ARTESIAN

Developments III plc



ANNUAL REPORT

For the year ended 31March 2001

ARTESIAN DEVELOPMENTS III plc

Annual report for the year ended 31 March 2001

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DIRECTORS AND ADVISERS

Directors	M.R. Breen A.P. Cunningham N.J.L. Welch C. O'Donoghue
Joint Company Secretaries	A.P. Cunningham D.J.T. MacDonald
Auditors	PricewaterhouseCoopers No. 1 London Bridge, London SE1 9QL
Registered office	40 Queen Anne Street, London W1G 9EL

Registered Number: 3300825

Chairman's statement
for the year ended 31 March 2001

Please find enclosed the directors' report and audited financial statements for the year ended 31 March 2001 and the notice of the Annual General Meeting of the Company to be held on 17 September 2001.

Key point in this year's report and accounts are:

- Profit before tax £251,941
- NAV per share £1.29
- Proposed dividend per ordinary share 5.12p
- Aggregate dividends paid and proposed on ordinary shares £131,865 (15.36p per share)

I am delighted to be able to report the successful completion of the company's third development, the conversion of a pair of period terraced houses in Pimlico, London SW1 into seven 1, 2 and 3 bedroom flats. The Company has one flat remaining unsold, which is valued at in excess of £400,000, and has sold the other six flats for an aggregate of £1.87m. This equates to more than £500 per ft^2, an excellent price for this type of property and this area.

As set out in the Company's prospectus, 60% of the Company's post-tax profits are attributed to the ordinary shareholders, out of which a dividend of 5.12p per share is proposed to be paid (2000: 5.12p per share). The "A" shareholders' share of the profit, in the sum of £80,578, is also paid by way of a dividend. The "A" shares are held by Artesian Management Limited, a company owned by my fellow executive director Paul Cunningham and me. As shareholders may recall the management incentive is entirely dependent on the generation of profits for the Company and not through project management or transaction fees.

Your board is now actively seeking a further project, either to be carried out by your Company alone or in joint venture with Artesian Development IV plc which ideally can be completed within an 18 month timetable. The Company's initial five year period of trading will be completed next year and thereafter, in accordance with the Company's prospectus, a strategy will be agreed with shareholders for the future of their company.



Mark Breen
Chairman
13 August 2001

Directors' report
for the year ended 31 March 2001

Principal activity
The company's principal activity is property development.

Review of business and future developments
Both the level of business and the year-end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves
The directors propose to pay a dividend of 5.12p (2000: 5.12p) per ordinary share amounting to £43,955 (2000: £43,955). An amount of £80,578 (2000: £172,909) is also payable as "A" shareholders' dividends. The retained profit for the financial year of £76,912 (2000: £246,139) will be transferred to reserves.

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

	No. of 50p Ordinary shares held at 1 April 2000 and 31 March 2001
M.R. Breen	5,000
A.P. Cunningham	2,500
N.J.L. Welch	-
C. O'Donoghue	-

M.R. Breen and A.P. Cunningham are directors of and the shareholders in Artesian Management Limited which holds 100 "A" shares in the company.

Taxation status
The directors consider that the close company provisions of the Income and Corporation Taxes Act 1988 Part XI do not apply to the company.

Directors' report (continued) for the year ended 31 March 2001

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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 payments, and pay in accordance with its contractual and other legal obligations. The company's average creditor payment period at 31 March 2001 was nil days (2000: 24 days).

Auditors

A resolution to re-appoint PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, will be proposed at the annual general meeting.

By order of the Board

D.J.T. MacDonald
Joint Company Secretary
13 August 2001

Auditors' report to the members of Artesian Developments III plc

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 4, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

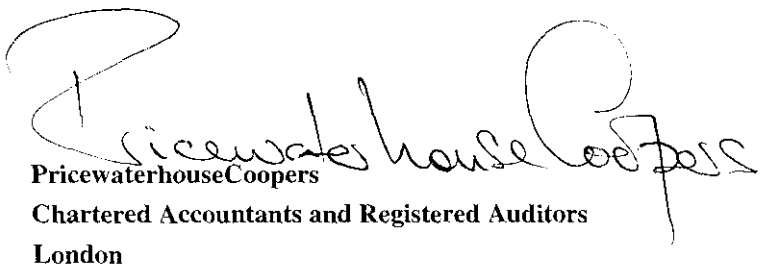
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
13 August 2001

