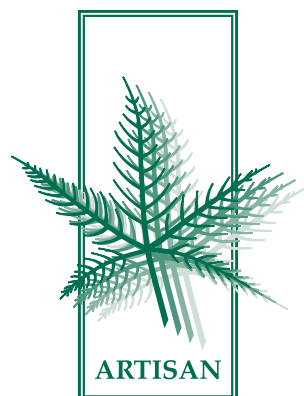




ARTISAN (UK) Plc

INTERIM STATEMENT

*For the Six Months
to 30th September 2002*



UNAUDITED INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

CHAIRMAN'S INTERIM STATEMENT FOR THE PERIOD TO 30TH SEPTEMBER 2002

FINANCIAL HIGHLIGHTS

For the 6 months to 30th September 2002

	Six months 30th September 2002	Six months 30th September 2001	Year to 31st March 2002
Turnover – continuing operations	£13,047,813	£17,145,307	£42,272,526
Operating (Loss) / Profit – continuing operations	£(564,345)	£2,066,255**	£2,402,526**
Net Debt *	£18,612,286	£29,629,695	£22,944,350
Dividend per share - interim	0.0p	0.25p	0.25p
Dividend per share - final			0.15p
Net Assets	£14,860,196	£35,637,249**	£19,151,273

Note * (Including borrowings in Living Heritage Holdings Limited when an associate)

** (before goodwill impairment writedown at 31 March 2002)

A number of significant changes have been implemented in the first six months of the financial year. In May 2002 John Hemingway and myself were invited to join the Board and Martyn Freeman was appointed CEO. At the end of July I assumed the role of Chairman, and Alain Brion was recruited to head the newly formed Artisan International s.a. as a start up venture to secure major development opportunities in the eurozone economies.

However it is not proposed to limit new activity to outside the UK, and indeed in September the Board was disappointed not to secure another sizeable UK development business following significant commitment of resources by the management and its advisors. Your Board is continuing to seek suitable acquisition opportunities to enhance the UK operations.

The core UK businesses were subject to some adverse cyclical influence during the six months under review as reflected in the results for the period.

RESIDENTIAL HOUSING DIVISION

Rippon Homes

Rippon Homes has exceeded budgeted targets with the sale of 47 homes and managed to carry virtually no completed stock throughout the period, optimising return on capital employed. The new homes market is generally most buoyant in September/October and January to April, and therefore four of the best sales months normally arise in the second half of the financial year. Rippon Homes is actively seeking to acquire suitable development land to rebuild its land stocks.



Living Heritage

The residual Living Heritage housing stocks were reduced by 27 units during the period, although this was slightly less than budgeted. The re-structuring of management within the residential housing division is proving successful and sales reservations have markedly improved since September 2002. All but one of the 27 sales were of the older stock acquired when Artisan took full control of this former associate in November 2001. The three sites being developed since that date are only just coming into sales production, but all three are expected to be profitable and sales reservations since the reporting date have been in excess of budget.

COMMERCIAL DIVISION

Artisan (UK) Developments

In Artisan (UK) Developments, the management decided to adopt a more prudent marketing policy by reducing the volume of commercial buildings developed on a speculative basis for subsequent letting and sale and undertaking the majority of new development on a forward sale basis by marketing the development from the plans and securing a sale of the plot prior to its construction. Both of the new business park sites opened during the first half year, Peterborough and Huntingdon, are being developed using this approach with encouraging starts and the majority of further new development at Colmworth Business Park is also being developed on this basis.

In respect of the speculative development stock, the first six months were disappointing with only 7,500ft² of office space sold plus the forward sale of a new distribution unit at Colmworth and a lack of sales on the remaining 10,000ft² office buildings at Clare Hall in St Ives. As a consequence gross profits in Artisan (UK) Developments did not cover overheads and finance costs during the period under review. Profitability for the year as a whole will be dependant on completing sales on existing stocks.

The Board is confident that the strategy of minimising speculative development exposure and completed stocks is the right one to employ to guard against any possible downturn in the property market, and to maximise returns on capital employed.

FINANCIAL REVIEW

The results for the six months to 30 September 2002 have reflected the trading conditions referred to in the earlier part of this statement. In addition the Group has incurred some additional costs associated with the departure of the former Chairman and the refocusing of the Group's strategy.

