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DIRECTORS AND ADVISERS

Directors	M.R. Breen A.P. Cunningham
Non-Executive Director	N.J.L. Welch
Joint Company Secretaries	A.P. Cunningham D.J.T. MacDonald
Registered Office	40, Queen Anne Street, London, W1G 9EL
Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	Number 2793529

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CHAIRMAN'S STATEMENT

Dear Shareholder

Please find enclosed the Directors' Report and Audited Financial Statements for the year ended 31 March 2003 and the Notice of the Annual General Meeting to be held on 16 September 2003.

The key points in this year's report and accounts are:

- Net asset value ("NAV") per share £1.72 (2002: £1.55)
- Net assets have increased to £6.34m from £5.75m (adjusted for the 2002 buy back)
- Pre-tax gains £728,000 (2002: £235,000)

Despite adverse market conditions, the slow down in the general economy and reductions in both activity (and in some areas values) in the property market, I am pleased to be able to report a significant increase in pre-tax gains. This increase reflects the result of a number of years of hard work on various projects including the Harlequin Court residential development, where we have received sale proceeds of over £24m from the sale of 36 flats. There remain only five flats to sell and three commercial units to let.

During the year we have completed other developments with a value of more than £27m, including three Central London office buildings which are operated as serviced office centres by Argyll Business Centres. All three have had an encouraging first year of trading, achieving occupancy levels ahead of target.

Construction work on the Royal Park Hotel is continuing and the hotel is scheduled to open this autumn. The hotel industry has endured one of its most challenging years in decades. In the circumstances, the Cranley and the Elizabeth hotels fared relatively well, continuing to generate operating profits.

The estate agencies, also in difficult conditions, produced improved results by increasing turnover and getting close to achieving an operating profit.

The revaluation of our standing investment portfolio showed further good gains, though there was a slight write down on the value of one Central London office building, reflecting recent declines in West End values.

Although demand at the top of the residential housing market is currently weak and will remain so in the short term, we believe that moderate growth in the mid-market sector is sustainable and it is this market which we are continuing to target. We currently have a number of transactions under negotiation which we believe can provide a profitable development pipeline for the medium term and the opportunity to make shorter term trading gains from site disposals.

Last summer we received offers to sell 368,300 shares and applications to purchase 68,550 shares. With all the applications to purchase satisfied in full, the balance of the shares offered for sale were purchased by Artesian Buy Back 2002 Limited. Pursuant to the resolution passed at the EGM on 28 March 2003 the company purchased 299,750 shares from Artesian Buy Back 2002 Limited which were then cancelled.

Once again shareholders will have the opportunity to offer their shares for sale at a discount of 15% to the audited NAV per share. Shareholders who wish to buy further shares will also have the opportunity to acquire shares at the discounted price (plus approximately 1% to cover broker's commission and stamp duty). Application forms and a letter setting out details of this arrangement are enclosed with this report. **If you do not wish to sell all or part of your shareholding or do not wish to apply to purchase further shares you do not need to take any action in response to that letter.**

CHAIRMAN'S STATEMENT (continued)

Shareholders intending to offer to buy or sell shares should read the accompanying letter, the offer to sell and application to purchase most carefully. Whilst the directors will endeavour to answer any questions shareholders might have regarding the company or the procedures to be followed, we are unable to advise shareholders as to the action they should take and for such advise shareholders should therefore refer to their own professional or financial advisers.

In the current year we anticipate the completion of the Harlequin Court sales programme and the coming of age of Biggin Hill: our confidence that we can continue to produce increases in value for shareholders remains undiminished.

MARK BREEN
Chairman
16 July 2003



60, Webbs Road,
London, SW11 6SE

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The company carries out a wide range of property related activities, including investment, development and trading, and estate agency.

RESULTS FOR THE YEAR

The profit for the year before taxation was £522,948 (2002: £66,681) from which has been deducted a tax charge of £134,088 (2002: £35,708) to give a profit for the year on ordinary activities after taxation of £388,860 (2002: £30,973). The revaluation surplus on investment properties before taxation was £205,179 (2002: £167,865). The total recognised gains were £593,239 (2002: £198,838).

In order to share opportunities and financial resource, especially where the scale of investment is significant, the company, with effect from 1 April 1998, became a partner in the Artesian Property Partnership ("APP"), which then had as its partners seven Artesian former Business Expansion Scheme companies. A further two Artesian former Enterprise Investment Scheme companies, Artesian Developments plc and Artesian Developments II plc, joined APP with effect from 1 April 2001. The results reflect the company's 15.56% (2002:15.50%) share of the results of APP. The basis of preparation of the financial statements is set out in note 1, and financial information relating to APP is set out in note 2.

