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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 2005 and the Notice of the Annual General Meeting to be held on 20 September 2005.

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

- Net asset value ("NAV") per share £2.06 (2004: £1.85)
- Net assets have increased to £6.89m from £6.22m (adjusted for the 2004 buy back)
- Pre-tax gains £791,000 (2004: £382,000)

I am glad again to report a very successful year for the company, resulting in continued growth in the net asset value.

During the year two major disposals contributed substantial profits. Part of the Biggin Hill site, to which I have often referred in my statements in prior years, was sold very profitably, though, frustratingly, completion of the balance of the site only took place very shortly after year-end. Biggin Hill has been a core part of the company's portfolio since the company's formation, generating a steady rental income and more recently a significant capital profit, following the successful planning application. The second major disposal was of the business centres operated as Argyll Business Centres. The background and rationale for that sale was reported in last year's Newsletter, and this year's results reflect a satisfying gain on the investment costs.

The consequence of those sales has not only been to generate good results, but also to change the capital position of the company, enabling us to be active in re-investment, rather than the development of existing investments, as had been the pattern in recent years. We have applied considerable effort to identifying properties from which we can obtain an acceptable income and which should provide, at least in the medium term, an opportunity for us to create capital growth through development or change of use. We have extended our financing facilities, and will take advantage of the gearing effect of the gap between rental yields and interest rates, taking cover against rate rises as appropriate.

Acquisitions have also been made in the residential sector, partially to rebalance the sale of Biggin Hill, and also as we consider the lower range in London and the South East to be an attractive growth sector.

This year's valuations again showed growth in all sectors: the residential portfolio, excluding Biggin Hill, increased between 2.5% to 6% and the commercial portfolio valuations grew between 4.5% and 8%. All hotels were externally valued this year, and achieved gains, consistent with a sector to which money has been attracted.

The estate agencies had another difficult year with low transaction volumes, though encouragingly some of the new initiatives are contributing to the restoration of sales volumes and improvement in market awareness.

After more than a year of discussions and negotiations, we withdrew from the proposed corporate acquisition mentioned in last year's Newsletter as we were unable to agree upon the valuations of the underlying properties.

Rental income declined in the year, as the income stream from the business centres was discontinued on sale early in the financial year. The Royal Park Hotel has now achieved operational profitability, and the Cranley is currently rewarding the upgrade investment, completed in the year, with encouraging growth in revenues.

CHAIRMAN'S STATEMENT (continued)

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 purchase further shares you do not need to take any action in response to this letter.**

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 advice shareholders should therefore refer to their own professional or financial advisers.

Results this year are good, as I anticipated in my statement last year, and we continue to look forward with enthusiasm and confidence.

MARK BREEN
Chairman
13 July 2005



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 2005.

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 £614,387 (2004: loss of £66,174) from which has been deducted a tax charge of £99,707 (2004: recovery of £32,552) to give a profit for the year on ordinary activities after taxation of £514,680 (2004: loss of £33,622). The revaluation surplus on investment properties before taxation was £176,902 (2004: £448,726). The total recognised gains were £671,610 (2004: £415,104).

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 15.85% (2004:15.76%) 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.

POST BALANCE SHEET EVENTS

After the year-end, APP has disposed of, at a profit, the substantial majority of its investment property at Biggin Hill.

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 2005, 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 15.85% (2004: 15.76%) That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2004, reduced by the costs to the company of the 2004 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 market value.

The Cranley hotel, following its refurbishment, was reclassified as an investment property from an asset in the course of construction.

All hotels have been valued externally this year, and those values are reported as part of "Investment Property". The basis of such valuations reflects both the hotel buildings and the furniture, furnishings and equipment used within the hotels. In order to harmonise the reporting of those values with the assets shown in the financial statements, furniture, furnishings and equipment in use in the hotels, which was previously reported as "Fixtures, fittings and equipment:- Investment property", has been reclassified from Tangible Fixed Assets to Investment Property at net book value at 1 April 2004. In accordance with SSAP 19, no depreciation is charged on furniture, furnishings and equipment in use in the hotels which is now included in Investment Property.

