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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 Statutory Auditors, 1 Embankment Place, London, WC2N 6RH
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	Number 2793529

MONDAY
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COMPANIES HOUSE

CHAIRMAN'S STATEMENT

Dear Shareholder

Please find enclosed the report of the directors and the audited financial statements for the year ended 31 March 2012 and the Notice of the Annual General Meeting to be held on 4 October 2012

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

- Net asset value ("NAV") per share £2 25 (2011 £2 16)
- Net assets have increased to £5 94m from £5 68m
- Pre-tax gains £354,000 (2011 £138,000)

I am glad to report another year of NAV growth The increase has been generated from realised profits, by contrast with the 2011 year where the growth was more a reflection of movement in capital values

Profits have arisen from the sales achieved at Whitfield Street, known as Crabtree Place for marketing purposes The penthouse, three townhouses and the commercial unit were sold during the year, at prices close to expectation It is satisfying that this project, for so long dependant on planning and construction to come to fruition, has now generated substantial profits for shareholders That three townhouses remain to be sold, out of the twelve buildings originally available to the market, is a disappointment, but is a reflection of the prevalent sense of uncertainty regarding economic prospects, and the well publicised increase in the stamp duty levels on houses in the Crabtree Place price range

APP s financing has been a major activity during the year, as the banks have sought to reduce significantly their property lending levels I am glad to report that APP has now paid off, in full and on time, two facilities which matured in the financial year, and has renegotiated its remaining loan for a further three years The very substantial cash amounts required to repay the loans were generated by sales at Crabtree Place and from the sale of our building on Sekforde Street, operated as a business centre, to an institutional property fund The Sekforde Street sale generated both cash and a significant profit, though at the cost of a reduction in APP's rental income

There is much other activity underway at present concerned with restoring the rental income and creating future profits and increases in capital values Building work is underway at the Yaldham Manor Estate and at Maidstone, where APP is building a delivery and sorting centre for lease by the Royal Mail, and we are negotiating new tenancies on buildings which currently have vacant units APP has been actively assessing and making offers on buildings in London, and, since the year end, has made two acquisitions A commercial building in South-West London will be demolished and redeveloped into four town houses, which will be ready for sale by the end of 2013 Very recently, the second, an office on Conduit Street, London W1, following obtaining planning consent, will also be converted into five residential units by 2014 Consideration is being given to making further acquisitions funded by joint-venture partners, in the absence of significant bank financing We are maintaining an active approach to property, as uncertainty about the current economic position poses risk but also offers opportunities

The report and accounts are being sent out to shareholders slightly later than usual, reflecting completion of the renewal of APP's major banking facility In consequence, I am pleased to report that the Board has concluded that APP s funding position is now secured, and that a share sale facility will be offered this year I thank all shareholders for their patience and understanding of the reasons that necessitated the long interval since the previous facility was made available in 2008

Details of that offer, which is an opportunity to both sell and buy shares, are set out in the letter enclosed with this report **If you do not wish to sell all or part of your shareholding or do not wish to purchase further shares you do not need to take any action in response to that letter.** Shareholders intending to offer to buy or sell shares should read the accompanying letter, the offer to sell and the application to purchase most carefully Whilst the directors will endeavour to answer any questions shareholders might have regarding the company or the procedures to be followed, we are unable to advise shareholders as to the action they should take and for such advice shareholders should therefore refer to their own professional or financial advisers

I look forward to reporting further progress to you next year

MARK BREEN
Chairman
15 August 2012
60, Webbs Road,
London, SW11 6SE



REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of Artesian Developer plc ("the company") for the year ended 31 March 2012

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% (2011 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 profit for the year before taxation was £403,708 (2011 loss of £8,184) from which has been deducted a corporation tax charge of £93,834 (2011 recovery of £3,573) to give a profit for the year on ordinary activities after taxation of £309,874 (2011 loss of £4,611) The company's share of the revaluation deficit on investment properties before taxation was £49,115 (2011 surplus of £146,502) The company's net asset value per share was £2 25 (2011 £2 16)

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

Each partner company reports its share of APP as an investment in a joint venture on the basis that, under the Partnership agreement, there are no restrictions on the distribution of profits from the Partnership Partner companies may make cash drawings on APP to meet their own corporate expenses and taxation liabilities

