



ARTISAN
(UK) plc

Interim statement

for the six months to 31 December 2007

Developing property, building value

Artisan (UK) plc

UNAUDITED INTERIM STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

London, 6 March 2008: Artisan (UK) plc, the AIM listed house builder, commercial property developer and property investor, announces its unaudited interim results for the six months ended 31 December 2007.

- Trading at commercial property development subsidiary robust over the period
- Investment property division delivering first investments
- Rippon Homes' sales down significantly due to national trading conditions and results suffering from reduced margin
- The Board is declaring a dividend of 1.2p per ordinary share, to be paid on 18 April 2008 to those on the register on 25 March 2008

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

"In common with others in the sector, Artisan's housebuilding subsidiary has been impacted by the slowdown in the housing market. However the commercial development arm has continued to perform well and property investment has had a positive start."

"Despite the downturn in house building sales and the pressure on margins, the Board is confident that the trading divisions are well structured to respond to market conditions and well positioned to benefit swiftly from any improvement in trading conditions."

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Chairman's statement

Trading

The Group's results for the six months to 31 December 2007 show a turnover of £10.6m (30 September 2006; £15.8m) and an operating profit of £0.7m (30 September 2006; £1.3m). The profit before tax is £0.1m (30 September 2006; £1.0m).

Shareholders should note that the comparative used in the accounts is the six months to 30 September 2006, which follows from the change in the year end to 30 June. As such it is of limited value in comparing the performance of the Group.

The Board is declaring a dividend of 1.2p per ordinary share, to be paid on 18 April 2008 to those on the register on 25 March 2008.

The commercial division, Artisan (UK) Developments, has performed well throughout the period due to the revenue generated by forward sales secured in the previous accounting period. Through careful control of build activities, the construction team has delivered returns in excess of those expected on the development of buildings. Whilst forward sales activity had been expected to be the major contributor to revenue in the period, some stock sales were also in the budget. However as a result of uncertainty in the markets and tightening credit conditions, new sales and stock sales were more difficult than expected to secure. Nevertheless I am very pleased with the contribution made by this division. Its turnover of £3.7m (30 September 2006; £4.5m) does not include the build value of the properties in the investment division, a service provided by the developments construction team. Before allocation of central management charges the commercial division contributed £859,000 (30 September 2006; £633,000) of operating profit to the Group.

The investment property division has now seen the first two buildings move to completion. The first of these was completed and fully occupied prior to the period end. This building is partially occupied by the Group as its new headquarters. A satisfactory valuation in excess of management's original estimate has contributed towards a total revaluation gain of £316,000. Of this total the third party occupied premises provide the revaluation surplus of £222,000 (30 September 2006;

£nil) reflected in the Income Statement for the period. The Group expects to recognise revaluation surplus on the second investment property in the second half of the year. The Group had also been expecting to recognise further surplus on investment land, but following a detailed assessment of the International Accounting Standards, now recognise that it would not be appropriate to recognise this gain in the Group results.

Rippon Homes, our residential division, has experienced a much more difficult trading period. A lack of consumer demand in the East Midlands and Yorkshire has resulted in fewer sales than targeted. House prices have been relatively static and Rippon Homes has actively pursued sales through increasing marketing spend and providing sales incentives, as have our competitors in the region. Potential purchasers, faced with a wide choice of available product in the market, have proven less willing to commit to an early purchase. Instead the trend has been for a preference to see the finished building before committing to a purchase. This has resulted in the need to provide greater levels of finished stock. The carefully managed part-exchange programme has accounted for a significant proportion of Rippon's sales. Whilst there is a cost in managing this programme, it is broadly comparable to the level of incentive provided to customers not requiring the part exchange facility. A consequence of lower sales is a reduced efficiency in the division and margins have been affected. Turnover of £6.9m (30 September 2006; £11.3m) contributed an operating profit before central management charges of £153,000 (30 September 2006; £1,115,000).