REPORT OF THE DIRECTORS (continued)

CHARITABLE DONATIONS

During the year the company made charitable donations of £263 (2004: £614).

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 31.3.2005 and 31.3.2004	
	Ordinary shares	Founders' shares
M.R. Breen	8,002	25
A.P. Cunningham	2	15
N.J.L. Welch	–	–

A. P. Cunningham retires as director by rotation but being eligible offers himself for re-election as a director of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors 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 profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 161,526 of its ordinary shares of 50p each, which represented 4.62% of the called up share capital. The purchase price was £1.59 per share, and the total consideration together with costs was £258,110. The purchase was made following approval from the shareholders.

This year, subject to shareholders' approval, the company is proposing to subscribe up to £470,000 in ordinary shares in Artesian Buy Back 2005 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)

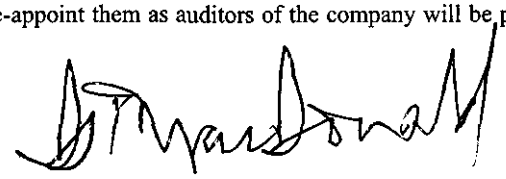
CREDITOR PAYMENT POLICY

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 2005 was 29 days (2004: 17 days).

AUDITORS

The term of office of the auditors, PricewaterhouseCoopers LLP, will expire at the forthcoming Annual General Meeting, and a resolution to re-appoint them 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
13 July 2005
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 statement of total recognised gains and losses, the note of historical cost profits and losses, 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 United Kingdom law and accounting standards 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 United Kingdom 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 2005 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.
13 July 2005

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 £	2004 £
Turnover: continuing operations	1 and 2	1,726,975	2,455,216
Cost of sales		(941,445)	(1,330,222)
Gross profit		785,530	1,124,994
Net operating expenses		(1,055,361)	(979,112)
Operating (loss)/profit: continuing operations		(269,831)	145,882
Profit on sale of investments		955,015	31,768
Investment income	3	62,579	20,058
Interest payable and similar charges	4	(133,376)	(263,882)
Profit/(loss) on ordinary activities before taxation	5	614,387	(66,174)
Tax on profit/(loss) on ordinary activities	7	(99,707)	32,552
Retained profit/(loss)	19	514,680	(33,622)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 £	2004 £
Retained profit/(loss) for the financial year		514,680	(33,622)
Other recognised gains during the year:			
Unrealised surplus on revaluation of investment properties	10	176,902	448,726
Tax on previously recognised gains	7	(19,972)	–
Total recognised gains relating to the year		671,610	415,104

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 £	2004 £
Reported profit/(loss) on ordinary activities before taxation		614,387	(66,174)
Realisation of deficit on revaluation of investment properties		(7,084)	–
Historical cost profit/(loss) on ordinary activities before taxation		607,303	(66,174)
Historical cost profit/(loss) for the year retained after taxation		487,624	(33,622)

BALANCE SHEET
AT 31 MARCH 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible assets	8	487,770	518,034
Tangible assets	9	108,278	671,289
Investment property	10	6,663,809	10,275,727
Investments	11	63,100	27,423
		7,322,957	11,492,473
CURRENT ASSETS			
Stock property	12	955,395	41,669
Debtors	13	330,873	554,154
Cash	22	387,785	107,752
		1,674,053	703,575
CREDITORS: amounts falling due within one year	14	(713,259)	(5,070,352)
NET CURRENT ASSETS/ (LIABILITIES)		960,794	(4,366,777)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,283,751	7,125,696
CREDITORS: amounts falling due after more than one year	15	(1,313,510)	(519,939)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(81,877)	(130,893)
NET ASSETS		6,888,364	6,474,864
CAPITAL AND RESERVES			
Called up share capital	17	1,668,123	1,748,886
Share premium account	18	1,441,094	1,510,867
Capital redemption reserve	18	1,659,790	1,509,254
Revaluation reserve	18	1,398,276	1,207,500
Profit and loss account	18	721,081	498,357
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	6,888,364	6,474,864