Each partner company's share is calculated by reference to the net asset values of all the companies of APP at 1 April 2011, reduced by 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 partner companies

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 £3,028,802 (2011 £586,402) The unrealised surplus on revaluation of investment properties of the group was £317,002 (2011 surplus of £945,590)

The major activities of the year have been sales at Whitfield Street and Sekforde Street, both in central London, and management of APP's cash resources and facilities

Three of the twelve units available to the market at Whitfield Street had been sold at the start of the financial year, and during the year the commercial unit, the penthouse and three of the seven townhouse were sold at prices matching expectations The sales value of the five units sold in the year totalled some £14 2m, bringing total sales at Whitfield Street, known for marketing purposes as Crabtree Place, to £19 4m Four townhouses remained to be sold at year end, of which one has subsequently been sold at the same price of £2 6m as the

REPORT OF THE DIRECTORS (continued)

three earlier sales The sales proceeds have been substantially used to form part of the repayment of the development facility provided by Lloyds Bank in 2008, which was repaid in full, and on time, during the year The remaining units are being actively marketed and are attracting interest The rate of sales has certainly slowed down, and has not matched expectation, though it is perhaps not yet fully evident what effect the recent Budget measures increasing stamp duty on residential property for sale at over £2m has already, or will have, on demand for the unsold Whitfield Street houses

APP acquired Sekforde Street in 2005 and has since then operated the building, which is in Clerkenwell close to the City of London, as a business centre It was considered that that a steady operational income stream from that business would be attractive, and that, in addition, the building could offer, subject to planning consent, opportunity for residential development As the current economic conditions of the last few years have continued, interest in the building has increased, and in August 2011, APP sold the building to a major property fund The price agreed represented a very satisfactory uplift on the capital cost paid to acquire the building, and has contributed significantly to the APP profits this year The decision to sell was not straightforward, as the income stream will be difficult to replace However, the sale generated much of the cash required to repay a bank which wished to have its facility repaid on maturity

At Yaldham Manor, work to meet the demanding conservation and planning requirements has continued throughout the year, though again the full effects of the recent Budget on VAT in relation to listed buildings are not wholly clear, as the government has only recently completed its review of the responses to consultation There appears to be slight encouragement that APP will suffer less from the Budget than was at first feared

The Embergreen project carried out successful trials during the year, and the process is now demonstrated This is satisfying progress and enables the next stage of development and environmental approval to be planned The rate at which the pyrolosis occurs is, however, not yet sufficient to meet the most profitable potential commercial demands, though a review of the market for destruction of commercial confidential waste is underway The next stage will require either more capital from APP or the introduction of a partner, and APP will not commit to that capital expenditure until both a market is established and the availability of funding is clear Accounting standards require that fixed assets, such as the carboniser plant of Embergreen, be able to demonstrate a value "in use", and, as it is not probable that the carboniser will actually be "in use" within the current financial year, the directors of Embergeen have concluded that the carrying value of the carboniser plant should be reduced to nil by making an impairment charge of £643,055

The second house at the development in Kingston, carried out through Oxted Properties Limited, the company which operates APP's joint venture with Avicam, sold profitably during the year APP makes management charges to Oxted, which are recognised in APP's profit and loss account A further development, this time returning to the Crown Estate, Oxshott, the scene of a successful development three years ago, has been agreed with Avicam, and building is underway for which we have been able to arrange bank funding

Work is also underway at APP's site in Maidstone (reported as "assets in the course of construction"), where during the year a settlement was negotiated and received from the departing tenant, which has generated cash to fund the redevelopment of part of the site An agreement has been entered into with the Royal Mail to lease a delivery and sorting centre on the site, and building work is currently underway On completion of that work, due later this summer, APP will have replaced an unwilling tenant approaching the end of their lease with a tenant of better covenant on a longer lease APP's rental income will, however, suffer during the build and initial occupancy period

The Trebovir hotel has continued to achieve good occupancy levels and room rates, and has generated cash for APP The valuation of the hotel rose only slightly this year, perhaps reflecting the uncertainty of the impact of the Olympic Games

