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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
Independent Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors 1 Embankment Place, London, WC2N 6RH
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 2009 and the Notice of the Annual General Meeting to be held on 17 September 2009.

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

- Net asset value ("NAV") per share £2.09 (2008: £2.58)
- Net assets have decreased to £5.51m from £6.85m (adjusted for the 2008 buy back)
- Pre-tax losses £1,228,000 (2008: gains £142,000)

Regrettably, as you will see, the NAV of the company has this year, for the first time, fallen, reflecting the widely publicised downward valuations of property across all sectors of the UK. In our portfolio, residential values fell by some 14%, while commercial properties, of greater significance to your company, and as warned last year, fell by 23%. Commercial values have been more affected by the general withdrawal of funding facilities, as part of the credit crunch, on which this sector depends. We consider that there will be a gradual recovery in values, and we are active in addressing the prospects for each property. The rental income is steady, and, as a result of the reduction in interest rates, the surplus of rental income over interest has increased over the last year.

By contrast, and also as anticipated last year, we have been successful in generating profit through sales, even in the current depressed market. The sale of a speculative freehold office redevelopment in Soho for over £6m and the disposal of a substantial family house in South West London, which had taken many years to assemble, together gave rise to profits for APP of £2.8m. Subsequent to the year-end, two further houses in Cobham and Oxshott have been sold for £5m and £3m respectively.

Despite difficult current conditions, these sales are evidence that demand for our product is strong. Pending the resumption of activity in the commercial investment market, where I believe yields will begin to improve once the lending environment improves, your board considers that the way to restore value for shareholders is to continue with our high-end residential developments, principally at Queen Anne Street and Whitfield Street. Both of these developments require only a relatively small number of purchasers of the type who tend to be less reliant on borrowings, and are located in areas where there is demand but little supply. At Whitfield Street the affordable housing element has been pre-sold, so underwriting a part of the total sales value.

Funding for Artesian, as for all property companies, is an issue to be constantly reviewed and closely managed, and details of current financing arrangements are to be found in the Business Review. We have been successful in renegotiating some of our existing banking facilities and we have been able to obtain new facilities to enable our developments to proceed, something of an achievement in this difficult borrowing market. Prudently, available funds need to be applied to supporting existing projects which provide the means of generating increases in value for shareholders over the next few years. In consequence, I very much regret that the company, in common with the other APP companies, will not be funding a share sale facility for shareholders to realise their investment this year, though I believe that the restoration of the share sale facility is a reasonable expectation for next year, reflecting the anticipated successful completion and sale of Queen Anne Street.

MARK BREEN
Chairman
15 July 2009



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 2009.

BUSINESS REVIEW

The company

In order to share opportunities and financial resource, especially where the scale of investment is significant, the company is a partner in Artesian Property Partnership ("APP"), in which the net assets of the company are invested. The results reflect the company's 15.49% (2008: 15.49%) share of the results of APP. The basis of preparation of the financial statements is set out in note 1.

The company's profit for the year before taxation was £371,177 (2008: £491,802) from which has been deducted a corporation tax charge of £109,749 (2008: £81,297) to give a profit for the year on ordinary activities after taxation of £261,428 (2008: £410,505). The company's share of the revaluation deficit on investment properties before taxation was £1,599,476 (2008: £350,226). The company's total recognised losses were £1,338,048 (2008: gains of £60,279). The company's net asset value per share was £2.09 (2008: £2.58).

Artesian Property Partnership ("APP")

APP carries out a wide range of property related activities, including investment, development and trading. Investments have been made in other property related activities, jointly with others, in Oxted Properties Limited, CHF Trebovir LLP and Embergreen Technology Limited where effective control is with APP, and the results of those activities have been included in the APP group results.

APP has nine companies as partners: Artesian Challenger plc, Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc, Artesian Developer plc, Artesian Developments plc and Artesian Developments II plc. These companies have each made capital contributions to APP equivalent to the relevant company's consolidated net asset value in return for a share of APP. Financial information relating to APP, and the basis of preparation of the APP financial statements, is set out in note 2.

The principal risks and uncertainties faced by APP are those of the timing of investment acquisitions (and, if appropriate, planning consent and construction), interest rates, tenant covenant and the timing of disposals; locating and acquiring sites for profitable development and obtaining planning consent and the construction, financing and selling of developments. APP seeks to mitigate these risks by having an exposure to a variety of markets, avoiding a concentration on a single sector.

