sterling and US dollars	769,143	236,453	355,653	177,037
At 31 March 2003				
Sterling and US dollars	1,867,522	124,175	1,344,371	398,976

Fixed rate financial assets comprise convertible redeemable preferred stock denominated in US dollars carrying interest at 7% and repayable by July 2008. Floating rate financial assets comprises cash held in UK bank accounts (2003 – UK loan notes and cash held in UK bank accounts). Financial assets on which no interest is paid comprise equity investments in listed and unlisted securities of which £86,572 (2003 - £198,851) is in respect of an investment denominated in US dollars, otherwise all assets are denominated in sterling.

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

	2004 £	2003 £
Within one year	4,692,904	11,055,833
After one and within two years	50,000	305,892
After two and within five years	2,320	2,320
	4,745,224	11,364,045

(e) Borrowing facilities

The Group has undrawn committed facilities as at 31 March as follows:

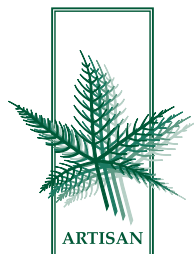
Expiring within one year	–	4,935,079
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(f) Fair value of financial liabilities and financial assets

	2004 Book value £	2004 Fair value £	2003 Book value £	2003 Fair value £
Short term borrowings	4,687,012	4,687,012	11,038,420	11,038,420
Long term borrowings	50,000	50,000	300,000	300,000
Finance leases	8,212	8,212	25,625	25,625
Cash	355,653	355,653	344,371	344,371
Current asset investments	177,037	177,037	398,976	398,976
Convertible redeemable preferred stock (asset)	236,453	236,453	124,175	124,175

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

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



NOTES TO THE FINANCIAL STATEMENTS

27 CONTINGENT LIABILITIES AND COMMITMENTS

A cross guarantee held by the bank in favour of Artisan (UK) plc and its group company members has been given by the Company for all monies owing. At 31 March 2004, bank borrowings of group company members covered by the cross guarantee amounted to £4,405,332 (2003 – £7,759,115).

In the normal course of business the group has given counter indemnities in respect of performance bonds and financial guarantees. As at 31 March 2004, bonds in issue amount to £10,613 (2003 – £346,154).

The Group has given guarantees in the normal course of business, in respect of performance bonds of subsidiaries since sold. The contingent liability existing at 31 March 2004 was £108,365 (2003 – £308,365).

The liquidator of Bickerton Construction Limited has enquired as to the basis of certain transactions prior to the disposal of this company by Artisan (UK) plc. The Directors are dealing with these enquiries and are unable to quantify a liability, if any, at the present time.

28 LEASING COMMITMENTS

Operating lease payments amounting to £168,328 are due within one year (2003 – £184,925). The leases to which these amounts relate expire as follows:

	2004 Land and buildings £	2004 Other £	2003 Land and buildings £	2003 Other £
Within one year	–	21,075	24,562	8,028
Between two and five years	110,850	36,403	116,000	36,335

29 RELATED PARTY TRANSACTIONS

As disclosed in the previous year, fees of £118,750, principally in respect of corporate advice, were paid to Silverhall Holdings Limited, a company in which Stephen Dean, a former director, had a material interest. A further amount of £190,000 was paid to Silverhall Holdings Limited in the previous year in respect of termination obligations.

During the year under review, no payments were made to Stephen Dean or to any entities in which he had a material interest.