The value of the South-West London mid-range residential portfolio rose overall by under 3% During the year one property was sold for 3 5% above the value in March 2011, after costs A further two properties were sold in the lower range South East London portfolio, where lease enfranchisement costs were impending, and that portfolio rose on valuation, possibly slightly against expectation, by 5 6%

Financing has continued to be a major priority for APP during the year, so significant effort and time has been expended to ensure that APP has met all its banking obligations and loan maturities The current position on APP loans is as follows

REPORT OF THE DIRECTORS (continued)

- the corporate revolving facility of £15m with Lloyds due to mature in August 2012 has been replaced, subsequently to the year end, by a three year revolving property loan facility of £25m Properties formerly secured with other banks, where loans have been repaid, have been offered as security
- the facility with Lloyds to acquire and develop the Whitfield Street site has been fully repaid within the financial year within the maturity of that facility, from a combination of Crabtree Place sales proceeds and other APP cash resources The remaining townhouses have been offered as security for the new three year £25m facility
- the facility with Bank of Ireland which was due to mature in December 2011 was repaid within the financial year in full in advance of the due date, principally from the sale proceeds of Sekforde Street, and from APP's cash resources

In consequence of these repayments and renegotiations, APP, at the date of this report, now has no debt due to mature within the time it will take for APP to develop out existing projects such as Yaldham and Maidstone The Committee is satisfied, and pleased, that the use of the "going concern" assumption in preparing the financial statements, on which the Committee was last year obliged to note a "material uncertainty', is once again considered appropriate

APP has recently completed the acquisition of a commercial building in South West London for demolition and redevelopment into four townhouses A further office building on Conduit Street, London W1, very recently has been acquired which, following planning consent, will be converted into five residential units Further potential acquisitions in Central London are being assessed, very possibly for development with joint venture partners which would supply the cash required The Committee is confident that these acquisitions should generate profits from 2014 onwards

Prospects for the current financial year depend on the completion of sales of the remaining townhouses at Crabtree Place and continued progress on Yaldham and Oxshott The trend in commercial and residential property valuations, as with many businesses, will depend on factors such as the economic and political conditions, including market reaction to the recent Budget proposals for residential housing

After review and consideration of APP's cash resources and current projects and profitability, the Committee considers that funds can be made available to enable a share sale facility to be offered this year

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 report of the directors 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 (2011 £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 2012 was nil days (2011 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
15 August 2012
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 2012 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 on page 6 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 Report of the Directors 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 2012 and of its profit 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 Report of the Directors for the financial year 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

Sonia Copeland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 August 2012

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(59,184)	(58,313)
Operating loss	3	(59,184)	(58,313)
Income from fixed asset investment			
APP joint venture	2	462,892	50,129
Profit/(loss) on ordinary activities before taxation		403,708	(8,184)
Tax on profit/(loss) on ordinary activities	5	(93,834)	3,573
Profit/(loss) for the financial year	11	309,874	(4,611)

All results derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012

	2012 £	2011 £
Profit/(loss) for the financial year	309,874	(4,611)
Other recognised gains and losses during the year		
Share of unrealised (deficit)/surplus on revaluation of investment properties held in APP joint venture	(49,115)	146,502
Total other recognised gains and losses relating to the year	(49,115)	146,502
Total recognised gains and losses relating to the year	260,759	141,891

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012

	2012 £	2011 £
Reported profit/(loss) on ordinary activities before taxation	309,874	(8,184)
Realisation of surplus on revaluation of investment properties held in APP joint venture	352,016	26,142
Historical cost profit on ordinary activities before taxation	661,890	17,958
Historical cost profit for the year retained after taxation	568,056	21,531

BALANCE SHEET
AT 31 MARCH 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investment in APP joint venture	2		
Share of gross assets		9,758,105	13,572,801
Share of gross liabilities		(3,786,295)	(7,957,600)
		5,971,810	5,615,201
Investments	6	74,753	74,753
		6,046,563	5,689,954
CURRENT ASSETS			
Debtors	7	–	3,573
CREDITORS amounts falling due within one year	8	(100,457)	(8,180)
NET CURRENT LIABILITIES		(100,457)	(4,607)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		5,946,106	5,685,347
CAPITAL AND RESERVES			
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	(1,683,008)	(1,281,877)
Profit and loss reserve	11	2,860,107	2,198,217
TOTAL SHAREHOLDERS' FUNDS	12	5,946,106	5,685,347