The profit of the APP group for the year on ordinary activities before tax and partner companies' drawings and minority interests was £2,714,946 (2008: £3,759,622). The unrealised deficit on revaluation of investment properties of the group was £10,323,731 (2008: surplus of £2,261,187).

Along with the rest of the property sector, APP's investments have declined in value.

The residential investment portfolio reduced in value overall by 14%. No acquisitions of residential property for investment were made. There was a disposal early in 2009 of a residential property in South West London, assembled over many years, which made a very substantial profit of some £1.4m, a real achievement in current circumstances.

The commercial portfolio has been built up in recent years in order to generate a rental stream to support APP while development activities are underway, and the steady flow of rental receipts has reduced the pressure on APP cash flows as it progresses its developments. Interest rates were steady during the first half of the year, but fell sharply in the second half, resulting in an increase in the net cash received from rental income, though, as warned last year, this investment portfolio has suffered from the general substantial reduction in property values. Commercial investment properties values fell overall by 23%, a reduction significantly softened by the success of the Sekforde Street property, which increased its profits from its business centre activities and held its value over the year. The other commercial properties fell by nearly 30%, in keeping with market trends reported by several of the commercial property public companies. Rent has held up well over the year, with no insolvent tenants, only one request for monthly rather than quarterly payments, and only one significant break notice exercised by a tenant. The APP Committee of Management has reviewed each property, and has concluded that one commercial property is unlikely to recover its cost, and so APP has written off £0.5m as a

REPORT OF THE DIRECTORS

(continued)

permanent diminution in value. The APP Committee of Management is active in identifying ways in which to seek to restore the capital value of the properties, including possible alternative uses such as usage as a business centre, and the addition of extra floors to existing buildings.

During the year the property at Carlisle Street, acquired as a speculative office development and held last year as stock at cost, was successfully sold for over £6m, generating a profit of some £1.4m. The site was originally acquired because it was one of the few freeholds available in Soho, and, following refurbishment, would be unlike many others on the market, and so should be attractive to purchasers.

Demolition is complete on the Whitfield Street site, and building work is underway, with the planned completion date rescheduled to late autumn of 2010. Importantly, during the year the affordable housing element of the development has been pre-sold to a housing association. This underwrites part of the expected gross development value, and generates cash receipts on the achievement of various building stages, which will reduce borrowings. The APP Committee of Management remains confident that this development will generate good profits.

Building work is well underway at Queen Anne Street, London W1, where a former office is being converted to high specification high value residential units. Completion is still scheduled for the end of 2009. The APP Committee of Management has considered a delay in the programme, but has concluded that there is still demand, and that cessation of the development, for which there is committed funding, would give rise to inefficiencies, funding risk and additional costs and so was not in the best interests of shareholders.

Planning at Yaldham Manor, very complex as a consequence of the historical character of the Manor, has not yet been achieved, but is anticipated later this year. Enabling building works have already started on the Manor, to be followed by a 12 to 15 month construction period.

Financing for APP is clearly of major importance in light of the well publicised economic and banking disturbances, and details of significant cash flows, funding arrangements and uncertainties are set out below:

- APP has a general five-year corporate revolving facility, entered into in 2005, secured by residential and commercial property, where the APP Committee of Management notes that all covenant requirements have been met to date, and those relating to future profitability and interest cover are expected to be met. £10m was borrowed under this facility at 31 March 2009. Related to that facility, on which interest is currently charged at a margin over base rate, a £10m swap was entered into in 2005, which has, until the recent very sharp fall in LIBOR rates, protected APP from rising interest. Recently, however, the LIBOR swap rate at 4.51% p.a. has meant that APP has not been able to benefit as much from those sharp falls as would have been the case if no swap was in place. The substantial reduction in the value of the secured properties results in a reduction in the headroom of that facility, though the APP Committee of Management notes that no cash repayments are required as a consequence of the reduced security values, and the remaining headroom appears adequate for the planned cash flows of APP. The five-year duration of the loan expires in June 2010, and discussion is taking place with the relevant bank, in the ordinary course of business, to extend the facility until 2012 on substantially the same terms and conditions as the existing facility. Based upon those discussions, the APP Committee of Management is confident that such an extension will be obtained. However, even though the current facility has very nearly a year remaining, it does not contractually extend more than twelve months beyond the date of the signing of the financial statements. Under this circumstance, as no formal commitment has been given by the bank to extend the facility beyond the twelve month period required by accounting standards, the APP Committee of Management is obligated by those standards to note that a "material uncertainty" exists relating to the "going concern" assumption used in preparing the APP financial statements. Clearly, should the facility not be renewed, APP would need to refinance, or, as a worst case, sell properties in order to repay this facility. No recognition of the consequences of that outcome has been made.
- In order to finance the development of Whitfield Street, a new development facility of £15.1m was negotiated during the year, which is considered to be wholly adequate both in amount and the three year duration, and on which drawings have satisfactorily already been made. £5.1m was borrowed under this facility at 31 March 2009. Interest is on a LIBOR basis, effectively fixed at around 2.20% p.a. plus margin.

