

ARTISAN (UK) PLC

UNAUDITED INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

Highlights

- Pre tax profit of £855,831 for the six months ended 30 September 2004 (2003: £275,052)
- Earnings per share of 0.24 pence per share for the six months ended 30 September 2004 (2003: Profit of 0.09 pence per share)
- Land bank at Rippon Homes increased to 237 plots at 30 September 2004 from 168 plots at 31 March 2004
- Net debt increased to £8,481,319 for the six months ended 30 September 2004 (30 September 2003: Debt of £6,003,312)
- Commercial trading profit turnaround
- Complete divestment of all significant non core assets at modest profits in period
- New banking facilities of £20m
- Board update shareholders on litigation

Michael W. Stevens, Chairman of Artisan (UK) plc commented,

”Once again the first six months of the financial year have shown a considerable improvement for the group profitability compared to the equivalent period last year. This is largely as a result of the improvement in market conditions for commercial property and our ability to respond to this improvement.

Although the residential market has retreated from the recent unsustainable price growth, we continue to invest in residential development land and to seek acquisitions of residential developers to enhance growth.”

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FINANCIAL HIGHLIGHTS

For the 6 months to 30 September 2004

	Six Months to 30 September 2004	Six Months to 30 September 2003	Year to 31 March 2004
Turnover	£10,741,460	£16,885,282	£32,116,765
Operating profit	£945,725	£447,650	£2,022,046
Profit before interest and tax	£1,015,201	£485,478	£1,555,435
Earnings per share	0.24p	0.09p	0.27p
Net assets	£14,669,859	£13,455,013	£13,977,659
Net assets per share	5.08p	4.66p	4.84p
Net debt	£8,481,319	£6,003,312	£4,212,534

CHAIRMAN'S STATEMENT

The six months to 30 September 2004 have consolidated upon the return to profit achieved in the year to 31 March 2004. This has been achieved by continuing to focus on the core activities of residential and commercial property development. Whilst in common with the market as a whole we have experienced less buoyant conditions in the residential market, it is pleasing to note that the commercial market has significantly improved.

OPERATIONAL REVIEW

Housing turnover in the six month period was limited only by stock availability as the long buoyant market continued, and every property sold contributed profits. This compares favourably with the previous year when a greater turnover included low margins from the Living Heritage old stocks.

Throughout the period we have continued to invest in new land, expanding our geographic coverage through the purchase of over £5m of land in Ilkeston and Eastwood, so that the current land bank stands at 237 plots (168 plots at 31 March 2004).

Towards the end of the period, the housing market in the Midlands started to slow. I believe much of this slowdown was due to investors becoming more cautious, which does not directly affect Rippon Homes whose customers are largely owner occupiers, but the reporting of this has created more general uncertainty in the market.

In the coming six months Rippon Homes will continue the shift in its product mix towards smaller properties to meet both market demand and planning influences, and will have the capacity to build more units this financial year compared to 2003/04, but production and sales will obviously be dependent on levels of demand.

Both commercial business park turnover and profitability increased in the six months compared to the same period last year and also to the previous six month period.

A positive shift in occupier demand has led to an increased number of lettings, which is to be welcomed in a strong investment market, and by September 2004 we were starting to build up a stock of let properties for sales to investors during the second half of the year.

In addition, plot sales and alternative uses on the 16 acre Colmworth Business Park are resulting in work in progress levels being systematically reduced, and we are well on target to achieve our strategic medium term reduction in working capital investment to improve our return on capital.

At 30 September 2004 the commercial development capacity of our land bank still stood at over 20,000 square metres providing sufficient development capacity through to 2007.

FINANCIAL REVIEW

The Group's turnover for the current period has reduced to £10.7m (30 September 2003: £16.9m) as a result of £6.0m on the disposal of old Living Heritage projects and £1.0m of non core disposals not being repeated in the current period. Core trading is therefore modestly ahead of the comparative period. Rippon's turnover is down £0.7m reflecting the budgeted move to a greater weighting in their second half, but commercial activity has increased by £1.4m being a 70% increase on the six months to 30 September 2003.

Group Gross Margin has increased to £2.5m (30 September 2003: £2.0m) principally because of the improvement in commercial activity which generated £0.7m more gross margin than in the same period last year.