A review of the development of the business of the company during the year and its year end financial position is contained in the chairman's statement.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The directors have concluded that, in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements", the company's share of APP should be reported as a "joint arrangement". This requires the company to report in its own financial statements its share of the profit and loss account, balance sheet and cash flows of APP. Financial statements of APP have been prepared and audited at 31 March 2003, from which the profit and loss account and balance sheet are set out in note 2.

The share of APP's consolidated results that has been recognised by the company is 15.56% (2002: 15.50%) That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2002, reduced by the costs to the company of the 2002 buy back of its shares and the costs borne directly by the company. The share attributable to the company in the future may vary in line with any fluctuation in the proportion of entitlement that the company may undergo following future amounts returned to shareholders in the company and to the other partners.

FIXED ASSETS

The movements in fixed assets are shown in notes 8 to 11 to the financial statements. Investment properties, excluding assets in the course of construction, are included at their open market value.

REPORT OF THE DIRECTORS (continued)

CHARITABLE DONATIONS

During the year the company made charitable donations of £240 (2002: £136).

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the shares of the company were as follows:-

	No. of 50p shares as at 31.3.2003 and 31.3.2002	
	Ordinary shares	Founders' shares
M.R. Breen	8,002	25
A.P. Cunningham	2	15
N.J.L. Welch	–	–

N.J.L. Welch retires as director by rotation but being eligible offers himself for re-election as a director of the company.

DIRECTORS' RESPONSIBILITIES

The directors are required by U.K. company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2003. The directors also confirm that applicable accounting standards have been followed, and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PURCHASE OF OWN SHARES

During the year, the company purchased for cancellation 299,750 of its ordinary shares of 50p each, which represented 7.52% of the called up share capital. The purchase price was £1.39 per share, and the total consideration together with costs was £418,743. The purchase was made following approval from the shareholders.

This year, subject to shareholders' approval, the company is proposing to subscribe up to £552,000 in ordinary shares in Artesian Buy Back 2003 Limited which may purchase shares in the company. No provision has been made in the financial statements for these amounts.

REPORT OF THE DIRECTORS (continued)

CREDITOR PAYMENT POLICY

While no formal code is adopted, the company's current policy concerning the payment of its trade creditors is, where possible, to settle the terms of payment when agreeing the terms of each transaction, ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other obligations. The company's average creditor payment period at 31 March 2003 was 4 days (2002: 14 days).

AUDITORS

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers have resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting.

By order of the Board



D.J.T. MacDonald
Joint Company Secretary
16 July 2003
40, Queen Anne Street,
London, W1G 9EL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARTESIAN DEVELOPER plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and accounting standards and 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 Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report and Chairman's statement.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP,
Chartered Accountants and Registered Auditors,
London.
16 July 2003

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Turnover: continuing operations	1 and 2	5,375,515	2,464,928
Cost of sales		(3,716,446)	(1,435,956)
Gross profit		1,659,069	1,028,972
Net operating expenses		(1,090,925)	(1,046,731)
Operating profit/(loss): continuing operations		568,144	(17,759)
Profit on sale of investments		36,424	139,773
Investment income	3	38,057	28,423
Interest payable and similar charges	4	(119,677)	(83,756)
Profit on ordinary activities before taxation	5	522,948	66,681
Tax on profit on ordinary activities	7	(134,088)	(35,708)
Retained profit	20	388,860	30,973

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Retained profit for the financial year		388,060	30,973
Other recognised gains during the year:			
Unrealised surplus on revaluation of investment properties	10	205,179	167,865
Total recognised gains relating to the year		593,239	198,838

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Reported profit on ordinary activities before taxation		522,948	66,681
Realisation of surplus on revaluation of investment properties	10	17,325	4,169
Historical cost profit on ordinary activities before taxation		540,273	70,850
Historical cost profit for the year retained after taxation		406,185	35,142

BALANCE SHEET
AT 31 MARCH 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Intangible assets	8	544,036	574,555
Tangible assets	9	631,157	369,417
Investment property	10	9,362,069	7,928,178
Investments	11	2,354	2,326
		10,539,616	8,874,476
CURRENT ASSETS			
Stock property	12	695,804	2,861,966
Debtors	13	588,357	1,099,823
Investments	14	–	775,226
Cash	23	82,037	151,331
		1,366,198	4,888,346
CREDITORS: amounts falling due within one year	15	(3,557,500)	(2,787,647)
NET CURRENT (LIABILITIES)/ASSETS		(2,191,302)	2,100,699
TOTAL ASSETS LESS CURRENT LIABILITIES		8,348,314	10,975,175
CREDITORS: amounts falling due after more than one year	16	(1,866,532)	(4,731,497)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(140,400)	(77,592)
NET ASSETS		6,341,382	6,166,086
CAPITAL AND RESERVES			
Called up share capital	18	1,843,749	1,993,624
Share premium account	19	1,592,821	1,722,302
Capital redemption reserve	19	1,332,437	1,053,081
Revaluation reserve	19	749,145	559,290
Profit and loss account	19	823,230	837,789
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	6,341,382	6,166,086