The financial statements on pages 8 to 29 were approved by the board of directors on 13 July 2005 and were signed on its behalf by:-

M. R. Breen
Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 £	2005 £	2004 £	2004 £
OPERATING ACTIVITIES					
Net cash flow from operating activities	20		(1,046,620)		1,020,715
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		62,579		20,058	
Interest paid		(33,443)		(163,949)	
Net cash flow from returns on investments and servicing of finance			29,136		(143,891)
TAXATION					
Corporation tax recovered/(paid)			873		(80,937)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed asset investments	11	(295,664)		(325,039)	
Disposal of fixed asset investments		260,000		300,000	
Purchase of investment property		(314,112)		(553,425)	
Disposal of investment property		5,351,543		258,391	
Purchase of tangible assets	9	(26,688)		(233,702)	
Disposal of tangible assets		293,646		2,964	
Net cash flow from capital expenditure and financial investment			5,268,725		(550,811)
INCREASE IN CASH BEFORE FINANCING			4,252,114		245,076
FINANCING					
Purchase of own shares		(258,110)		(281,622)	
(Decrease)/increase in debt due within one year		(3,557,488)		131,009	
Decrease in debt due after one year		(156,579)		(69,802)	
Net cash flow from financing			(3,972,177)		(220,415)
INCREASE IN CASH	22		279,937		24,661

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

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.

POST BALANCE SHEET EVENTS

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 2005, 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 15.85% (2004: 15.76%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2004, reduced by the costs to the company of the 2004 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. Advantage has been taken of the exemption conferred by regulation 7 of SI 1993/2689 from the requirements of regulations 4 to 6 of SI 1993/2689.

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 2005

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 a 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%
Computer equipment	-	33%
Office fixtures, fittings and equipment	-	20%
Motor vehicles	-	20%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

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.

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 2005

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 15.85%	Share attributable to the company 15.76%
	2005	2004	2005	2004
	£	£	£	£
Turnover	10,896,692	15,578,779	1,726,975	2,455,216
Costs of sales	(5,940,235)	(8,440,496)	(941,445)	(1,330,222)
Gross profit	4,956,457	7,138,283	785,530	1,124,994
Net operating expenses	(6,406,195)	(5,978,535)	(1,015,292)	(942,216)
Operating (loss)/profit	(1,449,738)	1,159,748	(229,762)	182,778
Profit on sale of investments	6,025,860	201,576	955,015	31,768
Investment income	394,854	127,270	62,579	20,058
Interest payable and similar charges	(841,564)	(1,674,376)	(133,376)	(263,882)
Profit/(loss) on ordinary activities before taxation	4,129,412	(185,782)	654,456	(29,278)
Tax on profit/(loss) on ordinary activities	(4,495)	(215,767)	(712)	(34,018)
Profit/(loss) on ordinary activities after taxation	4,124,917	(401,549)	653,744	(63,296)
Partner company drawings	(1,144,437)	46,997	(194,699)	4,636
Retained profit/(loss)	2,980,480	(354,552)	459,045	(58,660)

Partner company drawings are the share, borne directly by each company, of corporation tax arising on APP profits, corporate expenses born directly by each company and drawings for the acquisition of shares in Artesian Developments plc and for the year ended 31 March 2005, Artesian Developments II plc (see note 11.1).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

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

	APP	APP	Share attributable to the company 15.85%	Share attributable to the company 15.76%
	2005	2004	2005	2004
Fixed assets:	£	£	£	£
Intangible assets	3,077,688	3,287,031	487,770	518,034
Tangible fixed assets	683,202	4,259,440	108,278	671,289
Investment property	42,046,703	65,201,311	6,663,809	10,275,727
Investments	15,131	15,131	2,397	2,384
	45,822,724	72,762,913	7,262,254	11,467,434
Current assets:				
Stock property	6,028,258	264,398	955,395	41,669
Debtors	2,087,720	3,512,932	330,873	554,154
Cash	2,446,809	683,706	387,785	107,752
	10,562,787	4,461,036	1,674,053	703,575
Creditors: amounts falling due within one year	(4,933,109)	(32,989,189)	(795,136)	(5,201,245)
Net current assets/(liabilities)	5,629,678	(28,528,153)	878,917	(4,497,670)
Total assets less current liabilities	51,452,402	44,234,760	8,141,171	6,969,764
Creditors: amounts falling due after more than one year	(8,287,860)	(3,299,108)	(1,313,510)	(519,939)
Net assets	43,164,542	40,935,652	6,827,661	6,449,825