Operating Profit has improved to £946,000 (30 September 2003: £448,000) as a result of the improved trading and some modest cost saving in overheads.

We are pleased to report that all non-core asset disposals have been completed and the only remaining investment is a small holding in Stratus Services Group which is held at an insignificant carrying value.

Gearing at 30 September 2004 is 57.8% (46.8%) having increased, as previously indicated, as a result of continued investment in residential land bank.

We have secured sufficient residential land for the next financial year's activities. However we intend to continue to acquire land where it can be purchased at sensible prices, not only to secure future prospects, but also to provide more flexibility in meeting market demand. This will result in some further increase in gearing.

During the period new banking facilities were negotiated and completed with The Royal Bank of Scotland plc. The facility has been agreed at a total of £20 million funding, £15 million of which is on a three year committed revolving loan basis. The bank has provided the funding to support the Group's intention to invest in further residential activity whilst recognising the contribution the commercial activity delivers to the Group's activities. The increased funds from the drawdown of loan facility has allowed for greater cash balances to be available to the Group.

LITIGATION

As previously reported, during the half year judgment was handed down in respect of the litigation between Artisan and Infiniteland concerning the disposal of Bickerton Construction Limited ("Bickerton"). The judgment fully recognised Artisan's position, holding that the deferred consideration remained due to Artisan and dismissed all of the claimant's claims, as well as awarding costs in Artisan's favour. In this respect Artisan has been granted a legal charge over a property owned by Mr and Mrs John Aviss to the value of £350,000. However, in the face of this significant defeat the claimants have decided to appeal the decision and the appeal is to be heard in the first quarter of next year. Your Board believe that the Court will uphold the original decision.

Also as we previously reported, the liquidator of Bickerton Construction Limited has made enquiries into management charges from Artisan around the time of the sale of Bickerton. The liquidator has now threatened legal action in respect of management charges of £1,400,000 paid by Bickerton to Artisan in June 2001. If proceedings are issued Artisan intends to defend its position on the validity of the management charges. If the defence is unsuccessful, the matter may result in a repayment by Artisan of an amount equal to all or part of the management charges plus costs.

Provision has been made for the continuing costs of defending these actions but having regard to financial reporting standards, no provision has been made for any other liability that Artisan may incur as a result of the liquidator's threatened action.

FUTURE PROSPECTS

The outlook for residential sales is unpredictable at the present time with a wide range of commentary on future house prices. Most of the purchasers of our residential properties are owner occupiers rather than investors and we believe our customers are less pre-occupied with future house values, but are made cautious by uncertainty in the market. Therefore our trading performance over the coming months will be vulnerable to this uncertainty.

The market for commercial property in the areas which we operate has been counter cyclical to the residential market and current enquiries bode well for the immediate future.

As regards acquisitions, despite many discussions with potential targets we are yet to find a suitable purchase at a fair price. However our search will continue and, whilst an acquisition will enhance Artisan, we will continue to invest strongly in the existing operations.

The Board continues to review whether a dividend to shareholders should be paid, and whilst it recognises that income yield is important, it considers greater shareholder returns will be achieved in the future through investment in the business at this time.

Finally I thank the management and staff throughout the Artisan Group for their contribution to Artisan's successful results for the period.

MICHAEL W STEVENS

Chairman

10 December 2004

ARTISAN (UK) PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Six months to 30 September 2004

	Six months ended 30 September <u>2004</u>	Six months ended 30 September <u>2003</u>	Year ended 31 March <u>2004</u>
	(Unaudited) £	(Unaudited) £	(Audited)
Turnover	<u>10,741,460</u>	<u>16,885,282</u>	<u>32,116,765</u>
Operating profit	945,725	447,650	2,022,046
Loss on sale of group undertaking in prior year	-	(20,343)	(20,343)
Exceptional provisions in respect of sale of group undertakings in previous years	-	(50,000)	(554,504)
Exceptional profits arising on current asset investments and loan notes	<u>69,476</u>	<u>108,171</u>	<u>108,236</u>
	<u>1,015,201</u>	<u>485,478</u>	<u>1,555,435</u>
Interest payable	(299,994)	(415,182)	(486,958)
Interest receivable and similar income	<u>140,624</u>	<u>204,756</u>	<u>36,409</u>
Profit on ordinary activities before taxation	855,831	275,052	1,104,886
Taxation on ordinary activities	(163,631)	(28,896)	(336,084)
Retained profit for the period	<u><u>692,200</u></u>	<u><u>246,156</u></u>	<u><u>768,802</u></u>
Basic and diluted earnings per share	0.24p	0.09p	0.27p

All amounts included in operating profit relate to continuing operations.