The financial statements on pages 8 to 29 were approved by the board of directors on 16 July 2003 and were *signed on its behalf by:-*

M. R. Breen
Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 £	2003 £	2002 £	2002 £
OPERATING ACTIVITIES					
Net cash flow from operating activities	21		3,455,380		(532,753)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		38,057		28,423	
Interest paid		(162,066)		(202,486)	
Net cash flow from returns on investments and servicing of finance			(124,009)		(174,063)
TAXATION					
Corporation tax paid			(16,275)		(3,055)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed asset investments	11	(552,000)		(610,000)	
Disposal of fixed asset investments		552,000		610,000	
Purchase of investment property		(1,217,333)		(2,526,081)	
Disposal of investment property		95,224		1,062,931	
Purchase of tangible assets	9	(371,079)		(132,960)	
Disposal of tangible assets		1,248		9,643	
Disposal of current asset investments		802,446		–	
Net cash flow from capital expenditure and financial investment			(689,494)		(1,586,467)
ACQUISITIONS AND DISPOSALS					
Purchase of subsidiary undertakings		–		(3,403)	
Cash acquired with subsidiaries		–		6,463	
Net cash flow from acquisitions and disposals			–		3,060
INCREASE/(DECREASE) IN CASH BEFORE FINANCING			2,625,602		(2,293,278)
FINANCING					
Purchase of own shares		(418,743)		(197,879)	
(Decrease)/increase in debt due within one year		(1,657,350)		1,398,476	
(Decrease)/increase in debt due after one year		(619,344)		1,077,014	
Net cash flow from financing			(2,695,437)		2,277,611
DECREASE IN CASH	23		(69,835)		(15,667)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP 19 "Accounting for investment properties (revised)" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to tangible fixed assets below. A summary of the more important accounting policies is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The directors have concluded that, in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements", the company's share of Artesian Property Partnership ("APP") should be reported as a "joint arrangement". This requires the company to report in its own financial statements its share of the profit and loss account, balance sheet and cash flows of APP. Financial statements of APP have been prepared and audited at 31 March 2003, from which the profit and loss account and balance sheet are set out in note 2. Intra-group sales and profits are eliminated on consolidation. The share of APP's consolidated results that has been recognised by the company is 15.56% (2002: 15.50%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2002, reduced by the costs to the company of the 2002 buy back of shares and costs borne directly by the company. The share attributable to the company in the future may vary in line with any fluctuation in the proportion of entitlement that the company may undergo following future amounts returned to shareholders in the company and to the other APP partners.

The directors have taken advantage of the exemption in Section 229 (2) of the Companies Act 1985 and in FRS 2 from the requirement to prepare consolidated accounts in respect of the company and its dormant subsidiary, as the inclusion of that subsidiary is not material for the purpose of giving a true and fair view.

ACQUISITIONS

On the acquisition of a business, fair values are attributed to that business's net separable assets. The excess of the cost of the acquisition over those fair values is treated as purchased goodwill and capitalised in the year of acquisition.

The results and cash flows relating to acquired businesses are included in the profit and loss account and cash flows statement from the date of acquisition.

INTANGIBLE FIXED ASSETS

Capitalised goodwill is carried as an intangible fixed asset, and is amortised over its estimated useful life, which, for the agency and hotel businesses, is assumed to be between 10 and 20 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

TANGIBLE FIXED ASSETS

Investment property (see also note 10)

In accordance with SSAP 19, the investment property portfolio of the company is revalued annually on an open market value basis by appropriately qualified external valuers and by the executive directors. Any revaluation surplus or deficit arising is taken to the revaluation reserve except where the deficit is considered to be permanent. Permanent deficits are taken to the profit and loss account.

No depreciation or amortisation is provided in respect of freehold or leaseholds of over 50 years held as investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors believe that, as these properties are not held for consumption but investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment properties are included at their full cost in the accounts once an irrevocable purchase contract has been entered into.

Investment properties are reported as sold at the date of exchange of a sale contract.

Assets in the course of construction are carried at cost which includes financing costs and own labour costs where relevant, and are reclassified as investment properties as soon as they are available for letting. All subsequent costs, including financing costs and own labour costs, are written off as they are incurred.

