



Artisan (UK) plc
Interim statement for the six months
to 30 September 2005



Artisan (UK) plc

UNAUDITED INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

Artisan (UK) plc is an AIM listed company engaged in house building and commercial property development.

Highlights

- Operating profit before exceptional costs of £1.32m (2004: £0.95m) – an increase of 40%
- Pre tax profit of £1.29m up 51% (2004: £0.86m)
- Earnings per share at 0.38 pence per share (2004: 0.24 pence per share) – up 58%
- Net assets per share of 5.8p (2004: 5.1p)
- Net debt reduced by 37% to £5.36m (2004: £8.48m)
- Commercial trading continues revival
- Increase in residential turnover
- Court case over Bickerton Construction Ltd successfully concluded

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

“I am very pleased that the management team has again delivered profit growth in both the residential and the commercial markets.”

“We are confident that the residential market retains strong fundamentals, despite its current volatility, and we will continue to invest in development land in line with our organic growth strategy.”

“Similarly, we intend to purchase further land for commercial development, both to replace stock traded and to be in a position to extend the range of our activity in that market.”

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Chairman's statement

The interim results for the six months to 30 September 2005 continue to demonstrate profit improvement despite difficult market conditions in the housing market. This is a testament to the expertise of our people and their continuing focus on the core activities and matching customer demand.

Rippon Homes has performed well by concentrating on delivering an attractive quality product in an environment where demand for new housing has continued to fluctuate. We remain encouraged by a steady commercial market and by Artisan (UK) Developments' ability to develop products that meet customers' demands.

Finally, it is with pleasure that I can report to shareholders that the litigation brought by Infiniteland Limited and Mr John Aviss has been successfully concluded with the appellants denied permission to appeal to the House of Lords.

Financial Review

The Group's turnover for the current period has increased to £12.9m (30 September 2004: £10.7m) as a result of improved trading in both the residential and commercial markets. Rippon's turnover is up £1.7m, a 22% increase, and commercial activity has increased by £0.5m, a 15% rise on the comparable period to 30 September 2004.

Gross margins have only suffered slightly despite a competitive market in the first half.

Operating profit has improved to £1.04m (2004: £0.95m) as a result of the improved turnover and some modest control of overheads. However this 10% increase is after the exceptional costs relating to the departure of our former Chief Executive which masks the underlying improvement in performance. Without these costs the operating profit rose 40% to £1.32m (2004: £0.95m).

The balance sheet net assets rose to £16.8m (30 September 2004: £14.7m) and net assets per share now stand at 5.8p per share (30 September 2004: 5.1p per share).

Gearing at 30 September 2005 is 32% (30 September 2004: 58%). The Board expects that this level of gearing will increase as our planned expenditure on the land bank is incurred. Our banking facilities with The Royal Bank of Scotland plc continue to be flexible and appropriately structured for a growing development company. Following the improvement in our net asset position and profitability, the Board has achieved some relaxation in the financial covenants, particularly aimed at improving our ability to boost activity in Artisan (UK) Developments.

Operational Review

The 22% increase in housing turnover compared with the same period in 2004 followed a focus on better product planning and enhancing availability to ensure that Rippon Homes was better positioned to meet such demand as there was in a more depressed market. Unit sales amounted to 51 homes (2004: 50 units). Much emphasis is now being placed on further developing our land stocks in order that an increased number of outlets can be offered.

In the last interim report we stated that we were moving into new geographic areas, notably developments just west of Nottingham. These have proved successful and we have recently opened our first site in Yorkshire. With strong encouragement from the Board, John Jones and his management team are working to refine the strategy for organic growth. In particular Rippon Homes is seeking to acquire land for key strategic sites in target areas. From these key sites, smaller satellite sites become increasingly viable.

Management have responded to generally sluggish but changeable market conditions with innovative marketing techniques, diligent sales management and well honed negotiating skills. Working to a controlled and measured process, part exchanges and sales assistance packages continue to be offered to customers.

Rippon Homes has varied its product mix to include smaller properties to reflect the continued increase in single or re-established home occupancies and it is expected that this will be reflected in sales in the second half of the current financial year. Rippon Homes has remained successful in selling traditional 4 bedroom houses during the interim period. However despite the market trend towards smaller units in general, we believe that there will be a return to larger, more valuable properties in due course and we continue to search for sites for our premium Living Heritage product.

Artisan announced on 27 October 2005 that Rippon had acquired a significant site, close to the centre of Mansfield, which will eventually be developed with a minimum of 76 units. The company is also at an advanced stage in the acquisition of a further significant site which fulfils our strategic and commercial criteria.