ARTISAN (UK) PLC
CONSOLIDATED BALANCE SHEET

	As at 30 September <u>2004</u> (Unaudited) £	As at 30 September <u>2003</u> (Unaudited) £	As at 31 March <u>2004</u> (Audited) £
Fixed assets			
Intangible assets	2,549,698	2,706,682	2,628,190
Tangible assets	<u>344,087</u>	<u>393,099</u>	<u>368,178</u>
	<u>2,893,785</u>	<u>3,099,781</u>	<u>2,996,368</u>
Current assets			
Investments	5,000	289,415	177,037
Stocks and work in progress	24,006,169	17,806,594	18,726,086
Debtors	4,783,792	5,009,672	5,079,480
Cash at bank and in hand	<u>21,265</u>	<u>41,088</u>	<u>355,653</u>
	<u>28,816,226</u>	<u>23,146,769</u>	<u>24,338,256</u>
Creditors			
Amounts falling due within one year	<u>(8,031,959)</u>	<u>(11,735,218)</u>	<u>(12,409,645)</u>
Net current assets	<u>20,784,267</u>	<u>11,411,551</u>	<u>11,928,611</u>
Total assets less current liabilities	23,678,052	14,511,332	14,924,979
Creditors			
Amounts falling due after more than one year	(8,442,941)	(158,212)	(52,320)
Provisions for liabilities and charges	<u>(565,252)</u>	<u>(898,107)</u>	<u>(895,000)</u>
Net assets	<u>14,669,859</u>	<u>13,455,013</u>	<u>13,977,659</u>
Capital and reserves			
Called up share capital	1,442,647	1,442,647	1,442,647
Share premium account	9,456,668	18,889,230	9,456,668
Merger reserve	515,569	515,569	515,569
Capital redemption reserve	91,750	91,750	91,750
Profit and loss account	<u>3,163,225</u>	<u>(7,484,183)</u>	<u>2,471,025</u>
Equity shareholders' funds	<u>14,669,859</u>	<u>13,455,013</u>	<u>13,977,659</u>
Total overdraft and loan balances included in creditors	<u>8,502,318</u>	<u>6,321,789</u>	<u>4,737,012</u>

ARTISAN (UK) PLC
CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September <u>2004</u> (Unaudited) £	Six months ended 30 September <u>2003</u> (Unaudited) £	Year ended 31 March <u>2004</u> (Audited) £
Net cash (outflow)/inflow from operating activities	(4,414,581)	5,035,566	6,517,922
Returns on investments and servicing of finance			
Interest received and similar income	140,624	204,756	36,409
Interest paid	(299,994)	(415,182)	(486,958)
	<u>(159,370)</u>	<u>(210,426)</u>	<u>(450,549)</u>
Taxation			
UK Corporation tax paid	-	(237,304)	(237,295)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(5,023)	(15,563)	(31,813)
Sale of tangible fixed assets	4,260	20,746	34,284
	<u>(763)</u>	<u>5,183</u>	<u>2,471</u>
Acquisitions and disposals			
Disposal of subsidiary undertakings	-	(20,343)	(20,343)
Management of liquid resources			
Sale of current asset investments and loan stock	477,966	154,271	817,897
Net cash (outflow)/inflow before financing	<u>(4,096,748)</u>	<u>4,726,947</u>	<u>6,630,103</u>
Financing			
Advance/(repayment) of borrowings	7,483,934	(8,312,070)	(8,655,115)
Capital element of finance leases	(2,946)	(13,599)	(17,413)
	<u>7,480,988</u>	<u>(8,325,669)</u>	<u>(8,672,528)</u>
INCREASE/(DECREASE) IN CASH	<u>3,384,240</u>	<u>(3,598,722)</u>	<u>(2,042,425)</u>