REPORT OF THE DIRECTORS

(continued)

- A facility of £8.8m has also been agreed for the re-financing of the acquisition cost and for the development of Queen Anne Street. £6.8m was borrowed under this facility at 31 March 2009. Interest is on a LIBOR basis plus margin. A LIBOR swap has been entered into at 4.60% p.a. for the land acquisition element of £6.8m, though no similar fixing yet applies to the development loan, which, while currently at a low level, will increase over the remainder of 2009. At the fixed and current interest rates, plus margin, the APP Committee of Management is satisfied that this development will generate profits. The facility matures in April 2010, by which time the property is expected to be complete and have been on the market for several months, thus providing reasonable grounds for considering that adequate repayment will have been made at maturity. Clearly, should the facility not be repaid or extended at maturity, APP would need to refinance, or, as a worst case, possibly reduce selling prices in order to repay this facility. No recognition of the consequences of that outcome has been made.
- In order to finance the acquisition of Yaldham, a loan of £3m has been obtained where the repayment date has now passed. Informal agreement has been given by the bank for the continuance of the loan, and the APP Committee of Management is confident that, not only will the loan not be required to be repaid, but that a development facility will additionally be made available to fund the development. Interest is charged on a LIBOR basis plus margin, though no agreement to fix that rate has been entered into. Clearly, should the facility not be renewed, APP would need to refinance, or, as a worst case, sell the property in order to repay this facility. No recognition of the consequences of that outcome has been made.
- Agreement has been reached with a major funder, whose facility of £16.4m extends through to the end of 2010, that the loan to value covenants over the remainder of the loan be adjusted upwards, such that this year's reductions do not result in a breach, and that there is reasonable headroom should values fall again next year. £16.4m was borrowed under that facility at 31 March 2009. Interest has been fixed by way of a LIBOR swap at 1.99% p.a. plus margin.
- In addition to the projects above, planned cash outflow over the next year is limited to the existing commitments of the development of a site already held near Kingston Hill, Surrey, into two relatively high value houses, and further funding for Embergreen Technology, our waste to energy project. During the year, a majority interest in Embergreen Technology Limited was taken by a syndicate which includes APP as lead investor and, as minority investors, M. R. Breen and A. P. Cunningham. Planning permission has been achieved on a site in Exeter, the Environmental Agency Permit has been submitted, and, subject to satisfactory progress, further investment will be made to enable the site to be operational in Spring 2010; and
- The APP Committee of Management has considered the position of shareholders in the APP partner companies. For quite a number of years so far the companies have arranged a share sale facility, which has enabled shareholders to realise their investment. The scheme has returned some £24m to shareholders in APP partner companies so far, with typical annual cash outflows of some £2m to £3m. The APP Committee of Management is reasonably confident that its existing and planned projects and portfolio should enable both profits and cash to be realised over the next two years, but considers that the current economic and banking climate make it imprudent to apply APP's funds as returns to shareholders until such time as the major development projects have matured and the prospects for the commercial portfolio are clearer. With regret, therefore, no shareholders' share sale facility will be offered by the partner companies this year, though it is hoped that re-instatement in 2010 will be possible.

The prospects for the current 2010 year, in the absence of major development completions, are for little or no profits, though with a significant positive change in profit prospects in the 2011 year. The future movement in commercial property valuations next year is not yet clear, though the APP Committee of Management is determined to ensure that all efforts are made to protect the interests of shareholders in APP partner companies and seek to restore value.

