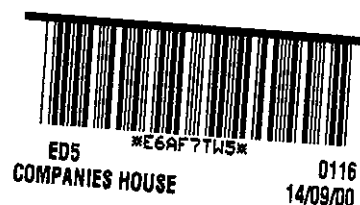


CONTENTS

	Pages
Directors and advisers	1
Chairman's statement	2-3
Report of the directors	4-6
Report of the auditors.....	7
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	9
Note of consolidated historical cost profits and losses	9
Balance sheets	10
Consolidated cash flow statement.....	11
Notes to the financial statements.....	12-25
Notice of Annual General Meeting	26
Form of proxy	

DIRECTORS AND ADVISERS

Directors	M.R. Breen A.P. Cunningham
Non-Executive Director	N.J.L. Welch
Joint Secretaries	A.P. Cunningham D.J.T. MacDonald
Registered Office	40, Queen Anne Street, London, W1M 0EL
Auditors	PricewaterhouseCoopers, No. 1 London Bridge London, SE1 9QL
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	Number 2793529



CHAIRMAN'S STATEMENT

Dear Shareholder

Please find enclosed the directors' report and audited financial statements for the year ended 31 March 2000 and the notice of the Annual General Meeting to be held on 8 September 2000.

I am pleased to report that the company, as a partner in Artesian Property Partnership, has had another successful year.

- Net asset value per share is now £1.41 (1999: £1.23)
- Net assets have increased to £6.36m (1999: £5.65m adjusted for 1999 share buy back)
- Pre-tax gains £700,000 (1999: £653,000)

A detailed description of the activities of APP is contained in the latest newsletter. As shareholders will know, all of the business activity of the company is carried out in partnership with the other six Artesian BES companies through APP. In aggregate, within APP we have achieved pre-tax profits and revaluation surpluses for the year of £4.1m (1999: £3.8m) on a capital base of £34m.

One of the effects of APP is to equalise the rate of return enjoyed by all of the BES companies. There remains a small disparity because each company pays tax on its own share of APP profits and therefore different rates of tax may apply, but aggregate returns for each company averaged 13% for the year, after tax.

The above post-tax average returns reflect the NAV of the company and therefore the unrealised revaluation gains (net of a provision for tax) on the investment properties within the portfolio. Development properties are carried at their accumulated cost and are not revalued. The NAV of APP and therefore the company thus excludes any uplift in value in respect of APP's development sites at Harlequin Court, London WC2 (formerly Strand Palace Hotel Annexe) and St James's Square, London SW1.

The developments at St James's Square and Harlequin Court are well underway with construction scheduled to be completed at St James's Square in spring 2001 and Harlequin Court in autumn 2001. We are confident that these two projects, which together represent in excess of £27m in resale values, will contribute significantly to the company's profitability, principally in the financial year to March 2002.

Once again shareholders will have the opportunity to offer their shares for sale at a discount of 15% to net asset value per share and shareholders who wish to buy further shares will 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 the arrangements are enclosed with this report. If you do not wish to sell all or part of your shareholding, or do not wish 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, Offer to Sell and Application to Purchase forms most carefully. Whilst the directors will endeavour to answer any questions shareholders might have regarding the company or the procedure to be followed we are unable to advise shareholders as to the action they should take and for such advice shareholders should therefore refer to their own professional or financial advisers.

Finally, in the autumn we will be sending shareholders circulars regarding the continuation of your company's business activities. Similar circulars will also be sent to shareholders in Artesians Select and Select II. In view of the strength of the property market and the business activities and development programme of APP, both of which are described in greater detail in the newsletter, we hope that shareholders will wish to continue their company's activities. Last year shareholders of Artesians Challenger, Competitor, Performer and Performer II voted by a majority of more than 98% to continue the activities of their companies for a further three years and a majority of those shareholders also supported the continuation of the annual facility for shareholders to buy and sell shares. Your Board has every confidence in the future of the Artesian companies and their ability to deliver good growth on a year on year basis.