Tangible assets

The cost of tangible fixed assets is the purchase price, together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets (other than investment property), less their estimated residual values, on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold property	-	2%
Short leasehold property	-	over the life of the lease
Investment property fixtures, fittings and equipment	-	25%
Hotel fixtures, fittings and equipment	-	from 5% to 33%
Business centre fixtures, fittings and equipment	-	from 2% to 33%
Computer equipment	-	33%
Office fixtures, fittings and equipment	-	20%
Motor vehicles	-	20%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

TURNOVER

Turnover comprises investment property (including hotel and business centres) gross rental income receivable during the year, the sale of stock properties and estate agency fees, and was all derived from U.K. activities. Comparative figures for 2002 have been restated.

DEFERRED TAXATION

Deferred taxation is provided at the current rate on timing differences that have originated but not reversed by the balance sheet date. Deferred taxation is not provided on unrealised revaluation gains on investment properties, unless, by the balance sheet date, the company has entered into a binding agreement to sell the revalued property and has recognised the gains and losses expected to arise from the sale. Deferred tax assets are recognised to the extent that it is more likely than not that the assets will be recovered. Deferred tax assets and liabilities are not discounted.

STOCK PROPERTY

Properties carried as stock are valued at the lower of cost and net realisable value. Cost includes the purchase cost and associated acquisition costs, and, for development properties, building costs, financing costs and own labour costs.

Stock properties are reported as sold at the date of exchange of a sale contract, or, where later, when all material conditions relevant to that exchanged sale contract have been satisfied.

OPERATING LEASES

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

2. ARTESIAN PROPERTY PARTNERSHIP

2.1 With effect from 1 April 1998, the company became a partner in Artesian Property Partnership ("APP"). The other partners are Artesian Challenger plc, Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc, Artesian Developments plc and Artesian Developments II plc. M.R. Breen and A.P. Cunningham are directors of each of the partner companies and N.J.L. Welch is a director of each of the partner companies other than Artesian Developments plc and Artesian Developments II plc. The principal place of business of APP is 60 Webbs Road, London, SW11 6SE.

2.2. The audited profit and loss accounts of APP for the years ended 31 March are set out below:

	APP	APP	Share attributable to the company 15.56%	Share attributable to the company 15.50%
	2003	2002	2003	2002
	£	£	£	£
Turnover	34,547,009	15,898,119	5,375,515	2,464,928
Costs of sales	(23,884,611)	(9,261,525)	(3,716,446)	(1,435,956)
Gross profit	10,662,398	6,636,594	1,659,069	1,028,972
Net operating expenses	(6,774,610)	(6,500,667)	(1,054,129)	(1,007,897)
Operating profit	3,887,788	135,927	604,940	21,075
Profit on sale of investments	234,091	901,499	36,424	139,773
Investment income	244,583	183,318	38,057	28,423
Interest payable and similar charges	(769,134)	(540,202)	(119,677)	(83,756)
Profit on ordinary activities before taxation	3,597,328	680,542	559,744	105,515
Tax on profit on ordinary activities	41,778	(192,977)	6,553	(29,920)
Profit on ordinary activities after taxation	3,639,106	487,565	566,297	75,595
Partners' drawings	(1,154,346)	(280,652)	(177,437)	(44,622)
Retained profit	2,484,760	206,913	388,860	30,973

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2.3 The audited balance sheets of APP at 31 March are set out below:

	APP 2003	APP 2002	Share attributable to the company 15.56% 2003	Share attributable to the company 15.50% 2002
Fixed assets:	£	£	£	£
Intangible assets	3,496,374	3,705,725	544,036	574,555
Tangible fixed assets	4,056,280	2,382,643	631,157	369,417
Investment property	60,167,521	51,134,606	9,362,069	7,928,178
Investments	15,131	15,131	2,354	2,326
	67,735,306	57,238,105	10,539,616	8,874,476
Current assets:				
Stock property	4,471,749	18,458,910	695,804	2,861,966
Debtors	3,781,214	7,093,430	588,357	1,099,823
Investments	–	5,000,000	–	775,226
Cash	527,233	976,045	82,037	151,331
	8,780,196	31,528,385	1,366,198	4,888,346
Creditors: amounts falling due within one year	(23,781,171)	(18,387,469)	(3,697,900)	(2,865,239)
Net current (liabilities)/assets	(15,000,975)	13,140,916	(2,331,702)	2,023,107
Total assets less current liabilities	52,734,331	70,379,021	8,207,914	10,897,583
Creditors: amounts falling due after more than one year	(11,995,704)	(30,516,877)	(1,866,532)	(4,731,497)
Net assets	40,738,627	39,862,144	6,341,382	6,166,086