Profit and loss account
for the year ended 31 March 2001

	Note	2001 £	2000 £
Turnover	1	1,456,565	2,002,953
Cost of sales		(1,187,981)	(1,311,446)
Gross profit		268,584	691,507
Net operating expenses		(16,281)	(14,976)
Operating profit		252,303	676,531
Interest receivable		8,707	14,850
Interest payable	2	(9,069)	(6,581)
Profit on ordinary activities before taxation	3	251,941	684,800
Tax on profit on ordinary activities	6	(50,496)	(177,842)
Profit on ordinary activities after taxation		201,445	506,958
Dividends	7	(124,533)	(260,819)
Retained profit for the year	12	76,912	246,139

The results for the year relate to the continuing activities of the company.

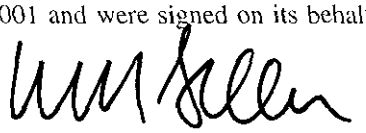
There are no gains and losses other than the retained profit for the year, so no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheet
at 31 March 2001

	Note	2001 £	2000 £
Current assets			
Stocks	8	677,584	1,120,008
Debtors	9	9,838	287,912
Cash	16	612,175	139,584
		1,299,597	1,547,504
Creditors: amounts falling due within one year	10	(189,604)	(514,423)
Net assets		1,109,993	1,033,081
Capital and reserves			
Attributed to equity interests:			
Called up share capital	11	429,302	429,302
Share premium account	12	373,497	373,497
Profit and loss account	12	307,194	230,282
Shareholders' funds	13	1,109,993	1,033,081

The financial statements on pages 6 to 12 were approved by the Board of Directors on 13 August 2001 and were signed on its behalf by:



M.R. Breen

Director

Cash flow statement
for the year ended 31 March 2001

	Note	2001 £	2001 £	2000 £	2000 £
Operating activities:					
Net cash inflow from operating activities	14		867,649		305,617
Returns on investments and servicing of finance:					
Interest received		8,707		14,850	
Interest and similar charges paid		(9,069)		(6,581)	
Net cash (outflow) / inflow from returns on investments and servicing of finance			(362)		8,269
Taxation:					
Corporation tax paid			(177,832)		-
Dividends:					
Dividends paid			(216,864)		(43,955)
Increase in cash before financing			472,591		269,931
Financing:					
Drawing under short term loan		817,408		323,593	
Repayment of short term loan		(817,408)		(455,523)	
Net cash outflow from financing			-		(131,930)
Increase in cash	15		472,591		138,001

Notes to the financial statements for the year ended 31 March 2001

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Turnover

Turnover is the gross value of sales of residential properties, and has all arisen within the United Kingdom.

Sales

Sales are recognised on exchange of contracts.

Stocks and works in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes the purchase price of the site, associated acquisition costs and interest and associated costs incurred on borrowings to finance the development.

Deferred taxation

Deferred taxation is not provided unless there is a reasonable probability that a liability will arise or an asset will be realised in the foreseeable future.

2 Interest payable and similar charges

	2001 £	2000 £
Interest payable on bank loan and overdraft	9,069	6,581

3 Profit on ordinary activities

This is stated after charging:	2001 £	2000 £
Directors' emoluments (note 4)	2,500	2,500
Auditors' remuneration for audit services	2,750	2,938
Artesian Management Limited fee for administration	6,879	7,359

M.R. Breen and A.P. Cunningham have an interest in Artesian Management Limited, details of which are set out in note 17.

Notes to the financial statements (continued) for the year ended 31 March 2001

4 Directors' emoluments

	2001 £	2000 £
Directors' emoluments comprise:		
Fees	2,500	2,500

5 Employee information

There were no employees during the year.