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

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	
	2005	2004	2005	2004	2005	2004
	£	£	£	£	£	£
Class of business:						
Continuing operations:						
Rental	3,021,428	4,451,000			41,271,064	39,280,557
Trading	2,225,122	5,702,187			6,094,017	997,398
Estate agency	5,650,142	5,425,592			3,955,160	3,720,897
	10,896,692	15,578,779	(1,449,738)	1,159,748	51,320,241	43,998,852
Borrowings due after more than one year					(8,275,245)	(3,214,053)
Other fixed asset investment					119,546	150,853
					43,164,542	40,935,652

3 INVESTMENT INCOME

	2005	2004
	£	£
Other interest receivable and similar income	62,579	20,058

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

4 INTEREST PAYABLE AND SIMILAR CHARGES	2005 £	2004 £
Interest payable on bank loans and overdrafts	129,089	278,892
Less: capitalised in respect of assets in the course of construction	–	(17,796)
	129,089	261,096
Interest payable on finance leases and under hire purchase contracts	4,287	2,786
Total interest payable and similar charges	133,376	263,882

Interest costs relating to the financing of assets in the course of construction are capitalised at the cost of the related borrowings up to the date of completion of the project, when reclassified as investment property.

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION This is stated after charging:-	2005 £	2004 £
Depreciation (notes 1 and 9)	29,118	198,719
Amortisation of goodwill	33,178	32,992
Operating lease rentals:-		
Other operating leases	94,733	142,176
Auditors' remuneration:-		
Audit services	13,749	13,751

6 EMPLOYEE INFORMATION		2005 £	2004 £
6.1	Staff costs including directors' emoluments:-		
	Wages and salaries	591,941	588,713
	Social security costs	65,472	61,726
	Other pension costs	2,389	3,944
		659,802	654,383
	Less: capitalised in respect of assets in the course of construction	–	(14,746)
		659,802	639,637
6.2	Directors' remuneration comprises:-		
	Directors' fees	26,970	26,802

6.3 The average weekly number of employees of APP, including the company's directors, during the year was 129 (2004: 127), including 116 (2004: 112) in the agency business.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

7 TAXATION

	2005 £	2005 £	2004 £	2004 £
Current year tax:				
U.K. corporation tax	131,659		–	
Under/(over) provision in prior year	712		(21,241)	
Total current tax		132,371		(21,241)
Deferred taxation released		(12,692)		(11,311)
Tax on profit/(loss) on ordinary activities		119,679		(32,552)
Less: tax on previously recognised gains		(19,972)		–
		99,707		(32,552)
Factors affecting the tax charge for the year				
Profit/(loss) on ordinary activities before taxation		614,387		(66,174)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)		184,316		(19,852)
Increased by:				
Chargeable gains in excess of gain on disposal		48,664		–
Depreciation and goodwill amortisation non-deductible		75,384		71,977
Other non-deductible costs		15,752		6,450
Tax losses not utilised		–		61,000
Under provision in prior years		712		–
and reduced by:				
Capital allowances		(21,712)		(78,780)
Capitalised interest		–		(1,126)
Tax losses utilised		(130,001)		(35,105)
Indexation relief on disposals		(14,013)		(3,223)
Benefit of small company corporation tax rate		(26,731)		–
Benefit of timing deferrals		–		(1,341)
Over provision in prior years		–		(21,241)
Current tax charge for year		132,371		(21,241)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

8 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2004	634,477
Adjustment in share of APP	3,568
At 31 March 2005	638,045
AMORTISATION	
At 1 April 2004	116,443
Adjustment in share of APP	654
Charge for the year	33,178
At 31 March 2005	150,275
NET BOOK VALUE	
At 31 March 2005	487,770
At 31 March 2004	518,034