REPORT OF THE DIRECTORS

(continued)

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In accordance with Financial Reporting Standard 9 "Associates, joint ventures and other arrangements", the company's share of APP is reported as a "joint venture". This requires the company to report in its own financial statements that share of APP's gross assets less gross liabilities, and recognise in its profit and loss account, as a single item, its share of APP's income. The company's share of the unrealised surplus or deficit on revaluation of investment properties held in the APP joint venture is reported in the Statement of Total Recognised Gains and Losses and is taken to the Revaluation Reserve except where the deficit is considered to be permanent.

The share of APP's consolidated results that has been recognised by the company is 15.49% (2008: 15.49%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2008, reduced by the costs to the company of the 2008 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 APP partner companies.

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 31.3.2009 and 31.3.2008	
	Ordinary shares	Founders' shares
M.R. Breen	8,002	25
A.P. Cunningham	2	15
N.J.L. Welch	—	—

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

REPORT OF THE DIRECTORS

(continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES continued

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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

PURCHASE OF OWN SHARES AND DIVIDENDS

During the year, the company purchased for cancellation 152,240 of its ordinary shares of 50p each, which represented 5.46% of the called up share capital. The purchase price was £2.22 per share, and the total consideration together with costs was £339,663. The purchase was made following approval from the shareholders.

In accordance with shareholders' votes, no dividend has been paid, or is proposed (2008: £nil).

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 2009 was nil days (2008: nil days).

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 that Annual General Meeting.

By order of the Board

D.J.T. MacDonald
Joint Company Secretary
15 July 2009
40, Queen Anne Street,
London, W1G 9EL



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARTESIAN DEVELOPER plc

We have audited the financial statements of Artesian Developer plc for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement and all of the information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

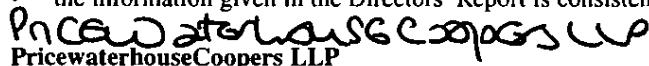
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants & Registered Auditors

London

15 July 2009

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £	2008 £
Turnover: continuing operations	1 and 2	—	—
Cost of sales		—	—
		<u>—</u>	<u>—</u>
Gross profit		—	—
Net operating expenses		(57,634)	(58,005)
		<u>(57,634)</u>	<u>(58,005)</u>
Operating loss: continuing operations		(57,634)	(58,005)
Income from fixed asset investment:			
APP joint venture	2	428,811	549,807
		<u>428,811</u>	<u>549,807</u>
Profit on ordinary activities before taxation	3	371,177	491,802
Tax on profit on ordinary activities	5	(109,749)	(81,297)
		<u>(109,749)</u>	<u>(81,297)</u>
Profit for the financial year	12	261,428	410,505
		<u><u>261,428</u></u>	<u><u>410,505</u></u>
All results derive from continuing operations			

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

	2009 £	2008 £
Profit for the financial year	261,428	410,505
Other recognised gains and losses during the year:		
Share of unrealised deficit on revaluation of investment properties held in APP joint venture	(1,599,476)	(350,226)
Total other recognised gains and losses relating to the year	<u>(1,599,476)</u>	<u>(350,226)</u>
Total recognised gains and losses relating to the year	<u><u>(1,338,048)</u></u>	<u><u>60,279</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

	2009 £	2008 £
Reported profit on ordinary activities before taxation	371,177	491,802
Realisation of surplus on revaluation of investment properties held in APP joint venture	35,417	—
Historical cost profit on ordinary activities before taxation	<u>406,594</u>	<u>491,802</u>
Historical cost profit for the year retained after taxation	<u><u>296,845</u></u>	<u><u>410,505</u></u>

ARTESIAN DEVELOPER plc

BALANCE SHEET AT 31 MARCH 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Investment in APP joint venture:	2		
Share of gross assets		14,733,705	15,334,513
Share of gross liabilities		(9,180,756)	(8,127,232)
		<u>5,552,949</u>	<u>7,207,281</u>
Investments	6	74,753	60,703
		<u>5,627,702</u>	<u>7,267,984</u>
CURRENT ASSETS			
Debtors	7	2,326	2,326
CREDITORS: amounts falling due within one year	8	<u>(122,541)</u>	<u>(85,112)</u>
NET CURRENT LIABILITIES		<u>(120,215)</u>	<u>(82,786)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		<u>5,507,487</u>	<u>7,185,198</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,318,556	1,394,677
Share premium account	11	2,244,705	2,244,705
Capital redemption reserve	11	1,205,746	1,129,625
Revaluation reserve	11	(1,371,707)	263,186
Profit and loss reserve	11	<u>2,110,187</u>	<u>2,153,005</u>
TOTAL SHAREHOLDERS' FUNDS	12	<u>5,507,487</u>	<u>7,185,198</u>

