

## CONTENTS

|                                                | Pages   |
|------------------------------------------------|---------|
| Directors and advisers                         | 1       |
| Chairman's statement                           | 2       |
| Report of the directors                        | 3 - 6   |
| Independent Auditors' report                   | 7       |
| Profit and loss account                        | 8       |
| Statement of total recognised gains and losses | 9       |
| Note of historical cost profits and losses     | 9       |
| Balance sheet                                  | 10      |
| Cash flow statement                            | 11      |
| Notes to the financial statements              | 12 - 21 |
| Notice of Annual General Meeting               |         |
| Form of proxy                                  |         |

## DIRECTORS AND ADVISERS

|                           |                                                                                                                            |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Directors                 | M.R Breen<br>A.P Cunningham                                                                                                |
| Non-Executive Director    | N.J.L. Welch                                                                                                               |
| Joint Company Secretaries | A.P Cunningham<br>D.J.T. MacDonald                                                                                         |
| Registered Office         | 40, Queen Anne Street,<br>London, W1G 9EL                                                                                  |
| Independent Auditors      | PricewaterhouseCoopers LLP,<br>Chartered Accountants and<br>Statutory Auditors,<br>1 Embankment Place,<br>London, WC2N 6RH |
| Transfer Office           | 60, Webbs Road,<br>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 2011 and the Notice of the Annual General Meeting to be held on 29 September 2011

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

- Net asset value ("NAV") per share £2 16 (2010 £2 10)
- Net assets have increased to £5 68m from £5.54m
- Pre-tax gains £138,000 (2010 £31,000)

NAV has again risen slightly this year, with an overall rise in property values reduced by a very small income loss. Commercial properties in London were this year's best performers, with London residential properties just holding value, and commercial properties outside London holding or slightly falling in value.

During the year the development of four apartments and a penthouse at Queen Anne Street was sold, generating a significant return of cash. The building work at our other major development at Whitfield Street has been completed, and I am glad to report that sales of three flats were achieved before the year end, and that the commercial unit has been sold more recently. We are actively marketing the remaining seven "triplex" townhouses (three bedrooms, three bathrooms and three balconies!) and the penthouse, and have offers which are currently being negotiated. It would be right to say, however, that sales are generally slower to achieve than we had expected this time last year. Full planning permission for Yaldham Manor was achieved during the year, and we are now working up the detailed plans for what is a challenging site where there are historical conservation and fauna and flora issues to deal with as well as the commercial objective of profitable building and selling in a beautiful location. One of the properties in Neville Avenue, Kingston Hill, developed with Avicam, sold profitably, and the second should sell shortly. The Trebovir hotel, in Earls Court, London, performed very well, achieving both high occupancy and high rates.

On the corporate front, conservation of cash and management of our borrowings has been the main objective of the year, as the bank lending environment continues to be difficult. We have been successful in paying off completely one bank which had security over the Queen Anne Street and Yaldham Manor developments, using the sale proceeds from Queen Anne Street. The proceeds from the Whitfield Street sales have served to reduce the loan on that development, and the sale of only two further townhouses will enable that loan to be fully repaid. A third loan has proved more demanding, reflecting perhaps the pressure that banks themselves are under, which requires them to, in effect, withdraw from lending and pass that requirement for cash through to their borrowers.

I consider that later this year we will be through all bank issues, and then have very low borrowings in relation to our assets. At that stage we will be able to take advantage of the problems that reduced property values and bank lending policies are still creating for others in the property market. We still intend to restore the share sale facility as soon as adequate sales revenues from Whitfield Street have been achieved and a bank loan repaid, although that may not be until early next year.

MARK BREEN  
Chairman  
26 July 2011



60, Webbs Road,  
London, SW11 6SE

## **REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements of the company for the year ended 31 March 2011

### **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% (2010 15.49%) share of the results of APP. The basis of preparation of the financial statements is set out in note 1 and financial information relating to APP is set out in note 2.

The company's loss for the year before taxation was £8,184 (2010 profit of £37,523) from which has been deducted a corporation tax recovery of £3,573 (2010 £5,355) to give a loss for the year on ordinary activities after taxation of £4,611 (2010 profit of £42,878). The company's share of the revaluation surplus on investment properties before taxation was £146,502 (2010 deficit of £6,909). The company's share of total recognised gains was £141,891 (2010 £35,969). The company's net asset value per share was £2.16 (2010 £2.10).