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 2005

9 TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold property £	Fixtures, fittings and equipment:- Investment property £	Office £	Motor vehicles £	TOTAL £
COST						
At 1 April 2004	31,106	57,121	784,508	107,721	24,364	1,004,820
Adjustment in share of APP	*175*	*321*	*4,411*	*606*	*137*	*5,650*
Additions	–	25	260	23,067	3,336	26,688
Reclassification to investment property	–	–	(327,366)	–	–	(327,366)
Disposals	–	–	(458,915)	(24,657)	(4,700)	(488,272)
At 31 March 2005	31,281	57,467	2,898	106,737	23,137	221,520
DEPRECIATION						
At 1 April 2004	5,165	24,425	223,529	71,344	9,068	333,531
Adjustment in share of APP	29	137	1,258	401	51	1,876
Charge for the year	352	6,045	484	17,174	5,063	29,118
Reclassification to investment property	–	–	(56,657)	–	–	(56,657)
Disposals	–	–	(166,109)	(23,817)	(4,700)	(194,626)
At 31 March 2005	5,546	30,607	2,505	65,102	9,482	113,242
NET BOOK VALUE						
At 31 March 2005	25,735	26,860	393	41,635	13,655	108,278
At 31 March 2004	25,941	32,696	560,979	36,377	15,296	671,289

Assets held under finance leases and hire purchase contracts originally cost £13,061 (2004: £62,824) and have net book values of £7,688 (2004: £46,800). Depreciation charged for the year was £2,612 (2004: £15,548).

All hotels have been valued externally this year, and those values are reported as part of "Investment Property". The basis of such valuations reflects both the hotel buildings and the furniture, furnishings and equipment used within the hotels. In order to harmonise the reporting of those values with the assets shown in the financial statements, furniture, furnishings and equipment in use in the hotels, which was previously reported as "Fixtures, fittings and equipment:- Investment property", has been reclassified from Tangible Fixed Assets to Investment Property at net book value at 1 April 2004. In accordance with SSAP 19, no depreciation is charged on furniture, furnishings and equipment in use in the hotels which is now included in Investment Property.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

10 INVESTMENT PROPERTY

	Freehold property at cost	Leasehold property at cost	Total at cost	Valuation surplus	Total at valuation
	£	£	£	£	£
At 1 April 2004	3,618,672	4,248,753	7,867,425	1,207,500	9,074,925
Adjustment in share of APP	20,347	23,893	44,240	6,790	51,030
Additions	135,731	142,486	278,217	–	278,217
Reclassification as investment property					
- from asset in the course of construction	1,321,871	–	1,321,871	–	1,321,871
- from tangible fixed assets	192,284	–	192,284	–	192,284
Disposals	(263,365)	(4,175,139)	(4,438,504)	7,084	(4,431,420)
Increase in valuation in the year	–	–	–	176,902	176,902
At 31 March 2005	5,025,540	239,993	5,265,533	1,398,276	6,663,809

ASSETS IN THE COURSE OF CONSTRUCTION - at cost	
At 1 April 2004	1,200,802
Adjustment in share of APP	6,750
Reclassification as asset in course of construction	
- from tangible fixed assets	78,424
Additions	35,895
Reclassification as investment property	(1,321,871)
At 31 March 2005	–
TOTAL	
At 31 March 2005	6,663,809
At 31 March 2004	10,275,727

Should the above revalued properties be sold at those revalued amounts, a taxation liability of £313,397 would arise, for which no provision has been made as set out in note 16.

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

	Interest	Own labour
	£	£
At 1 April 2004	295,158	42,343
Adjustment in share of APP	1,660	238
Disposals	(261,021)	(25,236)
At 31 March 2005	35,797	17,345

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

10 INVESTMENT PROPERTY (continued)

The investment properties, excluding assets in the course of construction, have been stated at market value at 31 March 2005 of £6,663,809 as valued by:

- Messrs. Donaldsons, Chartered Surveyors, for properties of APP valued in total at £13,568,750, of which the company's share is £2,150,459;
- Messrs. Bidwells, Chartered Surveyors, for one property of APP valued at £1,840,000, of which the company's share is £291,615;
- Messrs. Colliers Robert Barry, Chartered Surveyors, for three properties of APP valued at £23,950,000, of which the company's share is £3,795,743; and
- The company's directors for properties of APP, including those acquired during the year, of, in total £2,687,886, of which the company's share is £425,992.