The financial statements on pages 9 to 23 were approved by the board of directors on 15 July 2009 and were signed on its behalf by:-

M. R. Breen
Director



ARTESIAN DEVELOPER plc

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	2009 £	2009 £	2008 £	2008 £
OPERATING ACTIVITIES				
Net cash flow from operating activities		(57,634)		(58,005)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Drawings from APP joint venture	491,835		521,284	
Net cash flow from returns on investments and servicing of finance		491,835		521,284
TAXATION				
Corporation tax paid		(80,488)		(50,730)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of fixed asset investments	(352,050)		(420,000)	
Disposal of fixed asset investments	338,000		420,000	
Net cash flow from capital expenditure and financial investment		(14,050)		-
INCREASE IN CASH BEFORE FINANCING		339,663		412,549
FINANCING				
Purchase of own shares	(339,663)		(412,549)	
Net cash flow from financing		(339,663)		(412,549)
INCREASE IN CASH		-		-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom consistently applied unless otherwise stated. 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

In accordance with Financial Reporting Standard 9 "Associates, joint ventures and other arrangements", the company's share of APP is reported as a "joint venture". This requires the company to report in its own financial statements that share of APP's gross assets less gross liabilities, and recognise in its profit and loss account, as a single item, its share of APP's income. The company's share of the unrealised surplus or deficit on revaluation of investment properties held in the APP joint venture is reported in the Statement of Total Recognised Gains and Losses and is taken to the Revaluation Reserve except where the deficit is considered to be permanent.

The share of APP's consolidated results that has been recognised by the company is 15.49% (2008: 15.49%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2008, reduced by the costs to the company of the 2008 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 partner companies. Advantage has been taken of the exemption conferred by regulation 7 of SI 1993/1820 from the requirements of regulations 4 to 6 of SI 1993/1820.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(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, Artesian Select II plc, Artesian Developments plc and Artesian Developments 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 years ended 31 March are set out below:

	APP	APP	Pro-forma share attributable to the company 15.49% 2009	Pro-forma share attributable to the company 15.49% 2008
	2009	2008		
	£	£	£	£
Turnover				
Continuing operations	15,970,047	6,046,196		
Discontinued operations	–	4,778,288		
	<u>15,970,047</u>	<u>10,824,484</u>	<u>2,474,239</u>	<u>1,676,560</u>
Costs of sales	(10,089,885)	(4,107,287)		
Gross profit	<u>5,880,162</u>	<u>6,717,197</u>		
Permanent diminution of value in investment property	(500,000)	–		
Net operating expenses	<u>(1,418,423)</u>	<u>(4,770,086)</u>		
Operating profit:				
Continuing operations	3,961,739	2,151,890		
Discontinued operations	–	(204,779)		
	<u>3,961,739</u>	<u>1,947,111</u>		
Profit on sale of investments	–	2,799,298		
Interest receivable and similar income	267,740	345,551		
Interest payable and similar charges	<u>(1,514,533)</u>	<u>(1,332,338)</u>		
Profit on ordinary activities before taxation	2,714,946	3,759,622	420,627	582,312
Tax on profit on ordinary activities	<u>(45,872)</u>	<u>(209,865)</u>	<u>(7,107)</u>	<u>(32,505)</u>
Profit on ordinary activities after taxation	<u>2,669,074</u>	<u>3,549,757</u>	<u>413,520</u>	<u>549,807</u>
Minority interests	<u>98,700</u>	<u>–</u>	<u>15,291</u>	<u>–</u>
Profit for the financial year	<u><u>2,767,774</u></u>	<u><u>3,549,757</u></u>	<u><u>428,811</u></u>	<u><u>549,807</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