MARK BREEN

Chairman

7 July 2000

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 2000.

PRINCIPAL ACTIVITIES

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

RESULTS FOR THE YEAR

The profit for the year before taxation was £441,859 (1999: £530,605) to which has been added a corporation tax recovery of £42,709 (1999 charge: £148,657) to give a profit for the year on ordinary activities after taxation of £484,568 (1999: £381,948). The revaluation surplus on investment properties before taxation was £258,043 (1999: £122,190). The total recognised gains were £707,725 (1999: £468,313).

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 has as its partners seven Artesian former Business Expansion Scheme companies. The results reflect the company's 16.45% (1999: 16.8%) 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. The consolidated results of the company and its dormant subsidiary are reported as "the group".

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 2000, from which the profit and loss account and consolidated balance sheet are set out in note 2.

The share of APP's consolidated results that has been recognised by the company is 16.45% (1999: 16.8%). That share is calculated by reference to the net asset values of all of the partners of APP at 1 April 1999, reduced by the costs to the company of the 1999 buy back of its shares, as adjusted for the effect of certain costs and expenses 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 10 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 £ 191 (1999: £146).

DIRECTORS AND THEIR INTERESTS

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

	Ordinary shares		Founders' shares
	No. of 50p shares as at		No. of 50p shares as at
	31.3.1999	31.3.2000	31.3.1999 and 31.3.2000
M.R. Breen	2	5,002	25
A.P. Cunningham	4	4	15
N.J.L. Welch	-	-	-

N.J.L. Welch retires as director by rotation but being eligible offers himself for re-election as 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 and of the group as at the end of the financial year and of the profit of the group 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 2000. 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 of the group 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 545,427 of its ordinary shares, which represented 10.8% of the called up share capital. The purchase price was £1.05 per share, and the total consideration together with costs was £576,732. The purchase was made following approval from the shareholders in order to provide a limited exit route to shareholders who had subscribed for shares under the Business Expansion Scheme.

This year, subject to shareholders' approval, the company is proposing to subscribe £679,000 in ordinary shares in Artesian Buy Back Limited which may purchase shares in the company at a price of £1.20. 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 2000 was 37 days (1999: 18 days).

YEAR 2000 ISSUE

The company has continued its programme of risk assessment in relation to its own computer systems, the properties that it operates, and the risks that the company's operating procedures are exposed to from the systems of major suppliers and service providers. Replacement of some computer software and hardware has taken place, the costs of which were not material.

AUDITORS

The term of office of the auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, will expire at the forthcoming annual general meeting. The auditors, being eligible, have indicated their willingness to accept re-appointment.

By order of the Board

D. J. T. MacDonald
Joint Secretary
7 July 2000
40, Queen Anne Street,
London, W1M 0EL



**REPORT OF THE AUDITORS TO THE MEMBERS OF
ARTESIAN DEVELOPER plc**

We have audited the financial statements on pages 8 to 25.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report including, as described on page 5, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

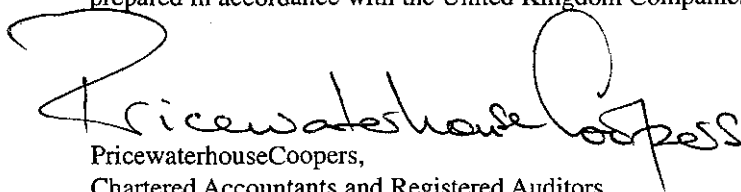
BASIS OF AUDIT OPINION

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 the affairs of the company and the group at 31 March 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

A large, stylized handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

PricewaterhouseCoopers,
Chartered Accountants and Registered Auditors,
London.