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2.4 The analysis of turnover, operating profit and net assets of APP is as follows:

	Turnover		Operating profit		Net assets	
	2003	2002	2003	2002	2003	2002
	£	£	£	£	£	£
Class of business:						
Continuing operations:						
Rental	2,533,013	1,483,474			42,445,801	43,346,332
Trading	26,345,415	9,206,631			6,471,749	22,749,940
Estate agency	5,668,581	5,208,014			3,696,427	4,130,015
	34,547,009	15,898,119	3,887,788	135,927	52,613,977	70,226,287
Borrowings due after more than one year					(11,995,704)	(30,516,877)
Other fixed asset investment					120,354	152,734
					40,738,627	39,862,144

3 INVESTMENT INCOME

	2003	2002
	£	£
Other interest receivable and similar income	38,057	28,423

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Interest payable on bank loans and overdrafts	357,169	433,032
Less: capitalised in respect of stock and assets in the course of construction	(237,492)	(349,276)
	119,677	83,756

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:-

	2003 £	2002 £
Depreciation (notes 1 and 9)	109,413	57,031
Amortisation of goodwill	32,575	33,395
Operating lease rentals:-		
Other operating leases	125,478	123,605
Auditors' remuneration:-		
Audit services	11,670	11,628
Non-audit services	1,400	233

6 EMPLOYEE INFORMATION

		2003 £	2002 £
6.1	Staff costs including directors' emoluments:-		
	Wages and salaries	566,905	601,540
	Social security costs	61,166	61,111
		628,071	662,651
	Less: capitalised in respect of stock and assets in the course of construction	(23,324)	(23,192)
		604,747	639,459
6.2	Directors' remuneration comprises:-		
	Directors' fees	26,398	27,798

6.3 The average weekly number of employees of APP, including the company's directors, during the year was 129 (2002: 139), including 110 (2002: 120) in the agency business.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

7 TAXATION

	2003 £	2003 £	2002 £	2002 £
Current year tax:				
U.K. corporation tax	67,196		16,696	
Under provision in prior year	4,361		–	
Total current tax		71,557		16,696
Deferred taxation provided		62,531		19,012
Tax on profit on ordinary activities		134,088		35,708
Factors affecting the tax charge for this year				
Profit on ordinary activities before taxation		522,948		66,681
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)		156,884		20,004
Increased by:				
Depreciation and goodwill amortisation non-deductible		42,597		21,554
Other non-deductible costs		21,884		3,306
Tax losses non-utilisable		–		29,406
Under provision in prior year		4,361		–
and reduced by:				
Capital allowances		(60,098)		(27,784)
Capitalised interest		(11,780)		(9,346)
Tax losses utilised		(25,140)		–
Indexation relief on disposals		(8,891)		(2,876)
Benefit of small company corporation tax rate		(32,395)		(9,666)
Benefit of timing deferrals		(15,865)		(7,902)
Current tax charge for year		71,557		16,696

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

8 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2002	624,192
Adjustment in share of APP	2,234
At 31 March 2003	626,426
AMORTISATION	
At 1 April 2002	49,637
Adjustment in share of APP	178
Charge for the year	32,575
At 31 March 2003	82,390
NET BOOK VALUE	
At 31 March 2003	544,036
At 31 March 2002	574,555

On the acquisition of a business, fair values are attributed to that business's net separable assets. The excess of the cost of the acquisition over those fair values is treated as purchased goodwill and capitalised in the year of acquisition. Goodwill is amortised over its estimated useful economic life, which, for the agency and hotel businesses, is assumed to be between 10 and 20 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

9 TANGIBLE FIXED ASSETS

			Fixtures, fittings and equipment:-			
	Freehold property £	Short leasehold property £	Investment property £	Office £	Motor vehicles £	TOTAL £
COST						
At 1 April 2002	30,602	51,729	318,389	93,046	36,156	529,922
Adjustment in share of APP	109	185	1,135	334	128	1,891
Additions	–	4,296	351,492	15,291	–	371,079
Disposals	–	–	(2,557)	(9,137)	(12,438)	(24,132)
At 31 March 2003	30,711	56,210	668,459	99,534	23,846	878,760
DEPRECIATION						
At 1 April 2002	4,392	12,231	68,384	54,427	21,071	160,505
Adjustment in share of APP	17	42	244	193	73	569
Charge for the year	345	5,909	80,986	16,015	6,158	109,413
Disposals	–	–	(2,557)	(9,137)	(11,190)	(22,884)
At 31 March 2003	4,754	18,182	147,057	61,498	16,112	247,603
NET BOOK VALUE						
At 31 March 2003	25,957	38,028	521,402	38,036	7,734	631,157
At 31 March 2002	26,210	39,498	250,005	38,619	15,085	369,417