The valuations were on the basis of 'market value' as defined in Practice Statement 3.2 of the RICS Appraisal and Valuation Standards.

All hotels have been valued externally this year, and those values are reported as part of "Investment Property". The basis of such valuations reflects both the hotel buildings and the furniture, furnishings and equipment used within the hotels. In order to harmonise the reporting of those values with the assets shown in the financial statements, furniture, furnishings and equipment in use in the hotels, which was previously reported as "Fixtures, fittings and equipment:- Investment property", has been reclassified from Tangible Fixed Assets to Investment Property at net book value at 1 April 2004. In accordance with SSAP 19, no depreciation is charged on furniture, furnishings and equipment in use in the hotels which is now included in Investment Property.

11 INVESTMENTS: fixed assets

	2005 £	2004 £
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	27,402	2,333
Adjustment in share of APP	13	30
Additions	295,664	325,039
Disposals	(260,000)	(300,000)
At 31 March	63,079	27,402
Total investments	63,100	27,423

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

11 INVESTMENTS: fixed assets (continued)

11.1 ACQUISITIONS

During the year the company subscribed £260,000 for shares in Artesian Buy Back 2004 Limited, which was placed in members' voluntary liquidation prior to the year end.

During the year the company acquired, at a cost of £16,424, 12,732 Ordinary shares of 50p each in Artesian Developments plc, and at a cost of £19,240, 15,642 Ordinary shares of 50p each in Artesian Developments II plc, of which M.R. Breen and A.P. Cunningham are directors of both these companies.

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

	2005 £	2004 £
Trading property	955,395	41,669

13 DEBTORS

	2005 £	2004 £
Amounts falling due after more than one year:		
Other debtors	27,389	30,466
Amounts falling due within one year:		
Trade debtors	74,847	157,778
Amounts due from APP partners	–	515
Corporation tax	29,719	30,262
Other debtors	138,985	99,100
Prepayments and accrued income	59,933	236,033
	303,484	523,688
Total debtors	330,873	554,154

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

14 CREDITORS: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	201,363	4,561,971
Net obligations under finance leases and hire purchase contracts	3,459	21,858
Trade creditors	73,890	63,656
Amounts due to APP partners	4,348	–
Corporation tax	133,243	–
Taxation and social security	44,979	73,806
Other creditors	141,765	235,982
Accruals	110,212	113,079
Total creditors	713,259	5,070,352

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.

15 CREDITORS: amounts falling due after more than one year

	2005 £	2004 £
Bank loans repayable other than by instalment:		
Between one year and two years	78,648	48,264
Between two years and five years	102,816	175,905
Over five years	1,130,047	282,366
	1,311,511	506,535
Net obligations under finance leases and hire purchase contracts		
Between one year and two years	1,999	11,637
Between two years and five years	–	1,767
	1,999	13,404
Total creditors	1,313,510	519,939

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

16 PROVISION FOR LIABILITIES AND CHARGES
DEFERRED TAX

	2005 £	2004 £
At 1 April	130,893	140,400
Adjustment in share of APP	(1,432)	1,804
Disposal of subsidiaries	(34,892)	–
Released in the year on timing differences	(12,692)	(11,311)
At 31 March	81,877	130,893

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 £313,397 (2004: £196,885).