The financial statements on pages 8 to 21 were approved by the board of directors on 15 August 2012 and were signed on its behalf by -

M R Breen
Director



Registered number 2793529

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	2012 £	2012 £	2011 £	2011 £
OPERATING ACTIVITIES				
Net cash flow from operating activities		(58,313)		(58,313)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Drawings from APP joint venture	54,740		58,313	
Net cash flow from returns on investments and servicing of finance		54,740		58,313
TAXATION				
Corporation tax recovered		3,573		–
INCREASE IN CASH		–		–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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 throughout the 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" on the basis that, under the Partnership agreement, there are no restrictions on the distribution of profits from the Partnership 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 item in the Profit and Loss account described as "Income from fixed asset investment APP joint venture" represents the company's share of APP's pre-tax income, less the taxation of APP's subsidiary companies, less the share of post – tax income attributable to minority interests 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% (2011 15 49%) That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2011, 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

INVESTMENTS

Fixed asset investments represent the cost of acquisitions, less any impairment Impairment reviews are performed where there has been an indication of potential impairment and any required provision is charged to the profit and loss account

CURRENT AND DEFERRED TAXATION

The tax expense recognised in the profit and loss account comprises current and, where appropriate, deferred tax, and arises principally on the company's share of profits and gains of APP, excluding taxation of APP subsidiaries which is reported in "Income from fixes asset investment APP joint venture" The current corporation tax charge is calculated on the basis of the UK tax laws enacted at the balance sheet date

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

During the year, as a result of the change in the UK corporation tax rate to 24% effective from 1 April 2012 that was substantively enacted on 5 July 2011, the relevant deferred tax balances have been re-measured at 24%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

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 2012 £	APP 2011 £	Pro-forma share attributable to the company 15 49% 2012 £	Pro-forma share attributable to the company 15 49% 2011 £
Turnover:				
Continuing operations	20,007,159	29,237,000	3,099,750	4,529,747
Costs of sales	(14,246,183)	(25,338,522)		
Gross profit:	5,760,976	3,898,478		
Impairment of fixed asset	(643,055)	–		
Administrative expenses	(1,864,366)	(1,640,499)		
Operating profit: Continuing operations	3,253,555	2,257,979		
Profit/(loss) on sale of investments	977,548	(107,114)		
Interest receivable and similar income	82,573	115,161		
Interest payable and similar charges	(1,284,874)	(1,679,624)		
Profit on ordinary activities before taxation	3,028,802	586,402	469,258	90,852
Tax on profit on ordinary activities	(79,906)	(101,122)	(12,380)	(15,667)
Profit on ordinary activities after taxation	2,948,896	485,280	456,878	75,185
Minority interests	38,812	(161,728)	6,014	(25,076)
Profit for the financial year	2,987,708	323,552	462,892	50,129

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2 3 The audited balance sheets of APP at 31 March are set out below

	APP 2012 £	APP 2011 £	Pro-forma share attributable to the company 15 49% 2012 £	Pro-forma share attributable to the company 15 49% 2011 £
Fixed assets				
Tangible fixed assets	747,058	841,731		
Investment property	40,322,500	49,095,000		
Investments	184,685	156		
	41,254,243	49,936,887	6,391,603	7,737,052
Current assets				
Stock property	13,393,818	24,463,975		
Debtors	2,181,171	4,836,694		
Cash	6,153,906	8,388,906		
	21,728,895	37,689,575	3,366,502	5,839,322
Creditors amounts falling due within one year	(16,972,651)	(29,196,988)	(2,632,013)	(4,523,547)
Net current assets	4,756,244	8,492,587		
Total assets less current liabilities	46,010,487	58,429,474		
Creditors amounts falling due after more than one year	(6,938,855)	(21,103,881)	(1,075,051)	(3,269,667)
Provisions for liabilities	(229,709)	–	(35,589)	–
Net assets	38,841,923	37,325,593	6,015,452	5,783,160
Minority interest	(887,263)	(1,061,011)	(137,465)	(164,386)
Partners' capital	37,954,659	36,264,582	5,877,987	5,618,774
Reported in the company's balance sheet as				
Gross assets			9,758,105	13,572,801
Gross liabilities			(3,786,295)	(7,957,600)
			5,971,810	5,615,201
Corporation tax			(93,823)	3,573
			5,877,987	5,618,774