Assets held under finance leases and hire purchase contracts originally cost £76,203 (2002: £28,488) and have net book values of £53,180 (2002:£14,347). Depreciation charged for the year was £8,469 (2002: £5,793).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

10 INVESTMENT PROPERTY

	Freehold property at cost	Leasehold property at cost	Total at cost	Valuation surplus	Total at valuation
	£	£	£	£	£
At 1 April 2002	2,954,714	312,434	3,267,148	559,290	3,826,438
Adjustment in share of APP	10,569	1,120	11,689	2,001	13,690
Additions	140,059	–	140,059	–	140,059
Reclassification	130,940	3,929,186	4,060,126	–	4,060,126
Disposals	(18,017)	(47,904)	(65,921)	(17,325)	(83,246)
Increase in valuation in the year	–	–	–	205,179	205,179
At 31 March 2003	3,218,265	4,194,836	7,413,101	749,145	8,162,246

ASSETS IN THE COURSE OF CONSTRUCTION - at cost	
At 1 April 2002	4,101,740
Adjustment in share of APP	14,677
Additions	1,143,532
Reclassifications	(4,060,126)
At 31 March 2003	1,199,823
TOTAL	
At 31 March 2003	9,362,069
At 31 March 2002	7,928,178

Should the above revalued properties be sold at those revalued amounts, a taxation liability of £125,441 would arise, for which no provision has been made as set out in note 17.

Investment property and assets in the course of construction include the following capitalised costs:

	Interest	Own labour
	£	£
At 1 April 2002	159,372	17,388
Adjustment in share of APP	570	62
Capitalised in the year	126,551	11,926
At 31 March 2003	286,493	29,376

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

10 INVESTMENT PROPERTY (continued)

The investment properties, excluding assets in the course of construction, have been stated at open market value at 31 March 2003 of £8,162,246 as valued by:

- Messrs. Donaldsons, Chartered Surveyors, for properties of APP valued in total at £11,641,000, of which the company's share is £1,811,340;
- Messrs. Bidwells, Chartered Surveyors, for one property of APP valued at £1,472,500, of which the company's share is £229,121; and
- The company's directors for properties of APP, including those acquired during the year, of, in total £39,343,093, of which the company's share is £6,121,785.

The valuations were on the basis of 'open market value' as defined by the Guidance Notes prepared by the Assets Valuation Standards Comittee of the Royal Institute of Chartered Surveyors.

11 INVESTMENTS: fixed assets

	2003 £	2002 £
Unlisted investments:		
Subsidiary undertaking; ordinary shares at cost		
At 1 April and 31 March	21	21
Other investments; ordinary shares at cost		
At 1 April	2,305	2,458
Adjustment in share of APP	28	(153)
Additions	552,000	610,000
Disposals	(552,000)	(610,000)
At 31 March	2,333	2,305
Total investments	2,354	2,326

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

11 INVESTMENTS: fixed assets (continued)

11.1 *ACQUISITIONS*

During the year the company subscribed £552,000 for shares in Artesian Buy Back 2002 Limited, which was placed in members' voluntary liquidation prior to the year end.

11.2 SUBSIDIARY UNDERTAKING

The company owns the whole of the issued share capital of £2 of Speed 6835 Limited, a dormant company incorporated in Great Britain.

12 STOCK PROPERTY

	2003 £	2002 £
Trading property	695,804	406,070
Property in the course of development	–	2,455,896
	695,804	2,861,966

Stock property includes the following capitalised costs:

	Interest £	Own labour £
At 1 April 2002	286,037	11,746
Adjustment in share of APP	1,024	42
Capitalised in the year	110,941	11,398
Released on disposal	(329,195)	(19,076)
At 31 March 2003	68,807	4,110

13 DEBTORS

	2003 £	2002 £
Amounts falling due after more than one year:		
Other debtors	22,294	7,166
Amounts falling due within one year:		
Trade debtors	439,898	121,529
Corporation tax	–	11,461
Other debtors	70,819	910,283
Prepayments and accrued income	55,346	49,384
	566,063	1,092,657
Total debtors	588,357	1,099,823

Other debtors includes £nil of investment property sale proceeds (2002: £665,304).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

14 INVESTMENTS: current assets

	2003 £	2002 £
Loan advance to a third party	–	775,226

In July 1999, Blockclause Limited ("Blockclause"), a wholly owned subsidiary of APP, acquired for a total cost of £5,238,124 an interest in a property on which it entered into an option agreement with the operator of that property. The operator paid rent on that property to Blockclause during the period of the arrangement. The transaction has been accounted for as a finance arrangement in accordance with FRS 5, and the company's share had been disclosed as a loan advance. Rental due in the year has been recognised as rental income.