17 SHARE CAPITAL

	2005 £	2004 £
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

	2005 Number of shares	2004 Number of shares	2005 £	2004 £
Allotted, called up and fully paid:-				
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April	3,497,674	3,687,399	1,748,836	1,843,699
Cancelled on share buy back during the year	(161,525)	(189,725)	(80,763)	(94,863)
At 31 March	3,336,149	3,497,674	1,668,073	1,748,836
Total share capital	3,336,249	3,497,774	1,668,123	1,748,886

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £
At 1 April 2004	1,510,867	1,509,254	1,207,500	498,357
Adjustment in share of APP	–	–	6,790	(6,790)
Cancellation of shares on 2004 buy back and costs	(69,773)	150,536	–	(258,110)
Transfer of realised revaluation deficit	–	–	7,084	(7,084)
Revaluation surplus on investment properties	–	–	176,902	–
Tax on previously recognised gains	–	–	–	(19,972)
Retained profit for the year	–	–	–	514,680
At 31 March 2005	1,441,094	1,659,790	1,398,276	721,081

19 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	2005 £	2004 £
Shareholders' funds at 1 April	6,474,864	6,341,382
Cancellation of shares on buy back	(258,110)	(281,622)
Profit/(loss) for the year	514,680	(33,622)
Other recognised gains relating to the year	156,930	448,726
Shareholders' funds at 31 March	6,888,364	6,474,864

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

	2005 £	2004 £
Operating (loss)/profit before taxation	(269,831)	145,882
Depreciation and amortisation	62,295	231,711
Decrease in debtors	222,223	64,980
(Increase)/decrease in stock	(913,726)	654,135
Decrease in creditors	(147,581)	(75,993)
Net cash flow from operating activities	(1,046,620)	1,020,715

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £	2004 £
Increase in cash	279,937	24,661
Decrease/(increase) in debt due within one year	3,557,488	(131,009)
Decrease in debt due after one year	156,579	69,802
Changes in net debt	3,994,004	(36,546)
Non-cash changes	(128,535)	(179,172)
Opening net debt	(4,996,016)	(4,780,298)
Closing net debt	(1,130,547)	(4,996,016)

22 ANALYSIS OF CHANGES IN NET DEBT

	Net debt at 1 April 2004 £	Cash flow £	Non-cash changes £	Net debt at 31 March 2005 £
Cash at bank	107,752	279,937	96	387,785
Debt due within one year	(4,583,829)	3,557,488	821,519	(204,822)
Debt due after one year	(519,939)	156,579	(950,150)	(1,313,510)
Net debt at 31 March	(4,996,016)	3,994,004	(128,535)	(1,130,547)

The non-cash changes include the differences between the composition of the company's share of APP's net assets at 1 April 2004 and the composition of those attributed to the company by APP following the 2004 buy back of shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

23 DIRECTORS' INTEREST IN CONTRACTS

23.1 M.R. Breen has an interest in Epicwork Limited which provided property services to the value of £37,244 (2004: £34,104) including VAT to the company, and £46,595 (2004: £56,972) to APP. Epicwork also charged for the services of R.C. Breen to the agency business, for which the company's share was £3,962 (2004: £2,363). At 31 March 2005 there was a balance of £nil due to that company (2004: £2,776).

23.2 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 £1,506 (2004: £12,393). At 31 March 2005 there was no balance due to that company (2004: £nil).

24 CAPITAL COMMITMENTS AND GUARANTEES

24.1 There is no future capital expenditure contracted by APP but not provided for relating to property construction and refurbishment.

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

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	–	–	680	3,535
Between two and five years	20,326	9,377	14,009	27,097
In over five years	62,580	118,360	–	–
	82,906	127,737	14,689	30,632

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 20 September 2005, 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 2005.

2 To re-elect A. P. Cunningham as a director of the Company.

3 That PricewaterhouseCoopers *LLP* be reappointed auditors of the Company, 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 £470,000 for up to 470,000 ordinary shares of £1 each in Artesian Buy Back 2005 Limited (as described in the letter to shareholders dated 13 July 2005 (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 13 July 2005

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 20 September 2005, and at every adjournment thereof.

Dated.....*2005* 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 2005.		
2 To re-elect A. P. Cunningham as a director of the Company.		
3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company, 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 £470,000 for up to 470,000 ordinary shares of £1 each in Artesian Buy Back 2005 Limited (as described in the letter to shareholders dated 13 July 2005 (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.