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

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	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
Class of business						
Continuing operations						
Rental	5,713,920	6,374,531			31,055,217	41,209,940
Stock properties	14,293,239	22,862,469			13,393,818	15,536,930
	20,007,159	29,237,000	3,253,555	2,257,979	44,449,035	56,746,870
Borrowings due after more than one year					(6,938,855)	(21,103,881)
Other fixed asset investment					931,743	782,604
Debt falling due within one year (2011 after more than one year)					400,000	900,000
					38,841,923	37,325,593

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 2011	50,331,589	6,789,658	57,121,247	(8,026,247)	49 095,000
Reclassification	4,463,679	(4,463,679)	–	–	–
Additions	229,652	7,510	237,162	–	237,162
Transfer from stock	1,350,000	–	1,350,000	–	1,350,000
Transfer to asset in course of construction	(4,463,679)	–	(4,463,679)	1,763,679	(2,700,000)
Disposals	(7,599,683)	(128,250)	(7,727,933)	(2,272,067)	(10,000,000)
Decrease in valuation in the year	–	–	–	(359,662)	(359,662)
At 31 March 2012	44,311,558	2,205,239	46,516,797	(8,894,297)	37,622,500

The investment properties of the group and the partnership have been stated at Market Value at 31 March 2012 of £37,622,500 (partnership £23,447,500) as valued by

- Drivers Jonas Deloitte LLP, Chartered Surveyors acting as External Valuers, for properties of the group valued in total at £26,572,500, and of the partnership valued in total at £23,447,500
- Savills LLP, Chartered Surveyors acting as External Valuers, for a property of the group, valued at £11,050,000 (partnership £ nil)

The valuations have been carried out in accordance with the RICS Valuation Standards - Professional Standards 8th edition

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2012

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 corporate revolving facility of £15m with Lloyds due to mature in August 2012 has been replaced, subsequently to the year end, by a three year revolving property loan facility of £25m Properties formerly secured with other banks, where loans have been repaid, have been offered as security
- the facility with Lloyds to acquire and develop the Whitfield Street site has been fully repaid within the financial year within the maturity of that facility, from a combination of Crabtree Place sales proceeds and other APP cash resources The remaining townhouses have been offered as security for the new three year £25m facility
- the facility with Bank of Ireland which was due to mature in December 2011 was repaid within the financial year in full in advance of the due date, principally from the sale proceeds of Sekforde Street, and from APP's cash resources

In consequence of these repayments and renegotiations, APP, at the date of this report, now has no debt due to mature within the time it will take for APP to develop out existing projects such as Yaldham and Maidstone The Committee is satisfied, and pleased, that the use of the "going concern" assumption in preparing the financial statements, on which the Committee was last year obliged to note a "material uncertainty", is once again considered appropriate

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

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

Assets on which substantial development is taking place are transferred to 'Assets in the course of construction' at the carrying value at the date of transfer

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2012

2 ARTESIAN PROPERTY PARTNERSHIP (continued)

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 and hotel 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

v) CURRENT AND DEFERRED TAXATION – Partner companies

Taxation on each partner company's share of profits and gains of the Partnership is the responsibility of each of those partner companies The taxation liabilities of APP's subsidiary companies are recognised within the financial statements of APP Partner companies have their own liability to taxation, both current and deferred, based on their share of the APP results As the partner companies will draw from APP to meet these liabilities as and when they fall due, a liability to the partner companies for those amounts has been recognised as "Partners' corporation tax" and is shown both as a drawing by the partners, and as a creditor falling due within one year

CURRENT AND DEFERRED TAXATION – Subsidiary companies

The taxation liabilities of APP's subsidiary companies are recognised within the financial statements of APP The tax expense for the period comprises current and deferred tax Tax is recognised in the income statement The current income tax charge is calculated on the basis of the UK tax laws enacted at the balance sheet date

Deferred taxation in subsidiary companies 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 During the year, as a result of the change in the UK corporation tax rate to 24% effective from 1 April 2012 that was substantively enacted on 5 July 2011, the relevant deferred tax balances have been re-measured at 24%