7 July 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £	1999 £
Turnover	1 and 2	683,358	607,451
Cost of sales		<u>(279,973)</u>	<u>(310,450)</u>
Gross profit		403,385	297,001
Net operating expenses		<u>(320,724)</u>	<u>(232,856)</u>
Operating profit		82,661	64,145
Profit on sale of investments		431,194	482,749
Investment income	3	34,667	55,890
Interest payable and similar charges	4	<u>(106,663)</u>	<u>(72,179)</u>
Profit on ordinary activities before taxation	5	441,859	530,605
Tax on ordinary activities	7	<u>42,709</u>	<u>(148,657)</u>
Retained profit	19	<u><u>484,568</u></u>	<u><u>381,948</u></u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £	1999 £
Retained profit for the financial year		<u>484,568</u>	<u>381,948</u>
Other recognised gains during the year:			
Unrealised surplus on revaluation of investment properties	9	258,043	122,190
Deferred taxation on unrealised surplus on revaluation of investment properties	16	<u>(34,886)</u>	<u>(35,825)</u>
Total other gains	19	<u>223,157</u>	<u>86,365</u>
Total recognised gains relating to the year		<u><u>707,725</u></u>	<u><u>468,313</u></u>

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £	1999 £
Reported profit on ordinary activities before taxation		441,859	530,605
Realisation of surplus on revaluation of investment properties	9	<u>190,769</u>	<u>215,508</u>
Historical cost profit on ordinary activities before taxation		<u>632,628</u>	<u>746,113</u>
Historical cost profit for the year retained after taxation		<u><u>675,337</u></u>	<u><u>597,456</u></u>

BALANCE SHEETS
AT 31 MARCH 2000

	Note	2000 Group £	2000 Company £	1999 Group £	1999 Company £
FIXED ASSETS					
Tangible assets	8	158,509	158,509	103,913	103,913
Investment properties	9	6,425,632	6,425,632	6,076,428	6,076,428
Investments	10	19,377	19,490	—	113
		<u>6,603,518</u>	<u>6,603,631</u>	<u>6,180,341</u>	<u>6,180,454</u>
CURRENT ASSETS					
Stock properties	11	464,660	464,660	134,891	134,891
Debtors	12	1,743,302	1,743,302	1,569,131	1,569,131
Investments	13	822,500	822,500	—	—
Cash at bank and in hand	22	253,227	253,114	735,961	735,848
		<u>3,283,689</u>	<u>3,283,576</u>	<u>2,439,983</u>	<u>2,439,870</u>
CREDITORS: amounts falling due within one year	14	<u>(1,334,316)</u>	<u>(1,334,316)</u>	<u>(2,359,524)</u>	<u>(2,359,524)</u>
NET CURRENT ASSETS		<u>1,949,373</u>	<u>1,949,260</u>	<u>80,459</u>	<u>80,346</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		8,552,891	8,552,891	6,260,800	6,260,800
CREDITORS: amounts falling due after more than one year	15	(2,138,500)	(2,138,500)	—	—
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(58,423)</u>	<u>(58,423)</u>	<u>(35,825)</u>	<u>(35,825)</u>
NET ASSETS		<u>6,355,968</u>	<u>6,355,968</u>	<u>6,224,975</u>	<u>6,224,975</u>
CAPITAL AND RESERVES					
Called up share capital	17	2,251,588	2,251,588	2,524,302	2,524,302
Share premium account	18	1,977,952	1,977,952	2,244,705	2,244,705
Capital redemption reserve	18	539,467	539,467	—	—
Revaluation reserve	18	624,569	624,569	573,911	573,911
Profit and loss account	18	962,392	962,392	882,057	882,057
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	<u>6,355,968</u>	<u>6,355,968</u>	<u>6,224,975</u>	<u>6,224,975</u>

The financial statements on pages 8 to 25 were approved by the board of directors on 7 July 2000 and were signed on its behalf by:

M.R. Breen
 Director



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £	2000 £	1999 £	1999 £
OPERATING ACTIVITIES					
Net cash outflow from operating activities	20		(315,369)		(48,761)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		34,667		55,890	
Interest paid		<u>(106,663)</u>		<u>(72,179)</u>	
Net cash outflow from returns on investments and servicing of finance			(71,996)		(16,289)
TAXATION					
Corporation tax paid			(221,155)		(34,997)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed asset investments	10	(19,377)		—	
Disposal of fixed asset investments		—		156,931	
Purchase of investment properties	9	(3,342,612)		(4,242,947)	
Disposal of investment properties		3,554,635		3,581,145	
Purchase of tangible assets	8	(90,949)		(97,307)	
Disposal of tangible assets		8,612		275	
Purchase of other investments	13	<u>(822,500)</u>		<u>—</u>	
Net cash outflow from capital expenditure and financial investment			(712,191)		(601,903)
DECREASE IN CASH BEFORE FINANCING			(1,320,711)		(701,950)
FINANCING					
Purchase of own shares		(576,732)		—	
Increase in debts		<u>1,296,797</u>		<u>1,876,297</u>	
Net cash inflow from financing			720,065		1,876,297
(DECREASE) / INCREASE IN CASH	22		<u>(600,646)</u>		<u>1,174,347</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000**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 2000, from which the profit and loss account and consolidated balance sheet are set out in note 2. The consolidated results of the company and its dormant subsidiary are reported as "the group".

The share of APP's consolidated results that has been recognised by the company is 16.45% (1999: 16.8%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 1999, reduced by the costs to the company of the 1999 buy back of shares, as adjusted for the effect of certain costs and expenses 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.

TANGIBLE FIXED ASSETS**Investment properties (see also note 9)**

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 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 capitalised interest where relevant, and are reclassified as investment properties as soon as they are available for letting. All subsequent costs, including interest, are written off as they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

Investments

Listed investments are valued at the market value.

Tangible assets

The cost of other tangible fixed assets is their 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 properties), 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:

Short leasehold properties	—	over the life of the lease
Property fixtures, fittings and equipment	—	25%
Hotel fixtures, fittings and equipment	—	20%, 10% and 5%
Business centre fixtures, fittings and equipment	—	33%, 10% or over the life of the lease
Computer equipment	—	33%
Office fixtures, fittings and equipment	—	20%
Motor vehicles	—	20%

TURNOVER

Turnover comprises gross rental income receivable during the year and the sale of stock properties, and was all derived from U.K. activities.

DEFERRED TAXATION

Deferred taxation is provided at the current rate on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Deferred taxation is provided on the unrealised revaluation surplus on investment properties.

STOCKS

Properties carried as stock are valued at the lower of cost and net realisable value. Cost includes the purchase price of the trading portfolio and associated acquisition costs, including financing costs on acquisition of a portfolio.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

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 and Artesian Select II plc. M. R. Breen, A. P. Cunningham and N. J. L. Welch are directors of each of the partner companies. 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 year ended March are set out below:

	APP	APP	Share attributable to the company 16.45%	Share attributable to the company 16.8%
	2000	1999	2000	1999
	£	£	£	£
Turnover:				
Rental income	3,211,051	2,531,464	528,218	425,387
Sale of stock properties	943,098	1,083,453	155,140	182,064
	<u>4,154,149</u>	<u>3,614,917</u>	<u>683,358</u>	<u>607,451</u>
Costs of sale:				
Costs of rental	(781,392)	(711,461)	(128,539)	(119,554)
Cost of stock properties	(920,570)	(1,136,011)	(151,434)	(190,896)
	<u>(1,701,962)</u>	<u>(1,847,472)</u>	<u>(279,973)</u>	<u>(310,450)</u>
Gross profit	2,452,187	1,767,445	403,385	297,001
Operating expenses	<u>(1,825,689)</u>	<u>(1,192,687)</u>	<u>(300,326)</u>	<u>(232,856)</u>
Operating profit	626,498	574,758	103,059	64,145
Profit on disposal of investments	2,621,240	2,872,817	431,194	482,749
Interest receivable	210,739	332,600	34,667	55,890
Interest payable	<u>(648,408)</u>	<u>(429,532)</u>	<u>(106,663)</u>	<u>(72,179)</u>
Profit on ordinary activities before taxation	<u>2,810,069</u>	<u>3,350,643</u>	<u>462,257</u>	<u>530,605</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