#### **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 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 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. Interest rate risk in respect of bank borrowings is managed by entering into swaps or purchasing caps, as appropriate.

The profit of the APP group for the year on ordinary activities before tax and partner companies' drawings and minority interests was £586,402 (2010 £699,363). The unrealised surplus on revaluation of investment properties of the group was £945,590 (2010 deficit of £44,593).

The major activities of the year have been at APP's two Central London developments, 10 Queen Anne Street and Whitfield Street.

Queen Anne Street had a slow start, perhaps reflecting the fact that APP was breaking new ground in terms of both price and specification for this area of London. However sales picked up towards the end of 2010, and all units were sold and completed before March 2011. Prices were high but clearly buyers considered the accessibility to central London and tranquillity of Queen Anne Street, together with the high specifications of the apartments, to justify those prices. The near £20m of sales revenues received enabled all bank loans with one lender (which had security on both the Queen Anne Street development and security over Yaldham Manor) to APP to be repaid, and to provide funds for other developments.

Construction work was completed on Whitfield Street, though not without some last minute problems and disruptions (not least by the snows of December), as perhaps should wearily be expected on any large development. The Whitfield Street site, which includes seven townhouses, three flats, a penthouse, a commercial unit and 11 social housing flats has been quite a few years in negotiation, planning and construction, and has occupied a considerable amount of APP's energies and equity. Sales of three flats were achieved during the year, at very close to asking prices, without significant marketing, and the commercial unit has most satisfactorily been sold after the year end. The cash from these sales has been applied to substantially

**REPORT OF THE DIRECTORS**

(continued)

reducing the related bank borrowings. Marketing has been taking place to sell the penthouse and the townhouses, and an offer on one townhouse has been accepted and is in solicitor's hands, and several offers have been received on the penthouse, and negotiations are taking place which should lead to a sale. The pace of sales again probably reflects the time that the market takes to appreciate the product and the location, which is not traditionally residential. The expectation for the development, now known as Crabtree Place, is for full repayment of the residue of the bank loan by the sale of two townhouses, and then for subsequent sales to generate significant cash resources for APP.

Earlier in the year APP finally achieved formal planning consent for a total of 13 dwellings at Yaldham, including the Manor House, following a long process of negotiation with the relevant council. Plans are now being prepared for the necessary works on the Manor and the building of the new houses, though APP is exploring whether there might be demand for the whole site by a single occupier or demand by a builder for the new build element.

The Embergreen waste project has now obtained permission for limited trials to take place during the summer, so expenditure has been incurred in getting the site and equipment ready. There continues to be real interest in waste treatment and waste to energy projects, which will be reflected in property prices for sites where appropriate planning permission has been, or can be, obtained.

The development at Kingston, carried out with Avicam, completed during the year, and one of the two houses built on the site of a former large house was sold, generating profit for APP and repayment of the bank loan. The sale of the second house will generate further profit and a return of cash to APP, which provides funds for the developments.

The commercial portfolio gained slightly in value overall, reversing the downward movements of the 2009 and 2010 years. There was a noticeable divergence of performance between London properties, for which values increased strongly by over 20%, and regional properties, which either held their value or fell in value.

During the year APP has taken selected opportunities to negotiate early lease termination settlements with some tenants whose leases were nearing expiration or renewal. While these have resulted in some loss of rental income, the settlements have provided funds with which APP can improve and refurbish buildings so as to be able to offer more rentable office space in what is, especially outside London, a very competitive market. APP are also active in looking at a wide range of alternative uses for some of our properties where occupancy levels are falling, such as conversion to residential use, operation as a business centre and as a hotel.

APP's existing interest in the Trebovir hotel in Earls Court, London, has been well rewarded as the hotel has enjoyed a very successful year, with very high revenues based on both high occupancy and high room rates, and with a further valuation increase.

The value of the South West London mid-range residential portfolio was static. Rental rates on new tenancies rose slightly, but were difficult to achieve on existing tenancies. One property was sold during the year, and another was put on the market, and is now under offer. A further three properties in the South East London were sold, as anticipated. Rents in that part of London are rising slowly, but increases are only achievable where expenditure has been incurred to refresh or improve the flats, which, other than as a longer term investment, does not offer an adequate return on APP's equity. The last remnants of the Biggin Hill portfolio, two houses APP had been obliged to provide to protected assured tenants, were also sold, providing useful additional cash, as neither was mortgaged.