Commercial business park turnover increased by 15% in the six months compared to the same period last year. The impending changes in the SIPP regulations will reduce the debt level available to SIPP schemes on their purchase of property. As a consequence we have experienced interest by buyers seeking to complete purchases prior to this change. Since the half year we have agreed two forward sales for completion in the first half of 2006. This demonstrates the construction team's ability to deliver buildings to a tight build schedule. Despite the changes in SIPP legislation, we believe that SIPP investment in trading premises will remain an important option for well funded entrepreneurs, which are frequently customers of Artisan (UK) Developments.

In addition, we have seen some recovery in the industrial buildings market to follow our success in the office market. To date this year we have completed the sale of nine small industrial units, with one more sale agreed and only two left to sell.

We are also commencing the construction of 10,000 sq ft of industrial space and have agreed terms for a forward sale for half of the space.

Litigation

As recently announced, the House of Lords has refused leave to appeal to the appellants in respect of the litigation between Artisan and Infinitel and concerning the disposal of Bickerton Construction Limited. This was the expected outcome for Artisan and clearly vindicates the actions of the Board in the course of its dealings with the purchaser of Bickerton. Your Board will seek to collect what is feasible in further sums due from Mr Aviss, although £456,000 in respect of costs and interest has already been paid over and the costs element recognised as an exceptional income below operating profit in the Interim accounts to 30 September 2005. Any further collection of funds will enhance profits. The time and effort devoted to this long running saga has been a significant distraction. On behalf of shareholders I should like to record our thanks to Chris Musselle who has borne the brunt of this case.

We have received no further communication from the liquidator of Bickerton Construction Limited concerning his enquiries into management charges from Artisan around the time of the sale of Bickerton. Provision continues to be made for the costs of defending this enquiry.

Future Prospects

The outlook for residential sales is unpredictable. Our experience since the year end has seen sales as difficult to conclude. We will continue to focus on our strategy of providing product that is attractive to local demand, utilising innovative marketing techniques and ensuring that sales are achieved in a manner that protects gross margins. Despite these efforts, our trading performance over the coming months is bound to remain vulnerable to volatile demand. January 2005 saw an uplift in sales activity and we look for this to be repeated in January 2006.

The market for commercial property in the areas in which we operate remains reasonably steady, but further sales are still needed to meet year end targets. We are now seeking further sites both to replace maturing sites and in new areas to broaden the prospects of this division.

As regards dividends, I refer back to my comments in the 31 March 2005 Annual Report and retain the view that greater shareholder returns will be achieved by investment in the businesses rather than by way of distributions at this time. Your board recognises that dividends do however remain of great importance to shareholders.

Michael W. Stevens
Chairman

29 November 2005

Consolidated profit and loss account

six months to 30 September 2005

	Six months ended 30 September 2005 (Unaudited) £	Six months ended 30 September 2004 (Unaudited) £	Year ended 31 March 2005 (Audited) £
Turnover	12,881,041	10,741,460	27,326,235
Operating profit before exceptional employment costs	1,324,162	945,725	2,722,119
Operating profit	1,039,758	945,725	2,722,119
Loss on sale of group undertaking in prior year	–	–	(7,640)
Exceptional release of provision/(provisions) in respect of sale of group undertakings in previous years	425,000	–	(125,000)
Exceptional profits arising on current asset investments and loan notes	–	69,476	69,476
	1,464,758	1,015,201	2,658,955
Interest payable	(208,911)	(299,994)	(536,538)
Interest receivable and similar income	37,448	140,624	12,631
Profit on ordinary activities before taxation	1,293,295	855,831	2,135,048
Taxation on ordinary activities	(197,396)	(163,631)	(397,565)
Retained profit for the period	1,095,899	692,200	1,737,483
Basic and diluted earnings per share	0.38p	0.24p	0.60p

All amounts included in operating profit relate to continuing operations.

Operating profit has been arrived at after charging exceptional costs of £284,404 (periods ended 30 September 2004 and 31 March 2005: £nil) in respect of the departure of the former Chief Executive.