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

	APP	APP	Share attributable to the company 16.45%	Share attributable to the company 16.8%
	2000	1999	2000	1999
	£	£	£	£
Tangible fixed assets	963,583	618,376	158,509	103,913
Investment properties	39,061,590	36,160,592	6,425,632	6,076,428
Investments	117,790	—	19,376	—
	<u>40,142,963</u>	<u>36,778,968</u>	<u>6,603,517</u>	<u>6,180,341</u>
Current assets:				
Stock properties	2,824,682	802,734	464,660	134,891
Debtors	11,449,278	9,110,828	1,883,406	1,530,984
Investments	5,000,000	—	822,500	—
Cash	1,539,376	4,379,005	253,227	735,848
	<u>20,813,336</u>	<u>14,292,567</u>	<u>3,423,793</u>	<u>2,401,723</u>
Creditors: amounts falling due within one year	(8,111,346)	(12,648,936)	(1,334,316)	(2,125,528)
Net current assets	12,701,990	1,643,631	2,089,477	276,195
Creditors: amounts falling due after more than one year	(13,000,000)	—	(2,138,500)	—
Net assets	<u>39,844,953</u>	<u>38,422,599</u>	<u>6,554,494</u>	<u>6,456,536</u>

3 INVESTMENT INCOME

	2000	1999
	£	£
Income from other fixed asset investments	—	5,078
Other interest receivable and similar income	34,667	50,812
	<u>34,667</u>	<u>55,890</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Interest payable on bank loans and overdrafts	132,551	72,179
Less: capitalised in respect of assets in the course of construction	(25,888)	—
	<u>106,663</u>	<u>72,179</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
This is stated after charging: -		
Depreciation (notes 1 and 8)	<u>25,551</u>	<u>22,559</u>
Operating lease rentals: -		
Other operating leases	<u>46,389</u>	<u>6,734</u>
Auditors' remuneration: -		
Audit services	<u>12,749</u>	<u>13,499</u>

6 EMPLOYEE INFORMATION

	2000 £	1999 £
6.1 Staff costs including directors' emoluments: -		
Wages and salaries	73,659	71,068
Social security costs	<u>11,509</u>	<u>6,753</u>
	<u>85,168</u>	<u>77,821</u>
6.2 Directors' remuneration comprises: -		
Directors' fees	<u>21,410</u>	<u>10,686</u>
Amount payable to a third party in respect of making available the services of A. P. Cunningham to the company.	<u>—</u>	<u>11,521</u>

6.3 The average weekly number of employees including directors during the year was 18 (1999:16). Employees other than directors are employed jointly with the other Artesian companies.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

7 TAXATION

The tax recovery (1999: charge) on the profit on ordinary activities for the year is as follows:

	2000 £	1999 £
U.K. corporation tax at 20% (1999: 31%)	51,386	237,572
Deferred taxation provided	5,982	—
(Over) / under provision in prior year	(81,807)	122
Deferred taxation released	(18,270)	(89,037)
	<u>(42,709)</u>	<u>148,657</u>

8 TANGIBLE ASSETS
GROUP AND COMPANY

	Short leasehold property £	Fixtures, fittings and equipment:— Investment property £	Office £	Motor vehicles £	TOTAL £
COST					
At 1 April 1999	1,526	165,096	24,771	15,531	206,924
Adjustment in APP share	(31)	(3,483)	(499)	(325)	(4,338)
Additions	—	75,536	2,829	12,584	90,949
Disposals	—	(12,550)	—	(5,530)	(18,080)
At 31 March 2000	<u>1,495</u>	<u>224,599</u>	<u>27,101</u>	<u>22,260</u>	<u>275,455</u>
DEPRECIATION					
At 1 April 1999	721	78,098	17,065	7,127	103,011
Adjustment in APP share	(14)	(1,631)	(355)	(148)	(2,148)
Charge for the year	75	18,986	3,067	3,423	25,551
Disposals	—	(5,164)	—	(4,304)	(9,468)
At 31 March 2000	<u>782</u>	<u>90,289</u>	<u>19,777</u>	<u>6,098</u>	<u>116,946</u>
NET BOOK VALUE					
At 31 March 2000	<u>713</u>	<u>134,310</u>	<u>7,324</u>	<u>16,162</u>	<u>158,509</u>
At 31 March 1999	<u>805</u>	<u>86,998</u>	<u>7,706</u>	<u>8,404</u>	<u>103,913</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