Balance Sheet

In November 2007 we concluded negotiations to improve our banking facilities. In addition to reducing the interest rate to the Group on development funding, a separate facility for the investment properties was put in place. The investment property facility was drawn in February 2008 when both investment properties had been occupied. Currently the facility has funds available for further investment in land, stocks and work in progress (WIP). The Board, recognising the uncertain trading conditions, has increased its targeted level of headroom to ensure a generous level of liquidity is maintained.

WIP has continued to be increased through both the established land purchase programme and development activity. In response to lower than expected sales, the Board has restricted further land commitments, and these will be incurred only as further sales are achieved. I feel that this approach is a prudent response to the prevailing market conditions.

Outlook

Both the residential and commercial divisions have seen better trading conditions in 2008. The improvement in the residential marketplace began towards the beginning of January 2008. However the Board believes that the market is still fragile, with demand derived from customers who need to find a new property rather than merely “trading up” or to increase individuals’ exposure to investment in residential property. The commercial division has seen an improvement in February 2008 and has secured reservations on stock properties. Well funded customers with a business requirement seem to have returned to the market to some degree. Those customers who have a greater reliance on third party funding are still struggling to assemble finance.

A further consequence of market conditions, particularly in the residential division, is that staggered build programmes have impacted on development costs; unless there is an improvement in selling prices and volume, there will be a reduction in margins in future trading periods as these costs continue to work through. The Group has taken steps to reduce costs where possible and will continue to keep this important issue under review, managing our sourcing and resources to the expected trading environment. Whilst the increased costs will affect future profitability, the Board are confident that the trading divisions are well structured to respond to the difficult conditions while at the same time being prepared for improvements in the market.

Michael W. Stevens
Chairman

6 March 2008

Consolidated income statement

six months to 31 December 2007

	Unaudited Six months ended 31 December 2007 £	Unaudited Six months ended 30 September 2006 £	Audited 15 months ended 30 June 2007 £
Revenue	10,620,644	15,757,319	41,032,156
Cost of sales	(9,130,498)	(13,727,141)	(35,093,001)
Gross profit	1,490,146	2,030,178	5,939,155
Other operating income	182,465	160,044	410,264
Administrative expenses	(1,191,000)	(921,586)	(2,913,381)
	481,611	1,268,636	3,436,038
Revaluation surplus on investment properties	222,280	–	261,684
Operating profit	703,891	1,268,636	3,697,722
Finance income	3,755	8,147	18,829
Finance expense	(627,824)	(300,568)	(933,642)
Profit before taxation	79,822	976,215	2,782,909
Tax expense	–	(266,839)	(671,032)
Profit for the period	79,822	709,376	2,111,877
Basic and diluted earnings per share	0.97p	8.64p	25.73p

Consolidated balance sheet

at 31 December 2007

	Unaudited As at 31 December 2007 £	Unaudited As at 30 September 2006 £	Audited As at 30 June 2007 £
ASSETS			
Non-current assets			
Intangible assets	2,454,760	2,454,760	2,454,760
Investment properties	3,192,985	–	1,515,897
Property, plant and equipment	1,001,319	394,722	437,058
Other receivables	116,667	–	–
	6,765,731	2,849,482	4,407,715
Current assets			
Inventories	42,185,233	33,962,248	34,792,561
Trade and other receivables	1,173,519	1,105,365	1,478,042
Cash and cash equivalents	1,169	3,526	1,126
	43,359,921	35,071,139	36,271,729
Total assets	50,125,652	37,920,621	40,679,444
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	(20,317,428)	(10,309,046)	(10,752,945)
	(20,317,428)	(10,309,046)	(10,752,945)
Current liabilities			
Trade and other payables	(8,374,508)	(7,348,093)	(8,098,715)
Current tax provisions	(67,741)	(272,358)	(523,527)
Provisions	(444,072)	(444,072)	(444,072)
	(8,886,321)	(8,064,523)	(9,066,314)
Total liabilities	(29,203,749)	(18,373,569)	(19,819,259)
Net assets	20,921,903	19,547,052	20,860,185
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Called up share capital	1,642,650	1,642,647	1,642,650
Share premium account	10,356,683	10,356,668	10,356,683
Merger reserve	515,569	515,569	515,569
Capital redemption reserve	91,750	91,750	91,750
Revaluation reserve	93,590	–	–
Retained earnings	8,240,726	6,940,418	8,272,598
Own shares	(19,065)	–	(19,065)
Total equity	20,921,903	19,547,052	20,860,185