Consolidated balance sheet

at 30 September 2005

	As at 30 September 2005 (Unaudited) £	As at 30 September 2004 (Unaudited) £	As at 31 March 2005 (Audited) £
Fixed assets			
Intangible assets	2,392,714	2,549,698	2,471,206
Tangible assets	350,040	344,087	340,199
	2,742,754	2,893,785	2,811,405
Current assets			
Investments	5,000	5,000	5,000
Stocks and work in progress	24,514,487	24,006,169	21,786,214
Debtors	4,225,165	4,783,792	6,791,533
Cash at bank and in hand	3,005	21,265	5,207
	28,747,657	28,816,226	28,587,954
Creditors: amounts falling due within one year	(8,834,843)	(8,031,959)	(8,094,628)
Net current assets	19,912,814	20,784,267	20,493,326
Total assets less current liabilities	22,655,568	23,678,052	23,304,731
Creditors: amounts falling due after more than one year	(5,370,196)	(8,442,941)	(7,060,746)
Provisions for liabilities and charges	(474,331)	(565,252)	(528,843)
Net assets	16,811,041	14,669,859	15,715,142
Capital and reserves			
Called up share capital	1,442,647	1,442,647	1,442,647
Share premium account	9,456,668	9,456,668	9,456,668
Merger reserve	515,569	515,569	515,569
Capital redemption reserve	91,750	91,750	91,750
Profit and loss account	5,304,407	3,163,225	4,208,508
Equity shareholders' funds	16,811,041	14,669,859	15,715,142

Group cash flow statement

six months to 30 September 2005

	Six months ended 30 September 2005 (Unaudited) £	Six months ended 30 September 2004 (Unaudited) £	Year ended 31 March 2005 (Audited) £
Net cash inflow/(outflow) from operating activities	1,843,781	(4,414,581)	(2,121,632)
Returns on investments and servicing of finance			
Interest received and similar income	37,448	140,624	12,631
Interest paid	(195,062)	(299,994)	(489,149)
	(157,614)	(159,370)	(476,518)
Taxation			
UK corporation tax paid	(395,030)	–	(520,064)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(25,469)	(5,023)	(25,294)
Sale of tangible fixed assets	–	4,260	4,894
	(25,469)	(763)	(20,400)
Acquisitions and disposals			
Disposal of subsidiary undertakings in prior year	425,000	–	(7,640)
Net cash inflow/(outflow) before use of liquid resources and financing	1,690,668	(4,574,714)	(3,146,254)
Management of liquid resources			
Sale of current asset investments and loan stock	–	477,966	477,966
Financing			
(Repayment)/advance of borrowings	(1,690,550)	7,483,934	6,042,362
Capital element of finance leases	(2,320)	(2,946)	(5,892)
	(1,692,870)	7,480,988	6,036,470
(Decrease)/increase in cash	(2,202)	3,384,240	3,368,182

Notes to the cash flow statement

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

	Six months ended 30 September 2005 (Unaudited) £	Six months ended 30 September 2004 (Unaudited) £	Year ended 31 March 2005 (Audited) £
Operating profit	1,039,758	945,725	2,722,119
Depreciation	15,628	27,468	51,163
Amortisation	78,492	78,492	156,984
Profit on disposal of fixed assets	–	(2,614)	(2,784)
Increase in stock	(2,728,273)	(5,280,083)	(3,060,128)
Decrease/(increase) in debtors	2,566,368	59,235	(1,948,506)
Increase/(decrease) in creditors and provisions	871,808	(242,804)	(40,480)
Net cash inflow/(outflow) from operating activities	1,843,781	(4,414,581)	(2,121,632)

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

	Six months ended 30 September 2005 (Unaudited) £	Six months ended 30 September 2004 (Unaudited) £	Year ended 31 March 2005 (Audited) £
(Decrease)/increase in cash	(2,202)	3,384,240	3,368,182
Cash outflow/(inflow) from decrease in debt and lease financing	1,692,870	(7,480,988)	(6,036,470)
Cash inflow from decrease in liquid resources	–	(477,966)	(477,966)
Change in net debt resulting from cash flows	1,690,668	(4,574,714)	(3,146,254)
Transfer in respect of loan notes redeemed with current asset investments	–	236,453	236,453
Profit on sale of current asset investments	–	69,476	69,476
Opening net debt	(7,052,859)	(4,212,534)	(4,212,534)
Closing net debt	(5,362,191)	(8,481,319)	(7,052,859)

Notes to the cash flow statement

(c) Analysis of net cash and debt

	At 31 March 2005 £	Cash Flow £	At 30 September 2005 £
Net Cash			
Cash at bank	5,207	(2,202)	3,005
	5,207	(2,202)	3,005
Debt			
Finance leases	(2,320)	2,320	–
Debt due after more than one year	(7,060,746)	1,690,550	(5,370,196)
Current asset investment	5,000	–	5,000
Net debt	(7,052,859)	1,690,668	5,362,191

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 2005 statutory accounts to 31 March 2005. 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 2005 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 15.3% due to the availability of trading and capital losses brought forward to offset against profits of the current period (30 September 2004: 19.1%).
- The calculation of earnings per share is based on the profit on ordinary activities after taxation and 288,529,426 (30 September 2004: 288,529,426) 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 2005 was 288,529,426.

There are no potentially dilutive shares in 2005 and 2004.
- The Board has decided that there will be no interim dividend.
- The interim statement was approved by the Board of Directors on 29 November 2005. 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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