The option arrangement had a primary period of 54 months. The operator could exercise a call option prior to 29 September 2004 at prices greater than the cost to Blockclause. During the year, the option agreement was cancelled and the interest in the property was sold at a price greater than the cost to APP.

15 CREDITORS: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	2,980,041	2,317,648
Net obligations under finance leases and hire purchase contracts	15,762	7,188
Trade creditors	42,498	43,131
Amounts due to APP partners	11,838	14,465
Corporation tax	71,916	28,095
Taxation and social security	62,254	40,022
Other creditors	254,934	218,338
Accruals	118,257	118,760
Total creditors	3,557,500	2,787,647

The bank loans of APP are secured, denominated in sterling and the interest thereon is linked to either three month LIBOR or bank base rate. The bank loans are secured by fixed charges on various investment properties and assets in the course of construction. The bank facilities relevant to properties where construction work has been completed during the year are intended to be restructured as long term loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

16 CREDITORS: amounts falling due after more than one year

	2003 £	2002 £
Bank loans repayable:		
Between one and two years	56,881	2,290,028
Between two and five years	1,781,905	2,440,924
	1,838,786	4,730,952
Net obligations under finance leases and hire purchase contracts	27,746	545
	1,866,532	4,731,497

The bank loans of APP are secured, denominated in sterling and the interest thereon is linked to bank base rate. The bank loans are secured by fixed charges on various investment properties and properties in the course of construction.

17 PROVISION FOR LIABILITIES AND CHARGES

DEFERRED TAX

	2003 £	2002 £
At 1 April	77,592	61,348
Adjustment in share of APP	277	(2,768)
Provided in the year on timing differences	62,531	19,012
At 31 March	140,400	77,592

In accordance with FRS 19, no deferred tax has been provided on the unrealised revaluation gains on investment properties. The taxation that would arise if the revalued properties were sold at their revalued amounts would be £125,441 (2002: £85,055).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

18 SHARE CAPITAL

	2003	2002
	£	£
Authorised:-		
100 Founders' shares of 50p each	50	50
5,999,900 Ordinary shares of 50p each	2,999,950	2,999,950
	3,000,000	3,000,000

	2003	2002	2003	2002
	Number of shares		£	£
Allotted, called up and fully paid:-				
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April	3,987,149	4,140,374	1,993,574	2,070,187
Cancelled on share buy back during the year	(299,750)	(153,225)	(149,875)	(76,613)
At 31 March	3,687,399	3,987,149	1,843,699	1,993,574
Total share capital	3,867,499	3,987,249	1,843,749	1,993,624

19 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account
	£	£	£	£
At 1 April 2002	1,722,302	1,053,081	559,290	837,789
Adjustment in share of APP	–	–	2,001	(2,001)
Cancellation of shares on 2002 buy back and costs	(129,481)	279,356	–	(418,743)
Transfer of realised revaluation surplus	–	–	(17,325)	17,325
Revaluation surplus on investment properties	–	–	205,179	–
Retained profit for the year	–	–	–	388,860
At 31 March 2003	1,592,821	1,332,437	749,145	823,230

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

20 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	2003 £	2002 £
Shareholders' funds at 1 April	6,166,086	6,165,127
Cancellation of shares on buy back	(418,743)	(197,879)
Profit for the year	388,860	30,973
Other recognised gains relating to the year	205,179	167,865
Shareholders' funds at 31 March	6,341,382	6,166,086

21 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit/(loss) before taxation	568,144	(17,759)
Depreciation and amortisation	141,988	90,426
Decrease/(increase) in debtors	503,899	(537,872)
Decrease/(increase) in stock	2,187,788	(116,576)
Increase in creditors	53,561	49,028
Net cash flow from operating activities	3,455,380	(532,753)

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
Decrease in cash	(69,835)	(15,667)
Decrease/(increase) in debt due within one year	1,657,350	(1,398,476)
Decrease/(increase) in debt due after one year	619,344	(1,077,014)
Changes in net debt	2,206,859	(2,491,157)
Loans and finance leases acquired with subsidiaries	–	(398,164)
Non-cash changes	(82,155)	282,428
Opening net debt	(6,905,002)	(4,298,109)
Closing net debt	(4,780,298)	(6,905,002)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

23 ANALYSIS OF CHANGES IN NET DEBT

	Net debt at 1 April 2002 £	Cash flow £	Non-cash changes £	Net debt at 31 March 2003 £
Cash at bank	151,331	(69,835)	541	82,037
Debt due within one year	(2,324,836)	1,657,350	(2,328,317)	(2,995,803)
Debt due after one year	(4,731,497)	619,344	2,245,621	(1,866,532)
Net debt at 31 March	(6,905,002)	2,206,859	(82,155)	(4,780,298)

The non-cash changes include the differences between the composition of the company's share of APP's net assets at 1 April 2002 and the composition of those attributed to the company by APP following the 2002 buy back of shares.