The Group's turnover in the current interim period on continuing activities is £13.0m (30 September 2001: £17.1m) and the operating loss on continuing activities before cost of aborted transactions is £564,000 (30 September 2001: operating profit £2.1m).

The operating loss incurred reflects reduced margins at Rippon Homes primarily through increased land costs and a delay in sales at Artisan (UK) Developments arising from a slowing of investment in commercial property in the area immediately around Cambridge.



As already referred to, much effort has been made in disposing of the Living Heritage stock of properties. The proceeds have been used to reduce debt. Living Heritage net debt has reduced by £2.4m and other bank loans and vendor loans net of the increase in overdraft have reduced by £1.9m since 31 March 2002.

The Group gearing at 30 September 2002 is 125.3% (30 September 2001 119.7%, after adjusting for Living Heritage debt not included at 30 September 2001 and goodwill subsequently written off at 31 March 2002). The objective is to reduce the gearing as the Living Heritage properties and other non core assets are sold. Furthermore the Artisan (UK) Developments' policy of securing prior sales has enabled the Group to improve the utilisation of cash resources.

Severance payments of £510,000 in respect of executive service contracts were paid to Mr Stephen Dean as disclosed as a post balance sheet event in the accounts for the year to 31 March 2002. Additionally £60,000 was paid to terminate his non-executive director's contract and further £118,750 payments on account of contractual commissions due to a connected company were also made. Mr Stephen Dean is no longer a director of the company. The Cater Barnard plc loan due to be repaid as at 30th September 2002 has since been partly repaid and the Board are actively seeking settlement of the balance. Your Board believes that having incurred substantial management time, the dealings with Mr Dean and his connected companies are now largely concluded.

As recently announced, the Board has appointed BDO Stoy Hayward as the Group's new auditors. A review of the Group's corporate governance procedures in relation to the operation of the Board is in progress and will take account of any recommendations made in the Higgs review of the role and effectiveness of non-executive Directors.

Your Board is in the course of reviewing the investments held in the Stratus Services Group Inc. We are in discussions with the management of Stratus to assess the ongoing viability of Stratus and its ability to repay the Preferred Stock held by Artisan which is due for repayment in June 2008. The total carrying value of the Group's investments as at 30 September 2002 is £3.6m. Following comments and information received from the Stratus management your Board believe it is prudent to provide £2.2m against the carrying value of this investment whilst discussions continue with Stratus.

We will continue to keep overhead costs under review and in the period to 30 September 2002 we have reduced overhead costs in our Huntingdon and Malvern offices. There is however some cost increase associated with the establishment of Artisan International and a modest London office to support future developments.

Future Prospects

Your Board is acutely aware of the expectation of shareholders and is pursuing a strategy to deliver long term sustainable capital growth. To this end, I confirm that I will shortly subscribe for new 0.5p ordinary shares in the Company to a total of £500,000 at a price of the higher of 3p or mid market price. This subscription is to provide additional working capital resources for the Group. In recognition of the inability of the Board to recommend payment of an interim dividend to shareholders in the absence of revenue profits for the period under review, I have offered to waive my own director's fees for the period to 30 September 2002. My objective remains to



continue to concentrate on the core activities of residential and commercial development by rebuilding the UK activity through investment and acquisitions where suitable and also to develop international activity particularly in the eurozone as the UK activities become re-established.

The Board believes that this strategy will allow the Group to diversify the risks to the business of staying only in the UK in the event of a downturn in the UK property sector. Your Board also believes that the potential yield in continental Europe is presently greater than in the UK.

In conclusion I wish to thank all the staff and management for the way in which they have welcomed me to the Group and for their continued loyalty and support.

MICHAEL W STEVENS

Chairman

19th December 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months to September 2002