Consolidated cash flow statement

six months to 31 December 2007

	Unaudited Six months ended 31 December 2007 £	Unaudited Six months ended 30 September 2006 £	Audited 15 months ended 30 June 2007 £
Cash flows from operating activities			
Cash used by operations	(6,330,823)	(3,079,129)	(2,330,514)
Finance income received	3,755	8,147	18,829
Finance costs paid	(588,107)	(285,155)	(898,818)
Tax paid	(455,786)	(333,001)	(486,025)
Net cash used in operating activities	(7,370,961)	(3,689,138)	(3,696,528)
Cash flows from investing activities			
Purchase of property, plant and equipment	(36,106)	(61,360)	(145,850)
Capital expenditure on investment properties	(2,034,946)	–	(238,767)
Proceeds from sale of property, plant and equipment	553	3,384	5,163
Proceeds from sale of current asset investment	–	1,309	1,309
Net cash used in investing activities	(2,070,499)	(56,667)	(378,145)
Cash flows from financing activities			
Dividends paid	(122,980)	–	(98,384)
Proceeds from the issue of ordinary share capital	–	–	18
Purchase of own shares	–	–	(19,065)
Movement in borrowings	9,564,483	3,745,981	4,189,880
Net cash from financing activities	9,441,503	3,745,981	4,072,449
Net increase/(decrease) in cash and cash equivalents	43	176	(2,224)
Cash and cash equivalents at the beginning of the period	1,126	3,350	3,350
Cash and cash equivalents at the end of the period	1,169	3,526	1,126

Notes to the interim statement

1. BASIS OF PREPARATION

This consolidated interim financial information in this condensed report is prepared on the basis of the accounting policies set out in the 2007 annual report and accounts and using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union.

The endorsed IFRS that will be effective (or available for early adoption) in the financial statements for the year ending 30 June 2008 are still subject to change and to additional interpretation and therefore cannot be determined with certainty. Accordingly, the accounting policies for the period will only be determined finally when the consolidated financial statements are prepared for the year ending 30 June 2008.

The interim financial information for the 6 months ended 31 December 2007 and 30 September 2006 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board, and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Comparative financial information for the 15 month period ended 30 June 2007 has been derived from information extracted from the statutory accounts for that period. The 2007 annual report and accounts, which received an unqualified opinion from the auditors, did not include any reference to matters to which the auditors drew attention to by way of emphasis without qualifying the report, and did not contain a statement under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

As permitted, the group has not applied IAS 34 “Interim Reporting” in preparing this interim report.

2. ACCOUNTING POLICIES

The interim financial information has been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated financial statements for the period ended 30 June 2007, except for the following:

1. An addition to the revenue accounting policy to reflect the fact that rental income on investment properties is being received in the period for the first time. The amended revenue accounting policy is as follows:

Revenue

Revenue is stated exclusive of VAT and represents the value of work done and properties sold, excluding part exchange properties which are included within cost of sales. Revenue consists of sales of trading and development properties, together with gross rental income receivable on investment properties. Revenue does not include the sales of investment properties, for which the profits or losses on sale are shown separately, and rents receivable on development properties, which are shown as other operating income.

In respect of sales of property, revenue and profit are recognised upon legal completion of the legal transfer of title to the customer. Profit or loss is calculated with reference to each site or phase within a site.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. Losses are recognised as soon as they are foreseen.

2. An addition to the property, plant and equipment note to include the following in respect of an owner occupied property occupied by the Group for the first time in the period:

Property, plant and equipment

Owner occupied property is stated at fair value with changes in fair value recognised directly in equity.