Financing has been a major concern for APP during the year, as the banking sector continues to make significant demands on the entire property sector. The current position on APP's loans is as follows:

- the revolving corporate £15m facility has continued to be available during the year, and has formed a key part of APP's ability to manage flows of cash. The facility is currently due to expire only in August 2012.
- the facility to acquire and develop the Whitfield Street site reached its limits during the year, as planned, and has now reduced sharply with the sales receipts from three flats and the commercial unit. The loan formally expires in early September 2011, and APP is confident that, with the current sales activity, sufficient sales should be made between the date of this report and the expiry date of the facility to enable APP to repay the loan.

**REPORT OF THE DIRECTORS**

(continued)

- APP has a loan with a bank, where a five year facility expired in December 2010. Continuous negotiation has been taking place with that bank since many months before the facility expired, and an agreement for a formal extension of the loan to December 2011, has recently been signed. The amount of the loan has been progressively reduced during the year by receipts from sales and by capital repayments. APP is currently in negotiation to sell a property which, if achieved, would enable the remaining loan to be substantially repaid, with the balance of the loan being repaid from APP's existing cash resources. Once repaid, APP will have properties on which there is no longer a bank charge, and so they can be offered as security for new loans or could be sold with all cash proceeds being available to APP.
- the loan for the acquisition and development of Queen Anne Street has been fully repaid from sales proceeds, and the security held under that facility over Yaldham Manor has been released by the bank.

The Committee is confident that both facilities expiring within the next twelve months should be fully repaid prior to the expiry date by sales currently being negotiated. However, as no formal commitment has been given by the two banks to extend the facilities in the event that the sales are not achieved, the Committee is obligated by accounting standards to note that a "material uncertainty" exists to the "going concern" assumption used in preparing the APP financial statements.

The results show a profit for the year, though realisation of profit from Whitfield Street has not taken place quite as fast as was anticipated last year. Those profits should however come through strongly in the current year to 31 March 2012. The Committee's major concern at present is to protect and enhance APP's cash and banking position. The Committee is confident that significant cash will be generated during the remainder of the current financial year, enabling exposure to bank loans to be minimised and new developments to be commenced. The restoration of the share sale facility will follow the achievement of Whitfield sales and the repayment of all current bank loans, other than the revolving corporate facility, and is therefore likely early next year.

**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% (2010: 15.49%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2010, reduced by 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**

The directors during the year and up to the date of the signing of these financial statements were

M.R. Breen

A. P. Cunningham

N. J. L. Welch

A directors' and officers' indemnity policy was in force during the year.

**REPORT OF THE DIRECTORS**

(continued)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AND DIVIDENDS**

During the year, the company did not purchase ordinary shares for cancellation.

In accordance with shareholders' votes, no dividend has been paid, or is proposed (2010: £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 2011 was nil days (2010: nil days).

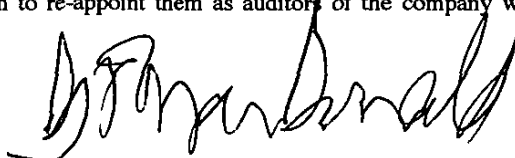
**INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS**

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

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  
26 July 2011  
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 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

***Respective responsibilities of directors and auditors***

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

***Opinion on financial statements***

In our opinion the financial statements

- give a true and fair view of the company's affairs as at 31 March 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***Opinion on other matters prescribed by the Companies Act 2006***

In our opinion the information given in the Directors' Report for the financial year in which the financial statements are prepared is consistent with the financial statements.

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

**Philip Sayers (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**  
**26 July 2011**



**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 MARCH 2011

|                                                             | Note | 2011<br>£         | 2010<br>£         |
|-------------------------------------------------------------|------|-------------------|-------------------|
| <b>Turnover</b>                                             |      | –                 | –                 |
| Cost of sales                                               |      | –                 | –                 |
|                                                             |      | <u>          </u> | <u>          </u> |
| Gross profit                                                |      | –                 | –                 |
| Administrative expenses                                     |      | (58,313)          | (57,151)          |
|                                                             |      | <u>          </u> | <u>          </u> |
| <b>Operating loss</b>                                       |      | (58,313)          | (57,151)          |
| Income from fixed asset investment                          |      |                   |                   |
| APP joint venture                                           | 2    | 50,129            | 94,674            |
|                                                             |      | <u>          </u> | <u>          </u> |
| <b>(Loss)/profit on ordinary activities before taxation</b> | 3    | (8,184)           | 37,523            |
| Tax on (loss)/profit on ordinary activities                 | 5    | 3,573             | 5,355             |
|                                                             |      | <u>          </u> | <u>          </u> |
| <b>(Loss)/profit for the financial year</b>                 | 11   | (4,611)           | 42,878            |
|                                                             |      | <u>          </u> | <u>          </u> |