	Six months ended 30th September 2002 (Unaudited) £	Six months ended 30th September 2001 (Unaudited) £	Year ended 31st March 2002 (Audited) £
Turnover			
Continuing operations	13,047,813	17,145,307	42,272,870
Discontinued activities	–	13,213,057	21,020,006
Total Turnover	13,047,813	30,358,364	63,292,876
Less: Group's share of associate's turnover – all continuing	–	(3,351,006)	(3,830,789)
Group Turnover	13,047,813	27,007,358	59,462,087
Operating (Loss)/Profit			
Continuing operations	(564,345)	2,066,255	2,402,526
Discontinued activities	–	257,195	629,808
Goodwill write down (exceptional) – continuing	–	–	(18,755,120)
Cost of aborted transactions – continuing	(253,750)	(227,626)	(312,626)
Group's share of operating loss of associate	–	(411,921)	(600,257)
Total Operating (Loss)/Profit	(818,095)	1,683,903	(16,635,669)
Interest receivable and similar income	162,216	334,814	299,180
(Loss)/Profit on sale of group undertaking and fixed assets	(6,798)	1,924,997	4,368,622
Provision against loan note debtor	(2,200,000)	–	–
Interest payable	(647,217)	(694,670)	(858,729)
(Loss)/Profit on ordinary activities before taxation	(3,509,894)	3,249,044	(12,826,596)
Taxation on ordinary activities	381,784	(1,040,236)	(696,854)
(Loss)/Profit on ordinary activities after taxation	(3,128,110)	2,208,808	(13,523,450)
Dividends	–	(718,032)	(1,059,450)
Retained for the period	(3,128,110)	1,490,776	(14,582,900)
(Loss)/Earnings per share	(1.16)p	0.77p	(4.72)p
Diluted (loss)/earnings per share	(1.16)p	0.77p	(4.72)p
Dividends per share – Total	0.0p	0.25p	0.40p
– Interim	0.0p	0.25p	0.25p
– Final	–	–	0.15p



CONSOLIDATED BALANCE SHEET

	As at 30th September 2002 (Unaudited) £	As at 30th September 2001 (Unaudited) £	As at 31st March 2002 (Audited) £
Fixed assets			
Intangible fixed assets	2,863,666	13,740,801	2,942,158
Tangible fixed assets	669,987	1,428,646	894,642
Investments in associates	—	919,686	—
	<u>3,533,653</u>	<u>16,089,133</u>	<u>3,836,800</u>
Current assets			
Investments	929,805	1,664,144	811,056
Stocks and works in progress	32,021,606	26,109,213	33,199,625
Debtors	7,430,064	23,123,051	16,638,113
Cash at bank and in hand	231,600	120,934	355,049
	<u>40,613,075</u>	<u>51,017,342</u>	<u>51,003,843</u>
Creditors			
Amounts falling due within one year	<u>(22,936,532)</u>	<u>(22,772,755)</u>	<u>(27,885,356)</u>
Net current assets	<u>17,676,543</u>	<u>28,244,587</u>	<u>23,118,487</u>
Total assets less current liabilities	<u>21,210,196</u>	<u>44,333,720</u>	<u>26,955,287</u>
Creditors			
Amounts falling due after more than one year	<u>(6,350,000)</u>	<u>(8,696,471)</u>	<u>(7,804,014)</u>
Net Assets	<u>14,860,196</u>	<u>35,637,249</u>	<u>19,151,273</u>
Capital and reserves			
Called up share capital	1,344,314	1,436,064	1,411,064
Share premium account	18,428,211	18,428,211	18,428,211
Merger reserve	515,569	9,358,749	515,569
Capital redemption reserve	91,750	—	25,000
Profit and loss account	<u>(5,519,648)</u>	<u>6,414,225</u>	<u>(1,228,571)</u>
Equity shareholders' funds	<u>14,860,196</u>	<u>35,637,249</u>	<u>19,151,273</u>
Total loan balances included in creditors	<u>15,322,056</u>	<u>13,934,492</u>	<u>20,797,392</u>



CONSOLIDATED CASH FLOW

	Six months ended 30th September 2002 (Unaudited) £	Six months ended 30th September 2001 (Unaudited) £	Year ended 31st March 2002 (Audited) £
Net cash inflow/(outflow) from operating activities	7,791,681	(1,808,892)	1,496,250
Returns on investments and servicing of finance			
Interest received and similar income	162,216	334,814	299,180
Interest paid	(647,217)	(694,670)	(858,729)
	<u>(485,001)</u>	<u>(359,856)</u>	<u>(559,549)</u>
Taxation			
UK Corporation tax paid	(1,906,671)	(80,618)	(535,156)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(17,354)	(2,161)	(401,397)
Sale of tangible fixed assets	112,376	—	896,163
	<u>95,022</u>	<u>(2,161)</u>	<u>494,766</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings	—	—	(552,692)
Disposal of subsidiary undertakings	—	1,914,433	5,714,818
Cash disposal with subsidiary undertakings	—	(71,450)	(39,027)
	<u>—</u>	<u>1,842,983</u>	<u>5,123,099</u>
Equity Dividends Paid	<u>—</u>	<u>—</u>	<u>(656,156)</u>
Net cash inflow/(outflow) before financing	<u>5,495,031</u>	<u>(408,544)</u>	<u>5,363,254</u>
Financing			
Share buy back	(1,162,967)	—	(412,300)
Repayment of borrowings	(5,475,336)	(7,351,950)	(12,275,635)
Capital element of finance leases and hire purchase contracts	(162,323)	47,817	14,218
	<u>(6,800,626)</u>	<u>(7,304,133)</u>	<u>(12,673,717)</u>
DECREASE IN CASH	<u><u>(1,305,595)</u></u>	<u><u>(7,712,677)</u></u>	<u><u>(7,310,463)</u></u>