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

	APP 2009 £	APP 2008 £	Pro-forma share attributable to the company 15.49% 2009 £	Pro-forma share attributable to the company 15.49% 2008 £
Fixed assets:				
Tangible fixed assets	470,442	88,089		
Investment property	49,157,141	59,207,328		
Investments	131	131		
	<u>49,627,714</u>	<u>59,295,548</u>	7,688,834	9,184,022
Current assets:				
Stock property	39,370,938	35,986,685		
Debtors	785,724	713,787		
Debtors: amounts falling due after more than one year	1,577,565	1,565,657		
Investments	2,371,720	–		
Cash	1,365,372	1,443,695		
	<u>45,471,319</u>	<u>39,709,824</u>	7,044,871	6,150,491
Creditors: amounts falling due within one year	(17,933,591)	(13,940,601)	(2,775,733)	(2,160,265)
Net current assets	<u>27,537,728</u>	<u>25,769,223</u>		
Total assets less current liabilities	<u>77,165,442</u>	<u>85,064,771</u>		
Creditors: amounts falling due after more than one year	(41,098,207)	(39,029,441)	(6,367,357)	(6,045,109)
Net assets	<u>36,067,235</u>	<u>46,035,330</u>	5,590,615	7,129,139
Minority interest	(936,484)	–	(145,089)	–
Partners' capital	<u>35,130,751</u>	<u>46,035,330</u>	5,445,526	7,129,139
Reported in the company's balance sheet as:				
Gross assets			14,733,705	15,334,513
Gross liabilities			(9,180,756)	(8,127,232)
			<u>5,552,949</u>	<u>7,207,281</u>
Partner companies taxation reserve			(107,423)	(78,142)
			<u>5,445,526</u>	<u>7,129,139</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

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	
	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£
Class of business:						
Continuing operations:						
Rental	5,232,047	5,146,196			33,739,267	49,066,004
Stock properties	10,738,000	900,000			39,370,938	34,412,874
	<u>15,970,047</u>	<u>6,046,196</u>	<u>3,961,739</u>	<u>1,947,111</u>	<u>73,110,205</u>	<u>83,478,878</u>

Borrowings due after more than one year	(41,259,312)	(39,024,441)
Other fixed asset investment	344,622	80,893
Current asset investment	2,371,720	–
Debt falling due after more than one year	1,500,000	1,500,000
	<u>36,067,235</u>	<u>46,035,330</u>

2.5 Investment Property held by APP:

	Freehold property at cost £	Leasehold property at cost £	Total at cost £	Valuation surplus £	Total at valuation £
At 1 April 2008	41,923,031	7,119,929	49,042,960	1,715,903	50,758,863
Additions	101,721	15,614	117,335	–	117,335
Transfer from assets in the course of construction	10,233,143	–	10,233,143	–	10,233,143
Disposals	(63,105)	–	(63,105)	–	(63,105)
Permanent diminution in value	(500,000)	–	(500,000)	–	(500,000)
Transfer to stock	(836,405)	–	(836,405)	(228,959)	(1,065,364)
Decrease in valuation in the year	–	–	–	(10,323,731)	(10,323,731)
At 31 March 2009	<u>50,858,385</u>	<u>7,135,543</u>	<u>57,993,928</u>	<u>(8,836,787)</u>	<u>49,157,141</u>

Assets in the course of construction

At 1 April 2008	8,448,465
Additions	1,784,678
Transfer to investment property	(10,233,143)
At 31 March 2009	–
Total	<u>49,157,141</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

2.6 Principal accounting policies of APP**i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

With effect from 1 April 1998, the following companies became partners in Artesian Property Partnership ("APP"): Artesian Challenger plc, Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc and Artesian Developer plc. Those companies each made capital contributions to APP equivalent to the relevant company's consolidated net asset value at 31 March 1998, in return for a share of APP.

Shareholders in two further companies, Artesian Developments plc and Artesian Developments II plc resolved to join APP with effect from 1 April 2001. These companies each made capital contributions to APP equivalent to the relevant company's net asset value at 31 March 2001, in return for a share in APP.

Each partner company reports its share of APP as an investment in a joint venture.

Each partner company's share is calculated by reference to the net asset values of all the companies of APP at 1 April 2008, reduced by the costs to the companies of the 2008 buy back of shares and costs borne directly by the companies. The share attributable to a partner company in the future may vary in line with any fluctuation in the proportion of entitlement that the partner companies may undergo following future amounts returned to shareholders in the partner companies.

The "group" figures reflected in the financial statements include the results of the Partnership and its wholly owned subsidiary companies, Artesian 20 Limited, Highfend Limited, Artesian Sekforde Limited and Speed 6834 Limited. Investments have been made in property developments, jointly with others, in Oxted Properties Limited, CHF Trebovir LLP and Embergreen Technology Limited where effective control is with APP, and the results of those activities have been included in the APP group results.