All results derive from continuing operations

# ARTESIAN DEVELOPER plc

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011

|                                                                                                         | 2011<br>£      | 2010<br>£      |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|
| (Loss)/profit for the financial year                                                                    | (4,611)        | 42,878         |
| Other recognised gains and losses during the year                                                       |                |                |
| Share of unrealised surplus/(deficit) on revaluation of investment properties held in APP joint venture | 146,502        | (6,909)        |
| Total other recognised gains and losses relating to the year                                            | <u>146,502</u> | <u>(6,909)</u> |
| Total recognised gains and losses relating to the year                                                  | <u>141,891</u> | <u>35,969</u>  |

## NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011

|                                                                                          | 2011<br>£     | 2010<br>£     |
|------------------------------------------------------------------------------------------|---------------|---------------|
| Reported (loss)/profit on ordinary activities before taxation                            | (8,184)       | 37,523        |
| Realisation of surplus on revaluation of investment properties held in APP joint venture | 26,142        | 23,521        |
| Historical cost profit on ordinary activities before taxation                            | <u>17,958</u> | <u>61,044</u> |
| Historical cost profit for the year retained after taxation                              | <u>21,531</u> | <u>66,399</u> |

# ARTESIAN DEVELOPER plc

## BALANCE SHEET AT 31 MARCH 2011

|                                                             | Note | 2011<br>£   | 2010<br>£   |
|-------------------------------------------------------------|------|-------------|-------------|
| <b>FIXED ASSETS</b>                                         |      |             |             |
| Investment in APP joint venture                             | 2    |             |             |
| Share of gross assets                                       |      | 13,572,801  | 14,461,107  |
| Share of gross liabilities                                  |      | (7,957,600) | (8,921,789) |
|                                                             |      | 5,615,201   | 5,539,318   |
| Investments                                                 | 6    | 74,753      | 74,753      |
|                                                             |      | 5,689,954   | 5,614,071   |
| <b>CURRENT ASSETS</b>                                       |      |             |             |
| Debtors                                                     | 7    | 3,573       | -           |
| CREDITORS amounts falling due within one year               | 8    | (8,180)     | (70,615)    |
| <b>NET CURRENT LIABILITIES</b>                              |      | (4,607)     | (70,615)    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS</b> |      | 5,685,347   | 5,543,456   |
| <b>CAPITAL AND RESERVES</b>                                 |      |             |             |
| Called up share capital                                     | 10   | 1,318,556   | 1,318,556   |
| Share premium account                                       | 11   | 2,244,705   | 2,244,705   |
| Capital redemption reserve                                  | 11   | 1,205,746   | 1,205,746   |
| Revaluation reserve                                         | 11   | (1,281,877) | (1,402,237) |
| Profit and loss reserve                                     | 11   | 2,198,217   | 2,176,686   |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                            | 12   | 5,685,347   | 5,543,456   |

The financial statements on pages 8 to 21 were approved by the board of directors on 26 July 2011 and were signed on its behalf by -

M R Breen  
Director



Registered number 2793529

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

|                                                                       | 2011<br>£ | 2011<br>£   | 2010<br>£ | 2010<br>£   |
|-----------------------------------------------------------------------|-----------|-------------|-----------|-------------|
| <b>OPERATING ACTIVITIES</b>                                           |           |             |           |             |
| Net cash flow from operating activities                               |           | (58,313)    |           | (57,151)    |
| <b>RETURNS ON INVESTMENTS<br/>AND SERVICING OF FINANCE</b>            |           |             |           |             |
| Drawings from APP joint venture                                       | 58,313    |             | 97,151    |             |
|                                                                       | <hr/>     |             | <hr/>     |             |
| Net cash flow from returns<br>on investments and servicing of finance |           | 58,313      |           | 97,151      |
| <b>TAXATION</b>                                                       |           |             |           |             |
| Corporation tax paid                                                  |           | -           |           | (40,000)    |
|                                                                       |           | <hr/>       |           | <hr/>       |
| <b>INCREASE IN CASH</b>                                               |           | -           |           | -           |
|                                                                       |           | <hr/> <hr/> |           | <hr/> <hr/> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**1 PRINCIPAL ACCOUNTING POLICIES**

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently with the prior year, are set out below.