24 DIRECTORS' INTEREST IN CONTRACTS

24.1 M.R. Breen has an interest in Epicwork Limited which provided property services to the value of £34,102(2002: £36,142) including VAT to the company, and £72,354 (2002: £44,188) to APP. Epicwork also charged for the services of R.C. Breen to the agency business, for which the company's share was £2,334 (2002: £2,326). At 31 March 2003 there was a balance of £10,972 due to that company (2002: £2,326).

24.2 N.J.L. Welch has an interest in G&W Projects Limited, which provided project management and surveying services to APP for which the company's share was £17,396 (2002: £15,028), and was reimbursed for costs incurred for APP, for which the company's share was £2,563 (2002: £64,779). At 31 March 2003 there was no balance due to that company (2002: £nil).

25 CAPITAL COMMITMENTS AND GUARANTEES

25.1 There is future capital expenditure contracted by APP but not provided for relating to property construction and refurbishment of £397,217.

25.2 The company's share of annual payments due by APP under non-cancellable operating leases is as follows:

	Land and buildings 2003 £	2002 £	Other 2003 £	2002 £
Expiry date:				
Within one year	5,913	–	7,567	1,774
Between two and five years	10,962	31,544	22,373	14,485
In over five years	100,611	65,142	–	–
	117,486	96,686	29,940	16,259

25.3 APP has guaranteed various operating lease payments by a tenant. The company's share of annual payments due under those non-cancellable operating leases is as follows:

	2003 £	2002 £
Expiry date:		
Within one year	3,808	5,557
Between two and five years	15,579	20,589
	19,387	26,146

ARTESIAN DEVELOPER plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Artesian Developer plc (the company) will be held at:-

The East India Club,
16, St. James Square,
London, SW1

at 11.00 am on 16 September 2003, for the transaction of the following business:-

To read the notice convening the meeting.

To note the presentation of proxies.

To approve the following resolutions, all of which will be proposed as Ordinary Resolutions:-

1 To receive and adopt the directors' report and financial statements for the year ended 31 March 2003.

2 To re-elect N. J. L. Welch as a director of the company.

3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

To approve the following resolution, which will be proposed as a Special Resolution:

4 That the proposed subscription by the company of up to £552,000 for up to 552,000 ordinary shares of £1 each in Artesian Buy Back 2003 Limited (as described in the letter to shareholders dated 16 July 2003 (the Letter)) be and is hereby approved and that the directors of the company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him/her. A proxy need not be a member of the company. A Form of Proxy is enclosed.

The Register of directors' shareholdings will be available for inspection during the meeting.

By order of the board,

Dated 16 July 2003

D.J.T. MacDonald
Joint Company Secretary

Registered Office:
40, Queen Anne Street,
London, W1G 9EL

ARTESIAN DEVELOPER plc

For use by the holders of ordinary shares

FORM OF PROXY

I .....

(IN BLOCK CAPITALS PLEASE)

of .....

being a member of Artesian Developer plc hereby appoint M. R. Breen or, failing him, A. P. Cunningham both directors of the company, or.....as my proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held on 16 September 2003, and at every adjournment thereof.

Dated .....2003 Signature .....

ORDINARY RESOLUTIONS	FOR	AGAINST
1 Adoption of the report of the directors, report of the auditors and the accounts for the year ended 31 March 2003.		
2 To re-elect N.J.L. Welch as a director of the company.		
3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.		

SPECIAL RESOLUTION	FOR	AGAINST
4 That the proposed subscription by the company of up to £552,000 for up to 552,000 ordinary shares of £1 each in Artesian Buy Back 2003 Limited (as described in the letter to shareholders dated 16 July 2003 (the Letter)) be and is hereby approved and that the directors of the company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve.		

Notes

1 To be valid this proxy form, duly completed, must be lodged at 60 Webbs Road, London SW11 6SE not later than 48 hours before the Meeting.

2 In the case of joint holders the signature of the senior holder will be accepted.

3 If any other proxy be preferred strike out the names above and substitute the name(s) of the proxy or proxies in the space provided.

4 A proxy holder need not be a member of the company.

5 The completion and return of the form of proxy will not preclude ordinary shareholders attending and voting at the Meeting should they decide to do so.