ARTISAN (UK) PLC
NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Six months ended 30 September 2004 (Unaudited) £	Six months ended 30 September 2003 (Unaudited) £	Year ended 31 March 2004 (Audited) £
Operating profit	945,725	447,650	2,022,046
Depreciation	27,468	43,882	82,086
Amortisation	78,492	78,492	156,984
Profit on disposal of fixed assets	(2,614)	(7,689)	(18,260)
(Increase)/decrease in stock	(5,280,083)	4,436,197	3,516,705
Decrease in debtors	59,235	1,335,317	629,180
(Decrease)/increase in creditors and provisions	(242,804)	(1,298,283)	129,181
Net cash (outflow)/inflow from operating activities	(4,414,581)	5,035,566	6,517,922

(b) Reconciliation of net cash flow to movement in net debt

	Six months ended 30 September 2004 (Unaudited) £	Six months ended 30 September 2003 (Unaudited) £	Year ended 31 March 2004 (Audited) £
Increase/(decrease) in cash	3,384,240	(3,598,722)	(2,042,425)
Cash (inflow)/outflow from decrease in debt and lease financing	(7,480,988)	8,325,669	8,672,528
Cash inflow from decrease in liquid resources	(477,966)	(154,271)	(817,897)
Change in net debt resulting from cash flows	(4,574,714)	4,572,676	5,812,206
Conversion of debtors to current asset investments	-	600,000	600,000
Transfer in respect of loan notes redeemed with current asset investments	236,453	-	-
Proceeds due from sale of current asset investments	-	(663,461)	-
Profit on sale of current asset investments	69,476	108,171	108,236
Increase in provision against current asset investments	-	-	(112,278)
Opening net debt	(4,212,534)	(10,620,698)	(10,620,698)
Closing net debt	(8,481,319)	(6,003,312)	(4,212,534)

ARTISAN (UK) PLC
NOTES TO THE CASH FLOW STATEMENT

(c) Analysis of net cash and debt

	At 31 March <u>2004</u>	Cash Flow	Non-cash movement	At 30 September <u>2004</u>
NET CASH	£	£	£	£
Cash at bank	355,653	(334,388)	-	21,265
Bank overdrafts	(3,718,628)	3,718,628	-	-
	<u>(3,362,975)</u>	<u>3,384,240</u>	<u>-</u>	<u>21,265</u>
DEBT				
Finance leases	(8,212)	2,946	-	(5,266)
Debt due within one year	(968,384)	907,177	-	(61,207)
Debt due after more than one year	(50,000)	(8,391,111)	-	(8,441,111)
Current asset investment	177,037	(477,966)	305,929	5,000
Net debt	<u>(4,212,534)</u>	<u>(4,574,714)</u>	<u>305,929</u>	<u>(8,481,319)</u>

NOTES TO THE INTERIM STATEMENT

- The interim financial information has been prepared on the basis of the accounting policies set out in the Group's 2004 statutory accounts to 31 March 2004. The interim figures have not been audited. The interim financial statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (The "Act"). Comparative financial information for the 12 months ended 31 March 2004 has been extracted from the statutory accounts for the period which have been delivered to the Registrar of Companies and upon which the auditors gave an unqualified report, with no statement under Section 237(2) or (3) of the Act.
- The taxation charge for the 6 months has been calculated at an effective rate of 19.1% due to the availability of trading and capital losses brought forward to offset against profits of the current period (30 September 2003: 10.5%).
- The calculation of earnings per share is based on the profit on ordinary activities after taxation and 288,529,426 (30 September 2003: 288,135,983) ordinary shares being the weighted average number of shares in issue during the half year. The weighted average number of shares in issue during the twelve months ended 31 March 2004 was 288,332,705.

There are no potentially dilutive shares in 2004 and 2003.
- The Board has decided that there will be no interim dividend.
- The interim statement was approved by the Board of Directors on 9 December 2004. Copies are being sent to all shareholders. Copies of this statement will be available to members of the public, free of charge, from the Company's registered office, Mace House, Sovereign Court, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

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