**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% (2010: 15.49%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2010, reduced by 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. 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2011

(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<br>2011<br>£ | APP<br>2010<br>£ | Pro-forma<br>share<br>attributable<br>to the<br>company<br>15.49%<br>2011<br>£ | Pro-forma<br>share<br>attributable<br>to the<br>company<br>15.49%<br>2010<br>£ |
|-----------------------------------------------|------------------|------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Turnover</b>                               |                  |                  |                                                                                |                                                                                |
| Continuing operations                         | 29,237,000       | 15,722,517       | 4,529,747                                                                      | 2,435,921                                                                      |
| Costs of sales                                | (25,338,522)     | (11,938,736)     |                                                                                |                                                                                |
| <b>Gross profit</b>                           | 3,898,478        | 3,783,781        |                                                                                |                                                                                |
| Administrative expenses                       | (1,640,499)      | (1,695,832)      |                                                                                |                                                                                |
| <b>Operating profit:</b>                      |                  |                  |                                                                                |                                                                                |
| Continuing operations                         | 2,257,979        | 2,087,949        |                                                                                |                                                                                |
| (Loss)/profit on sale of investments          | (107,114)        | 10,990           |                                                                                |                                                                                |
| Interest receivable and similar income        | 115,161          | 126,557          |                                                                                |                                                                                |
| Interest payable and similar charges          | (1,679,624)      | (1,526,133)      |                                                                                |                                                                                |
| Profit on ordinary activities before taxation | 586,402          | 699,363          | 90,852                                                                         | 108,354                                                                        |
| Tax on profit on ordinary activities          | (101,122)        | (105,051)        | (15,667)                                                                       | (16,276)                                                                       |
| Profit on ordinary activities after taxation  | 485,280          | 594,312          | 75,185                                                                         | 92,078                                                                         |
| Minority interests                            | (161,728)        | 16,753           | (25,076)                                                                       | 2,596                                                                          |
| Profit for the financial year                 | 323,552          | 611,065          | 50,129                                                                         | 94,674                                                                         |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

(continued)

**2. ARTESIAN PROPERTY PARTNERSHIP**

(continued)

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

|                                                         | APP<br>2011<br>£  | APP<br>2010<br>£  | Pro-forma<br>share<br>attributable<br>to the<br>company<br>15.49%<br>2011<br>£ | Pro-forma<br>share<br>attributable<br>to the<br>company<br>15.49%<br>2010<br>£ |
|---------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Fixed assets                                            |                   |                   |                                                                                |                                                                                |
| Tangible fixed assets                                   | 841,731           | 548,817           |                                                                                |                                                                                |
| Investment property                                     | 49,095,000        | 48,919,500        |                                                                                |                                                                                |
| Investments                                             | 156               | 156               |                                                                                |                                                                                |
|                                                         | <u>49,936,887</u> | <u>49,468,473</u> | 7,737,052                                                                      | 7,664,248                                                                      |
| Current assets                                          |                   |                   |                                                                                |                                                                                |
| Stock property                                          | 24,463,975        | 36,361,206        |                                                                                |                                                                                |
| Debtors                                                 | 4,836,694         | 3,495,770         |                                                                                |                                                                                |
| Cash                                                    | 8,388,906         | 4,012,946         |                                                                                |                                                                                |
|                                                         | <u>37,689,575</u> | <u>43,869,922</u> | 5,839,322                                                                      | 6,796,859                                                                      |
| Creditors' amounts falling due within one year          | (29,196,988)      | (37,994,988)      | (4,523,547)                                                                    | (5,886,274)                                                                    |
| Net current assets                                      | <u>8,492,587</u>  | <u>5,874,934</u>  |                                                                                |                                                                                |
| Total assets less current liabilities                   | <u>58,429,474</u> | <u>55,343,407</u> |                                                                                |                                                                                |
| Creditors' amounts falling due after more than one year | (21,103,881)      | (19,085,700)      | (3,269,667)                                                                    | (2,956,986)                                                                    |
| Net assets                                              | <u>37,325,593</u> | <u>36,257,707</u> | 5,783,160                                                                      | 5,617,847                                                                      |
| Minority interest                                       | (1,061,011)       | (907,474)         | (164,386)                                                                      | (140,597)                                                                      |
| Partners' capital                                       | <u>36,264,582</u> | <u>35,350,233</u> | 5,618,774                                                                      | 5,477,250                                                                      |
| Reported in the company's balance sheet as              |                   |                   |                                                                                |                                                                                |
| Gross assets                                            |                   |                   | 13,572,801                                                                     | 14,461,107                                                                     |
| Gross liabilities                                       |                   |                   | (7,957,600)                                                                    | (8,921,789)                                                                    |
|                                                         |                   |                   | <u>5,615,201</u>                                                               | <u>5,539,318</u>                                                               |
| Partner companies taxation reserve                      |                   |                   | 3,573                                                                          | (62,068)                                                                       |
|                                                         |                   |                   | <u>5,618,774</u>                                                               | <u>5,477,250</u>                                                               |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