3 OPERATING LOSS

	2012	2011
This is stated after charging -	£	£
Auditors' remuneration -		
Audit services	–	–

Auditors' remuneration is borne by APP The company's share of the audit of APP, excluding APP subsidiaries, was £5,423 (2011 £5,423)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

4 EMPLOYEE INFORMATION

4 1 Directors' remuneration of £59,184 (2011 £58,313) comprise 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 12 (2011 11)

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2012 £	2011 £
Current tax		
UK corporation tax on profits/(losses) of the period	93,823	–
Adjustment in respect of prior periods	11	(3,573)
Total current tax and tax on profit/(loss) on ordinary activities	93,834	(3,573)

The tax assessed for the year is lower (2011 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2012 of 26% (2011 small profits rate of 21%) The differences are explained below

Factors affecting the tax charge for the year:

Profit/(loss) on ordinary activities before taxation	403,708	(8,184)
Profit/(loss) on ordinary activities before taxation multiplied by UK corporation tax of 26% (2011 small profits rate of 21%)	104,964	(1,719)
Increased by		
Share of post tax losses of APP subsidiaries	40,763	–
Adjustments in respect of prior periods	11	–
Losses not utilised	–	1,719
and reduced by		
Group relief	(25,143)	–
Marginal tax rates	(16,155)	–
Utilisation of tax losses	(6,946)	–
Other items	(3,660)	–
Adjustments in respect of prior periods	–	(3,573)
Current tax charge/(credit) for the year	93,834	(3,573)

Factors affecting current and future tax charges:

The UK corporation tax rate effective from 1 April 2011 was reduced to 26%, and will be 24% effective from 1 April 2012

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

6 INVESTMENTS

	2012 £	2011 £
Other investments, ordinary shares at cost		
At 1 April and 31 March	74,753	74,753

The directors consider that the investments are worth not less than their carrying value

7 DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Corporation tax recovery	–	3,573
	–	3,573

8 CREDITORS: amounts falling due within one year

	2012 £	2011 £
Amounts due to APP partners	6,634	8,180
Corporation tax	93,823	–
Total creditors	100,457	8,180

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 (2011 £nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

10 CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Authorised -		
100 Founders' shares of 50p each	50	50
5,999,900 Ordinary shares of 50p each	2,999,950	2,999,950
	3,000,000	3,000,000

	2012	2011	2012	2011
	Number of shares		£	£
Allotted and fully paid -				
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April and 31 March	2,637,017	2,637,017	1,318,506	1,318,506
Total share capital	2,637,117	2,637,117	1,318,556	1,318,556

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

11 RESERVES

	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss reserve
	£	£	£	£
At 1 April 2011	2,244,705	1,205,746	(1,281,877)	2,198,217
Transfer of realised revaluation surplus	–	–	(352,016)	352,016
Revaluation deficit on investment properties in APP joint venture	–	–	(49,115)	–
Profit for the financial year	–	–	–	309,874
At 31 March 2012	2,244,705	1,205,746	(1,683,008)	2,860,107

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2012

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Shareholders' funds at 1 April	5,685,347	5,543,456
Profit/(loss) for the financial year	309,874	(4,611)
Other recognised gains and losses relating to the year	(49,115)	146,502
Shareholders' funds at 31 March	5,946,106	5,685,347

13 RELATED PARTY TRANSACTIONS

a) TRANSACTIONS WITH APP JOINT VENTURE

The company has drawn £54,740 from the APP joint venture for corporate expenses and taxation payments, and at 31 March 2012 there was a balance of £6,634 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 £360,000 (2011 £310,000) to APP At 31 March 2012 the balance due to that company was £356 (2011 £72,764)

(ii) N J L Welch has an interest in Crescent Projects Limited, which provided project management and surveying services of £42,586 (2011 £39,396) to APP At 31 March 2012 there was no balance due to that company (2011 £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 £41,518 and repaid £450,000 of the principal of the loan of which as further £50,000 was discounted At 31 March 2012 the balance of the loan due from that company was £400,000

(ii) During the year, APP advanced £624,804 to Embergreen Technology Limited, a company in which M R Breen and A P Cunningham have minority interests

(iii) During the year, APP received £187,500 from CHF Trebovir LLP