3. SEGMENTAL ANALYSIS

The Group operates through its three principal business segments: Residential, Commercial and Property Investment. The Group does not operate outside the United Kingdom. A summary of the segmental trading results is shown below:

	Residential £	Commercial £	Property Investment £	Central £	Total £
Revenue					
Six months ended 31 December 2007	6,930,023	3,689,246	1,375	–	10,620,644
Six months ended 30 September 2006	11,293,518	4,463,801	–	–	15,757,319
15 months ended 30 June 2007	26,961,175	14,070,981	–	–	41,032,156
Operating profit before central management charges					
Six months ended 31 December 2007	153,010	859,286	204,071	(512,476)	703,891
Six months ended 30 September 2006	1,115,409	633,472	—	(480,245)	1,268,636
15 months ended 30 June 2007	2,575,694	2,142,266	261,580	(1,281,818)	3,697,722

4. TAXATION

The taxation charge for the 6 months has been calculated at an expected annual effective rate of Nil% (30 September 2006 27.3%) as the result of the anticipated use of brought forward capital and trading losses.

5. DIVIDENDS

The Board has decided that there will be an interim dividend of 1.2p per ordinary share. This will amount to approximately £98,500 and will be paid on 18 April 2008 to shareholders on the register as at 25 March 2008.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit on ordinary activities after taxation and 8,198,658 (30 September 2006: 8,213,236) 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 15 months ended 30 June 2007 was 8,208,026. There are no potentially dilutive shares in 2007 and 2006.

7. INVESTMENT PROPERTIES

	Six months ended 31 December 2007 £	Six months ended 30 September 2006 £	15 months ended 30 June 2007 £
Fair value			
At beginning of period	1,515,897	–	–
Additions – transfer from trading stock	–	–	804,218
– capital expenditure	1,923,718	–	449,995
Transfer to property, plant and equipment in respect of owner occupied property	(468,910)	–	–
	2,970,705	–	1,254,213
Revaluations included in income statement	222,280	–	261,684
At end of period	3,192,985	–	1,515,897
Historical cost of investment properties	2,709,021	–	1,254,213

The Group's first completed investment property was tenanted in December 2007. The valuation on this property has been prepared for the directors by Savills (L&P) Ltd and their valuation is reflected in the above summary. Part of the first investment property has now been occupied by the Group and accordingly the cost of this part of the property has been transferred to property, plant and equipment.

8. RECONCILIATION OF CHANGES IN EQUITY

	Six months ended 31 December 2007 £	Six months ended 30 September 2006 £	15 months ended 30 June 2007 £
Opening equity	20,860,185	18,813,782	18,813,782
Profit for the period	79,822	709,376	2,111,877
Dividends paid	(122,980)	–	(98,384)
Issue of shares	–	–	18
Purchase of own shares	–	–	(19,065)
Credit to retained earnings in respect of employee share schemes	11,286	23,894	51,957
Revaluation surplus on owner occupied property recognised in equity	93,590	–	–
Closing equity	20,921,903	19,547,052	20,860,185

9. CASH USED BY OPERATIONS

	Six months ended 31 December 2007 £	Six months ended 30 September 2006 £	15 months ended 30 June 2007 £
Profit before taxation	79,822	976,215	2,782,909
Adjustments for:			
Profit on sale of current asset investment	–	(309)	(309)
Depreciation	34,073	18,323	59,598
Share based payment charge	11,286	23,894	51,957
Profit on disposal of property, plant and equipment	(281)	(2,290)	(3,190)
Increase in inventories	(7,392,672)	(3,794,450)	(5,428,981)
Decrease/(increase) in trade and other receivables	187,856	136,720	(235,957)
Increase/(decrease) in trade and other payables and provisions	347,304	(729,653)	(205,997)
Decrease in provisions	–	–	(3,673)
Revaluation surplus on investment properties	(222,280)	–	(261,684)
Finance income	(3,755)	(8,147)	(18,829)
Finance expense	627,824	300,568	933,642
Cash used by operations	(6,330,823)	(3,079,129)	(2,330,514)

10. APPROVAL OF INTERIM STATEMENT

The interim statement was approved by the Board of Directors on 5 March 2008. 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, Vantage House, Vantage Park, Wasingley Road, Huntingdon, Cambridgeshire, PE29 6SR.

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