(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        |                   |
|-------------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
|                                           | 2011              | 2010              | 2011             | 2010             | 2011              | 2010              |
|                                           | £                 | £                 | £                | £                | £                 | £                 |
| Class of business                         |                   |                   |                  |                  |                   |                   |
| Continuing operations                     |                   |                   |                  |                  |                   |                   |
| Rental                                    | 6,374,531         | 6,127,666         |                  |                  | 41,209,940        | 35,263,163        |
| Stock properties                          | 22,862,469        | 9,594,851         |                  |                  | 15,536,930        | 18,133,364        |
|                                           | <u>29,237,000</u> | <u>15,722,517</u> | <u>2,257,979</u> | <u>2,087,949</u> | <u>56,746,870</u> | <u>53,396,527</u> |
| Borrowings due after more than one year   |                   |                   |                  |                  | (21,103,881)      | (19,085,700)      |
| Other fixed asset investment              |                   |                   |                  |                  | 782,604           | 496,880           |
| Debt falling due after more than one year |                   |                   |                  |                  | 900,000           | 1,450,000         |
|                                           |                   |                   |                  |                  | <u>37,325,593</u> | <u>36,257,707</u> |

## 2.5 Investment Property held by APP

|                                   | Freehold property at cost | Leasehold property at cost | Total at cost     | Valuation deficit  | Total at valuation |
|-----------------------------------|---------------------------|----------------------------|-------------------|--------------------|--------------------|
|                                   | £                         | £                          | £                 | £                  | £                  |
| At 1 April 2010                   | 50,770,644                | 7,108,604                  | 57,879,248        | (8,959,748)        | 48,919,500         |
| Additions                         | 40,264                    | –                          | 40,264            | –                  | 40,264             |
| Disposals                         | (479,319)                 | (318,946)                  | (798,265)         | (168,735)          | (967,000)          |
| Increase in valuation in the year | –                         | –                          | –                 | 1,102,236          | 1,102,236          |
| At 31 March 2011                  | <u>50,331,589</u>         | <u>6,789,658</u>           | <u>57,121,247</u> | <u>(8,026,247)</u> | <u>49,095,000</u>  |

The investment properties of the group and the partnership have been stated at Market Value at 31 March 2011 of £49,095,000 (partnership £25,595,000) as valued by

- Drivers Jonas Deloitte LLP, Chartered Surveyors acting as External Valuers, for properties of the group valued in total at £38,095,000, and of the partnership valued in total at £25,595,000
- Savills LLP, Chartered Surveyors acting as External Valuers, for a property of the group, valued at £11,000,000 (partnership £ nil)

The valuations have been carried out in accordance with the RICS Valuation Standards - Global and UK, 7th Edition

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

(continued)

**2. ARTESIAN PROPERTY PARTNERSHIP**

(continued)

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

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 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.

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

- the facility to acquire and develop the Whitfield Street site reached its limits during the year, as planned, and has now reduced sharply with the sales receipts from three flats and the commercial unit. The loan formally expires in early September 2011, and APP is confident that, with the current sales activity, sufficient sales should be made between the date of this report and the expiry date of the facility to enable APP to repay the loan.
- APP has a loan with a bank, where a five year facility expired in December 2010. Continuous negotiation has been taking place with that bank since many months before the facility expired, and an agreement for a formal extension of the loan to December 2011, has recently been signed. The amount of the loan has been progressively reduced during the year by receipts from sales and by capital repayments. APP is currently in negotiation to sell a property which, if achieved, would enable the remaining loan to be substantially repaid, with the balance of the loan being repaid from APP’s existing cash resources. Once repaid, APP will have properties on which there is no longer a bank charge, and so they can be offered as security for new loans or could be sold with all cash proceeds being available to APP.