9 INVESTMENT PROPERTIES
GROUP AND COMPANY

	Freehold property £	Leasehold property £	TOTAL £
COST			
At 1 April 1999	4,171,575	326,991	4,498,566
Adjustment in APP share	(87,914)	(6,889)	(94,803)
Additions	1,097,130	62,340	1,159,470
Transfer from assets in the course of construction	1,324,932	–	1,324,932
Disposals	(2,844,720)	(87,952)	(2,932,672)
At 31 March 2000	<u>3,661,003</u>	<u>294,490</u>	<u>3,955,493</u>
VALUATION SURPLUS			
At 1 April 1999			325,209
Adjustment in APP share			(6,851)
Transfer on realisation of surplus			(190,769)
Increase in valuation in the year			<u>258,043</u>
At 31 March 2000			<u>385,632</u>
ASSETS IN THE COURSE OF CONSTRUCTION - at cost			
At 1 April 1999			1,252,653
Adjustment in APP share			(26,356)
Additions			2,183,142
Transfer to investment properties			<u>(1,324,932)</u>
At 31 March 2000			<u>2,084,507</u>
TOTAL			
At 31 March 2000			<u>6,425,632</u>
At 31 March 1999			<u>6,076,428</u>

Should the above revalued properties be sold at those revalued amounts, a taxation liability of £58,423 would arise for which full provision has been made as set out in note 16.

Assets in the course of construction include £25,888 (1999: £nil) of interest which was capitalised in the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

9 INVESTMENT PROPERTIES (continued)

The investment properties, excluding assets in course of construction, have been stated at open market value at 31 March 2000 of £4,341,125 as valued by:

- Messrs. Donaldsons, Chartered Surveyors, for properties of APP valued in total at £6,382,000, of which the company's share is £1,049,839;
- Messrs. Bidwells, Chartered Surveyors, for one property of APP valued at £1,230,000, of which the company's share is £202,335; and
- The directors for properties of APP, predominantly acquired during the year, of, in total £18,777,816 of which the company's share is £3,088,951.

10 INVESTMENTS: fixed assets

	2000 Group £	2000 Company £	1999 Group £	1999 Company £
Listed investments:				
At 1 April	—	—	—	—
Additions	19,377	19,377	—	—
At 31 March	19,377	19,377	—	—
Market value at 31 March 2000 (£19,377)				
Unlisted investments:				
Subsidiary undertaking : ordinary shares at cost				
At 1 April and 31 March	—	113	—	113
Total investments	19,377	19,490	—	113

10.1 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.

11 STOCK PROPERTIES

	2000 Group and Company £	1999 Group and Company £
Stock of trading properties	464,660	134,891

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

12 DEBTORS

	2000 Group and Company £	1999 Group and Company £
Amounts falling due after more than one year:		
Other debtors	5,000	5,000
Amounts falling due within one year:		
Trade debtors	112,957	36,203
Amounts due from APP partners	64,275	—
Corporation tax	29,868	—
Other debtors	1,524,950	1,513,437
Prepayments and accrued income	6,252	14,491
	<u>1,738,302</u>	<u>1,564,131</u>
Total debtors	<u>1,743,302</u>	<u>1,569,131</u>

Other debtors include £1,495,098 of sale proceeds (1999: £1,353,689).

13 INVESTMENTS: current assets

	2000 Group and Company £	1999 Group and Company £
Loan advance to a third party	822,500	—

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 has entered into an option agreement with the operator of that property. The operator pays 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 is disclosed as a loan advance. Rental due in the year has been recognised as rental income.