As permitted in section 230 of the Companies Act 1985, the partnership profit and loss account has not been included in these financial statements. Of the profit on ordinary activities after taxation, a profit of £2,375,615 is dealt with in the financial statements of the partnership.

The Committee of Management has reviewed the cash flows and banking facilities of APP, details of which are set out in the Business Review, and notes that APP's general five-year corporate revolving facility, entered into in 2005, will expire in June 2010. Discussion is taking place with the relevant bank, in the ordinary course of business, to extend the facility until 2012 on substantially the same terms and conditions as the existing facility. Based upon those discussions, the Committee is confident that such an extension will be obtained. However, even though the current facility has very nearly a year remaining, it does not contractually extend more than twelve months beyond the date of the signing of the financial statements. Under this circumstance, as no formal commitment has been given by the bank to extend the facility beyond the twelve month period required by accounting standards, the Committee is obligated by those standards to note that a "material uncertainty" exists relating to the "going concern" assumption used in preparing the APP financial statements. Clearly, should the facility not be renewed, APP would need to refinance, or, as a worst case, sell properties in order to repay this facility. No recognition of the consequences of that outcome has been made.

ii) INVESTMENT PROPERTY

In accordance with SSAP 19, the investment property portfolio is revalued annually on a market value basis by appropriately qualified external valuers and by the Committee of Management. Any revaluation surplus or deficit arising is reported in the Statement of Total Recognised Gains and Losses and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

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 Committee of Management believes 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 reported as acquired at their full cost at the date of exchange of a purchase contract, or, where later when all material conditions relevant to that exchanged purchase contract have been satisfied.

Investment 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.

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.

iii) TURNOVER

Turnover comprises gross rental and service charge income, receivable during the year, the sale of stock properties and hotel income, and was all derived from U.K. activities. 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. Rental income is recognised on an accruals basis as the rent due under the relevant lease for the financial year or part thereof.

iv) 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.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009	2008
This is stated after charging:-	£	£
Auditors' remuneration:-		
Audit services	—	—
	<u> </u>	<u> </u>

Auditors remuneration is borne by APP.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

4 EMPLOYEE INFORMATION

4.1 Directors' remuneration of £57,634 (2008: £58,005) comprise fees charged directly to the company by M.R. Breen and N.J.L. Welch.

The remuneration of A.P. Cunningham is disclosed in the accounts of APP.

4.2 Other than directors, the company has no employees.

4.3 The average number of employees of APP including the company's directors during the year was 13 (2008: 82 which included 118 in the estate agency business for part of the year).

5 TAXATION

	2009 £	2009 £	2008 £	2008 £
Current year tax:				
U.K. corporation tax	109,749		79,858	
Under provision in prior year	—		1,439	
	<hr/>		<hr/>	
Tax on profit on ordinary activities		109,749		81,297
		<hr/>		<hr/>
Factors affecting the tax charge for the year				
Profit on ordinary activities before taxation		371,177		491,802
		<hr/>		<hr/>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008: 30.00%)		103,930		147,541
Increased by:				
Chargeable gains in excess of gain on disposal		9,917		—
Permanent loss in value non-deductible		21,690		—
Tax losses of subsidiaries not utilised		12,335		—
Depreciation and goodwill amortisation non-deductible		1,471		905
Other non-deductible costs		318		840
Under provision in prior year		—		1,439
and reduced by:				
Capital allowances		(1,943)		(5,133)
Indexation relief on disposals		(8,457)		—
Benefit of small company corporation tax rate		(18,250)		(28,424)
Share of post-tax profits of subsidiaries		(9,411)		(31,669)
Other items		(1,851)		(4,202)
		<hr/>		<hr/>
Current tax charge for year		109,749		81,297
		<hr/>		<hr/>

The standard rate of U.K. corporation tax changed to 28% from 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

6 INVESTMENTS: fixed assets

	2009 £	2008 £
Other investments; ordinary shares at cost		
At 1 April	60,703	60,703
Additions	352,050	420,000
Disposals	(338,000)	(420,000)
At 31 March	<u>74,753</u>	<u>60,703</u>

6.1 ACQUISITIONS

During the year the company subscribed £338,000 for shares in Artesian Buy Back 2008 Limited, which were disposed of when that company was placed in members' voluntary liquidation prior to the year end.