NOTES TO THE STATEMENT OF CASH FLOWS

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

	Six months ended 30th September 2002 (Unaudited) £	Six months ended 30th September 2001 (Unaudited) £	Year ended 31st March 2002 (Audited) £
Operating (loss)/profit	(818,095)	1,683,903	(16,635,669)
Depreciation	122,835	135,324	448,457
Amortisation	78,492	390,156	781,397
Goodwill write off	—	—	18,755,120
Loss on sale of trade investments	—	94,129	—
Loss retained in associated company	—	391,209	600,257
Increase/(decrease) in investments	(118,749)	(850,244)	103,980
Decrease in stock	1,178,019	977,835	7,395,427
Decrease/(increase) in debtors	7,008,049	(1,982,971)	(129,832)
Increase/(decrease) in creditors	341,130	(2,648,233)	(9,822,887)
Net cash inflow/(outflow) from operating activities	<u>7,791,681</u>	<u>(1,808,892)</u>	<u>(1,496,250)</u>

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

	Six months ended 30th September 2002 (Unaudited) £	Six months ended 30th September 2001 (Unaudited) £	Year ended 31st March 2002 (Audited) £
Decrease in cash	(1,305,595)	(7,712,677)	(7,310,463)
Cash outflow from decrease in debt and lease financing	5,637,659	7,399,767	12,545,033
Debt disposed of on sale of subsidiary	—	891,460	70,796
Debt acquired with subsidiary undertakings	—	—	(11,215,201)
Change in net debt resulting from cash flows	<u>4,332,064</u>	<u>578,550</u>	<u>(5,909,835)</u>
Opening net debt	<u>(22,944,350)</u>	<u>(17,034,515)</u>	<u>(17,034,515)</u>
Closing net debt	<u>(18,612,286)</u>	<u>(16,455,965)</u>	<u>(22,944,350)</u>



(c) Analysis of net cash and debt

	At 31st March 2002 £	Cash Flow £	At 30th September 2002 £
NET CASH			
Cash at bank	355,049	(123,449)	231,600
Bank Overdrafts	<u>(2,290,134)</u>	<u>(1,182,146)</u>	<u>(3,472,280)</u>
	(1,935,085)	(1,305,595)	(3,240,680)
DEBT			
Finance leases	(211,873)	162,323	(49,550)
Debt due within one year	(13,847,392)	4,875,336	(8,972,056)
Debt due after more than one year	<u>(6,950,000)</u>	<u>600,000</u>	<u>(6,350,000)</u>
Net debt	<u><u>(22,944,350)</u></u>	<u><u>4,332,064</u></u>	<u><u>(18,612,286)</u></u>



NOTES TO THE INTERIM STATEMENT

1. The interim financial information has been prepared on the basis of the accounting policies set out in the Group's 2002 statutory accounts to 31st March 2002. 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 31st March 2002 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.
2. The restatement of the 30th September 2001 interim results is to reflect the now discontinued activities in the comparative results as well as the 30th September 2002 results. This restatement has no effect on aggregate Group turnover and operating (loss)/profit.
3. The taxation credit for the 6 months has been calculated at an effective rate of 31% (30th September 2001 charge: 31%).
4. The calculation of earnings per share is based on the profit on ordinary activities after taxation and 270,540,628 (30th September 2001: 287,212,760) 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 31st March 2002 was 286,383,308.

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and 270,540,628 (30th September 2001: 287,914,283) ordinary shares being the weighted average number of shares in issue during the half-year, after allowing for share options.

5. The Board has decided that there will be no interim dividend.
6. The interim statement was approved by the Board of Directors on 18th December 2002. 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, Dean House, Sovereign Court, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

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