The option arrangement has a primary period of 54 months. The operator can exercise a call option prior to 29 September 2004 at prices greater than the cost to Blockclause. Should the call option be exercised before 30 September 2001, the consideration for terminating the arrangement will be £5,337,500; after 30 September 2001 but before 30 September 2002 the consideration will be £5,487,500, and after 30 September 2002 but before 30 September 2004 the consideration will be £5,687,500. APP can exercise a put option between 1 October 2004 and 31 October 2004 which would require the operator to pay £5,687,500. The company's share of the gain that would arise on an exercise of an option will be recognised only when an option is exercised.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

14 CREDITORS: amounts falling due within one year

	2000 Group and Company £	1999 Group and Company £
Bank loans and overdrafts	1,043,937	1,885,640
Trade creditors	28,376	37,557
Other creditors	153,414	42,203
Corporation tax	–	233,996
Accruals	108,589	160,128
Total creditors	<u>1,334,316</u>	<u>2,359,524</u>

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 margin over cost of funds is 1.5%. The bank loans are secured by fixed charges on various investment properties.

15 CREDITORS: amounts falling due after more than one year

	2000 Group and Company £	1999 Group and Company £
Bank loans repayable other than by instalment:		
Between two and five years	<u>2,138,500</u>	<u>–</u>

The bank loans of APP are secured, denominated in sterling and the interest thereon is linked to bank base rate. The margin over cost of funds is between 1.25% and 1.6%. The bank loans are secured by fixed charges on various investment properties, a loan advance to a third party and properties in the course of construction. Loans are repayable between 2002 and 2004.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

16 PROVISIONS FOR LIABILITIES AND CHARGES
DEFERRED TAXATION

There is no material unprovided deferred taxation.

Deferred taxation is provided as follows:

	2000 Group and Company £	1999 Group and Company £
At 1 April	35,825	89,037
Provided on the unrealised revaluation surplus on investment properties	34,886	35,825
Provided in the year on timing differences	5,982	-
Released on disposal of investment properties	(18,270)	(89,037)
At 31 March	<u>58,423</u>	<u>35,825</u>

17 SHARE CAPITAL

	2000 £	1999 £
Authorised: -		
100 Founders' shares of 50p each	50	50
5,999,900 Ordinary shares of 50p each	2,999,950	2,999,950
	<u>3,000,000</u>	<u>3,000,000</u>

	2000	1999	2000	1999
Allotted, called up and fully paid: -				
	Number of shares		£	£
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April	5,048,504	5,048,504	2,524,252	2,524,252
Cancelled on share buy back during the year	(545,427)	-	(272,714)	-
At 31 March	<u>4,503,077</u>	<u>5,048,504</u>	<u>2,251,538</u>	<u>2,524,252</u>
Total share capital	<u>4,503,177</u>	<u>5,048,604</u>	<u>2,251,588</u>	<u>2,524,302</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £
At 1 April 1999	2,244,705	–	573,911	882,057
Cancellation of shares on 1999 buy back and costs	(266,753)	539,467	–	(576,732)
Transfer of realised revaluation surplus, net of deferred taxation	–	–	(172,499)	172,499
Revaluation surplus on investment properties, net of deferred taxation	–	–	223,157	–
Retained profit for the year	–	–	–	484,568
At 31 March 2000	<u>1,977,952</u>	<u>539,467</u>	<u>624,569</u>	<u>962,392</u>

As permitted by section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. Of the profit on ordinary activities after taxation, a profit of £484,568 is dealt with in the financial statements of the company. The distributable reserves of the company at 31 March 2000 are £962,392.