7 DEBTORS

	2009 £	2008 £
Amounts falling due within one year:		
Deferred tax asset	2,326	2,326
	<u>2,326</u>	<u>2,326</u>

8 CREDITORS: amounts falling due within one year

	2009 £	2008 £
Amounts due to APP partners	12,792	4,644
Corporation tax	109,749	80,468
Total creditors	<u>122,541</u>	<u>85,112</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

9 PROVISION FOR LIABILITIES AND CHARGES
DEFERRED TAX

In accordance with FRS 19, no deferred tax has been provided on the unrealised revaluation gains on investment properties. The company's share of taxation that would arise if the revalued properties held in the APP joint venture were sold at their revalued amounts would be £nil (2008: £nil).

10 CALLED UP SHARE CAPITAL

	2009		2008	
	£		£	
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>
	2009	2008	2009	2008
	Number of shares		£	£
Allotted, called up and fully paid:-				
Founders' shares of 50p each	100	100	50	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Ordinary shares of 50p each				
At 1 April	2,789,257	2,977,557	1,394,627	1,488,777
Cancelled on share buy back during the year	(152,240)	(188,300)	(76,121)	(94,150)
	<u>2,637,017</u>	<u>2,789,257</u>	<u>1,318,506</u>	<u>1,394,627</u>
At 31 March				
	<u>2,637,117</u>	<u>2,789,357</u>	<u>1,318,556</u>	<u>1,394,677</u>

The benefits of the Founder Shares rank pari-passu with the Ordinary Shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

11 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss reserve £
At 1 April 2008	2,244,705	1,129,625	263,186	2,153,005
Cancellation of shares on 2008 buy back and costs	–	76,121	–	(339,663)
Transfer of realised revaluation surplus	–	–	(35,417)	35,417
Revaluation deficit on investment properties in APP joint venture	–	–	(1,599,476)	–
Profit for the financial year	–	–	–	261,428
At 31 March 2009	<u>2,244,705</u>	<u>1,205,746</u>	<u>(1,371,707)</u>	<u>2,110,187</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Shareholders' funds at 1 April	7,185,198	7,537,468
Cancellation of shares on buy back	(339,663)	(412,549)
Profit for the financial year	261,428	410,505
Other recognised gains and losses relating to the year	(1,599,476)	(350,226)
Shareholders' funds at 31 March	<u>5,507,487</u>	<u>7,185,198</u>

13 RELATED PARTY TRANSACTIONS

a) TRANSACTIONS WITH APP JOINT VENTURE

The company has drawn £491,835 from the APP joint venture for corporate expenses, taxation payments and the purchase of its own shares, and at 31 March 2009 there was a balance of £12,792 due to APP.

b) DIRECTORS' INTEREST IN APP CONTRACTS

i) M.R. Breen has an interest in Epicwork Limited which provided property services to the value of £660,000 (2008: £525,000) to APP. At 31 March 2009 the balance due to that company was £52,182 (2008: due from that company £7,149).

(ii) N.J.L. Welch has an interest in Crescent Projects Limited, which provided project management and surveying services of £47,410 (2008: £39,950) to APP. At 31 March 2009 there was no balance due to that company (2008: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

(continued)

c) RELATED PARTY TRANSACTIONS

- (i) During the year, the shares of St James Parade (90) Limited (formerly J.S.S. (London Residential) Limited were sold by APP to J.S.S. (London Residential) Limited, a company whose directors include R.C. Breen, in consideration for a loan note of £1.5m. This replaced the loan note issued in 2008 as consideration for the disposal of the business, details of which were reported in the 2008 financial statements. Fees were charged to that company of £150,000 and interest due of £30,000 was released. J.S.S. (London Residential) Limited also provided estate agency services to APP of £53,500. At 31 March 2009 in addition to the loan of £1.5m there was a balance due from that company was £22,500.
- (ii) During the year, APP invested £350,391 in Embergreen Technology Limited, a company in which M.R. Breen and A.P. Cunningham have minority interests.

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 17 September 2009, and at every adjournment thereof.

Dated2009 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 2009.		
2 To re-elect N.J.L. Welch 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.		

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.



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 17 September 2009, 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 2009.
- 2 To re-elect N.J.L. Welch 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.

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 15 July 2009

D.J.T. MacDonald
Joint Company Secretary

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