The Committee is confident that both facilities expiring within the next twelve months should be fully repaid prior to the expiry date by sales currently being negotiated. However, as no formal commitment has been given by the two banks to extend the facilities in the event that the sales are not achieved, the Committee is obligated by accounting standards to note that a “material uncertainty” exists to the “going concern” assumption used in preparing the APP financial statements.

**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. 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.

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 2006 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2011

(continued)

**2. ARTESIAN PROPERTY PARTNERSHIP**

(continued)

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 UK 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.

When disposal occurs of property which forms part of a larger development, the costs allocated to the disposed stock item reflect both direct costs and a proportion of overall project costs and overheads.

**3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

|                                 | 2011              | 2010              |
|---------------------------------|-------------------|-------------------|
|                                 | £                 | £                 |
| This is stated after charging - |                   |                   |
| Auditors' remuneration -        |                   |                   |
| Audit services                  | -                 | -                 |
|                                 | <u>          </u> | <u>          </u> |

Auditors' remuneration is borne by APP.

**4 EMPLOYEE INFORMATION**

- 4.1 Directors' remuneration of £58,313 (2010: £57,151) comprises fees charged directly to the company by third parties for the services of M.R. Breen and N.J.L. Welch. The remuneration of A.P. Cunningham is reported 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 11 (2010: 13).

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2011

(continued)

**5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

|                                                                                                                     | 2011<br>£ | 2010<br>£ |
|---------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Current tax                                                                                                         |           |           |
| U K corporation tax on (losses)/profits of the period                                                               | –         | 9,284     |
| Adjustment in respect of prior periods                                                                              | (3,573)   | (16,965)  |
| Total current tax                                                                                                   | (3,573)   | (7,681)   |
| Deferred tax                                                                                                        |           |           |
| Origination and reversal of timing differences                                                                      | –         | 2,326     |
| Total deferred tax                                                                                                  | –         | 2,326     |
| Tax on (loss)/profit on ordinary activities                                                                         | (3,573)   | (5,355)   |
| <b>Factors affecting current year tax</b>                                                                           |           |           |
| (Loss)/profit on ordinary activities before taxation                                                                | (8,184)   | 37,523    |
| (Loss)/profit on ordinary activities before taxation<br>multiplied by U K corporation tax small profits rate of 21% | (1,719)   | 7,880     |
| Increased by                                                                                                        |           |           |
| Tax losses of subsidiaries not utilised                                                                             | –         | 6,928     |
| Tax losses not utilised                                                                                             | 1,719     | –         |
| Depreciation and goodwill amortisation non-deductible                                                               | –         | 844       |
| Other non-deductible costs                                                                                          | –         | 165       |
| and reduced by                                                                                                      |           |           |
| Capital allowances                                                                                                  | –         | (1,296)   |
| Indexation relief on disposals                                                                                      | –         | (1,286)   |
| Share of post-tax profits of subsidiaries                                                                           | –         | (3,831)   |
| Adjustments in respect of prior periods                                                                             | (3,573)   | (16,965)  |
| Other items                                                                                                         | –         | (120)     |
| Current tax credit for the year                                                                                     | (3,573)   | (7,681)   |

Future tax charges will be affected by a reduction in the standard rate of corporation tax to 26% from 1 April 2011 and proposed further reductions of 1% per annum to 23% by 1 April 2014

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

(continued)

**6 INVESTMENTS**

|                                            | 2011<br>£         | 2010<br>£         |
|--------------------------------------------|-------------------|-------------------|
| Other investments, ordinary shares at cost |                   |                   |
| At 1 April and 31 March                    | 74,753            | 74,753            |
|                                            | <u>          </u> | <u>          </u> |

**7 DEBTORS**

|                                     | 2011<br>£         | 2010<br>£         |
|-------------------------------------|-------------------|-------------------|
| Amounts falling due within one year |                   |                   |
| Corporation tax recovery            | 3,573             | -                 |
|                                     | <u>          </u> | <u>          </u> |
|                                     | 3,573             | -                 |
|                                     | <u>          </u> | <u>          </u> |

**8 CREDITORS: amounts falling due within one year**

|                             | 2011<br>£         | 2010<br>£         |
|-----------------------------|-------------------|-------------------|
| Amounts due to APP partners | 8,180             | 8,547             |
| Corporation tax             | -                 | 62,068            |
|                             | <u>          </u> | <u>          </u> |
| Total creditors             | 8,180             | 70,615            |
|                             | <u>          </u> | <u>          </u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2011

(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 (2010: £nil).