19 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	2000 £	1999 £
Shareholders' funds at 1 April	6,224,975	5,756,662
Cancellation of shares on buy back	(576,732)	–
Profit for the year	484,568	381,948
Other recognised gains relating to the year	223,157	86,365
Shareholders' funds at 31 March	<u>6,355,968</u>	<u>6,224,975</u>

**20 RECONCILIATION OF OPERATING PROFIT TO
NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating profit before taxation	82,661	64,145
Depreciation	25,551	22,559
Increase in debtors	(144,303)	(162,295)
Increase in stock	(329,769)	(134,891)
Increase in creditors	50,491	161,721
Net cash outflow from operating activities	<u>(315,369)</u>	<u>(48,761)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

(continued)

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000	1999
	£	£
(Decrease) / increase in cash	(600,646)	1,174,347
Increase in bank loans	(1,296,797)	(1,876,297)
Changes in net debt	(1,897,443)	(701,950)
Non-cash changes	117,912	(736,172)
Net (debt) / funds at 1 April	(1,149,679)	288,443
Net debt at 31 March	(2,929,210)	(1,149,679)

22 ANALYSIS OF CHANGES IN NET DEBT

	Net debt at 1 April 1999	Cash flow	Non-cash changes	Net debt at 31 March 2000
	£	£	£	£
Cash at bank	735,961	(600,646)	117,912	253,227
Bank loan	—	(2,138,500)	—	(2,138,500)
Bank loans in creditors	(1,885,640)	841,703	—	(1,043,937)
Net debt at 31 March	(1,149,679)	(1,897,443)	117,912	(2,929,210)

The non-cash changes arise from the differences between the composition of the company's share of APP's net assets at 1 April 1999 and the composition of those attributed to the company by APP following the 1999 buy back of shares.

23 DIRECTORS' INTEREST IN CONTRACTS

- 23.1 M.R. Breen has an interest in Epicwork Limited which provided property services to the value of £17,516 (1999: £17,516) including VAT to the company, and £ 26,320 (1999: £14,373) to APP. At 31 March 2000 there was no balance due to that company.
- 23.2 A.P. Cunningham was until October 1998 a partner in Messrs. Finers, Solicitors, who in 1999 provided legal and professional services to the value of £4,893 including VAT to the company. Finers also in 1999 made available the services of A.P. Cunningham to the company for £11,521, including VAT (see note 6.2). At 31 March 2000 there was no balance due by the company to that firm.
- 23.3 N.J.L. Welch has an interest in G&W Projects Limited, which provided project management and surveying services of £13,473 to APP. At 31 March 2000 there was no balance due to that company.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2000

(continued)

24 CAPITAL COMMITMENTS AND GUARANTEES
 GROUP AND COMPANY

24.1 There is future capital expenditure contracted by APP but not provided for relating to property construction and refurbishment of £ 386,232.

24.2 APP has entered into operating leases on leasehold properties. The company's share of annual payments due under non-cancellable operating leases is as follows:

	2000	1999
	£	£
Expiring after five years	<u>46,389</u>	<u>38,000</u>

24.3 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:

	2000	1999
	£	£
Expiring between two and five years	<u>38,883</u>	<u>64,055</u>

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 11a.m. on 8 September 2000, 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 2000.
2. To re-elect N.J.L. Welch as a director of the company.
3. To re-appoint PricewaterhouseCoopers as auditors in accordance with Section 384 of the Companies Act 1985 to hold office from the conclusion of the Annual General Meeting and to authorise the directors to fix the remuneration of the auditors.

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

- 4 That the proposed subscription by the company for up to 560,000 ordinary shares of 50p each in Artesian Buy Back Limited (as described in the letter to shareholders dated 7 July 2000 (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 7 July 2000

D. J. T. MacDonald
Joint Secretary

Registered Office:
40, Queen Anne Street,
London, W1M 0EL

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 8 September 2000, and at every adjournment thereof.

Dated2000 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 2000.		
2 To re-elect N.J.L. Welch as a director of the company.		
3 To re-appoint PricewaterhouseCoopers as the company's auditors and to authorise the directors to fix their remuneration.		

SPECIAL RESOLUTION	FOR	AGAINST
4 That the proposed subscription by the company for up to 560,000 ordinary shares of 50p each in Artesian Buy Back Limited (as described in the letter to shareholders dated 7 July 2000 (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 date of 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.