**10 CALLED UP SHARE CAPITAL**

|                                       |                          | 2011<br>£         | 2010<br>£         |
|---------------------------------------|--------------------------|-------------------|-------------------|
| 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>  |
|                                       |                          |                   |                   |
|                                       | 2011<br>Number of shares | 2011<br>£         | 2010<br>£         |
| Allotted and fully paid -             |                          |                   |                   |
| Founders' shares of 50p each          | 100                      | 50                | 50                |
|                                       | <u>          </u>        | <u>          </u> | <u>          </u> |
| Ordinary shares of 50p each           |                          |                   |                   |
| At 1 April and 31 March               | 2,637,017                | 1,318,506         | 1,318,506         |
|                                       | <u>          </u>        | <u>          </u> | <u>          </u> |
| Total share capital                   | 2,637,117                | 1,318,556         | 1,318,556         |
|                                       | <u>          </u>        | <u>          </u> | <u>          </u> |

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

**11 RESERVES**

|                                                                      | Share<br>premium<br>account<br>£ | Capital<br>redemption<br>reserve<br>£ | Revaluation<br>reserve<br>£ | Profit<br>and loss<br>reserve<br>£ |
|----------------------------------------------------------------------|----------------------------------|---------------------------------------|-----------------------------|------------------------------------|
| At 1 April 2010                                                      | 2,244,705                        | 1,205,746                             | (1,402,237)                 | 2,176,686                          |
| Transfer of realised revaluation surplus                             | -                                | -                                     | (26,142)                    | 26,142                             |
| Revaluation surplus on investment properties<br>in APP joint venture | -                                | -                                     | 146,502                     | -                                  |
| Loss for the financial year                                          | -                                | -                                     | -                           | (4,611)                            |
|                                                                      | <u>          </u>                | <u>          </u>                     | <u>          </u>           | <u>          </u>                  |
| At 31 March 2011                                                     | 2,244,705                        | 1,205,746                             | (1,281,877)                 | 2,198,217                          |
|                                                                      | <u>          </u>                | <u>          </u>                     | <u>          </u>           | <u>          </u>                  |

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2011

(continued)

**12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

|                                                        | 2011             | 2010             |
|--------------------------------------------------------|------------------|------------------|
|                                                        | £                | £                |
| Shareholders' funds at 1 April                         | 5,543,456        | 5,507,487        |
| (Loss)/profit for the financial year                   | (4,611)          | 42,878           |
| Other recognised gains and losses relating to the year | 146,502          | (6,909)          |
| Shareholders' funds at 31 March                        | <u>5,685,347</u> | <u>5,543,456</u> |

**13 RELATED PARTY TRANSACTIONS**

**a) TRANSACTIONS WITH APP JOINT VENTURE**

The company has drawn £58,313 from the APP joint venture for corporate expenses and taxation payments, and at 31 March 2011 there was a balance of £8,180 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 £310,000 (2010 £220,000) to APP At 31 March 2011 the balance due to that company was £72,764 (2010 £12,018)

ii) N J L Welch has an interest in Crescent Projects Limited, which provided project management and surveying services of £39,396 (2010 £38,700) to APP At 31 March 2011 there was no balance due to that company (2010 £nil)

**c) APP RELATED PARTY TRANSACTIONS**

i) During the year, J S S (London Residential) Limited, a company whose directors include R C Breen, paid interest to APP of £113,667 and repaid £405,000 of the principal of the loan of which a further £45,000 was discounted At 31 March 2011 the balance of the loan due from that company was £900,000

ii) During the year, APP invested £317,109 and acquired 4,280 nil paid ordinary shares of £1 each in Embergreen Technology Limited, a company in which M R Breen and A P Cunningham have minority interests

iii) During the year, APP received £412,500 from CHF Trebovir LLP

# 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 29 September 2011, 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 2011
- 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

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 26 July 2011

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 29 September 2011, and at every adjournment thereof

Dated

.2011

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 2011                                                                                                                                  |     |         |
| 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 |     |         |

#### 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