6 Taxation on profit on ordinary activities

	2001 £	2000 £
Corporation tax at 20%	50,506	180,916
Over provision in prior year	(10)	(3,074)
	50,496	177,842

7 Dividends

	2001 £	2000 £
Ordinary shares:		
-paid - nil (2000: 5.12p) per share	-	43,955
-proposed - 5.12p (2000: 5.12p) per share	43,955	43,955
	43,955	87,910
On "A" shares:		
-payable	80,578	172,909
	124,533	260,819

8 Stocks

	2001 £	2000 £
131-133 Cambridge Street site, associated acquisition and development costs	677,584	1,120,008

9 Debtors

	2001 £	2000 £
Amounts falling due after more than one year:		
Other debtors	5,000	5,000
Amounts falling due within one year:		
Other debtors	4,838	282,912
Total debtors	9,838	287,912

Notes to the financial statements (continued) for the year ended 31 March 2001

10 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	-	107,921
Corporation tax	50,506	177,842
Accruals	14,565	11,796
Dividends payable	80,578	172,909
Proposed dividend	43,955	43,955
	189,604	514,423

11 Called up share capital

Equity	2001 £	2000 £
Authorised:		
2,999,900 Ordinary shares of 50p each	1,499,950	1,499,950
100 "A" shares of 50p each	50	50
	1,500,000	1,500,000
Called up, allotted and fully paid:		
858,504 Ordinary shares of 50p each	429,252	429,252
100 "A" shares of 50p each	50	50
	429,302	429,302

Ordinary shares have the right to vote, to dividends as declared by the directors, and to the surplus assets of the company on a liquidation subject to the prior rights of "A" shares to arrears of "A Share Dividends".

"A" shares have rights to appoint directors, to receive "A Share Dividends" per annum which is based on Profit after Tax (as defined in the Articles), and on a liquidation to receive in priority to all other shares arrears of such "A Share Dividends". Until 30 November 2002, "A" shares as a class have the right to exercise 25.1% of the total number of votes capable of being cast on a resolution to wind up the company.

12 Reserves

	Share premium account £	Profit and loss account £
At 1 April 200	373,497	230,282
Retained profit for the year	-	76,912
At 31 March 2001	373,497	307,194

Notes to the financial statements (continued) for the year ended 31 March 2001

13 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	1,033,081	786,942
Retained profit for the year	76,912	246,139
Closing shareholders' funds	1,109,993	1,033,081

14 Reconciliation of operating profit to net cash inflow from operating activities

	2001 £	2000 £
Operating profit for the year	252,303	676,531
Decrease / (increase) in stocks	442,424	(106,157)
Decrease / (increase) in debtors	278,809	(282,740)
(Decrease) / increase in creditors	(105,887)	17,983
Net cash inflow from operating activities	867,649	305,617

15 Reconciliation of net cash flow to movement in net funds / (debt)

	2001 £	2000 £
Increase in cash	472,591	138,001
Decrease in loans	-	131,930
Changes in net funds	472,591	269,931
Net funds / (debt) at 1 April	139,584	(130,347)
Net funds at 31 March	612,175	139,584

16 Analysis of changes in net funds

	1 April 2000 £	Cash flow £	31 March 2001 £
Cash at bank	139,584	472,591	612,175
Net funds	139,584	472,591	612,175

17 Directors' interest in contracts

M.R. Breen and A.P. Cunningham are directors of, and have an interest in, Artesian Management Limited, which provided administrative services to the value of £6,879 (2000: £7,359) inclusive of VAT. At 31 March 2001 the balance due to that company was £6,879 (2000: £7,359).

18 Capital commitments

At 31 March 2001 the company had not entered into contracts in respect of construction work.

ARTESIAN DEVELOPMENTS III plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2001 Annual General Meeting of the company will be held at:-

The East India Club
16 St James Square
London SW1

at 12.00 pm on 17 September 2001

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 2001.

2 To re-appoint PricewaterhouseCoopers as auditors in accordance with Section 384 of the Companies Act 1985 to hold office from the conclusion of the 2001 Annual General Meeting until the conclusion of the 2002 Annual General Meeting and to authorise the directors to fix the remuneration of the auditors.

3 That a final dividend in respect of the year ended 31 March 2001 be declared payable at the rate of 5.12 pence per ordinary share on 28 September 2001 to shareholders registered at the close of business on 10 September 2001.

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
D.J.T. MacDonald
Joint Company Secretary
13 August 2001

ARTESIAN DEVELOPMENTS III plc

For use by the holders of ordinary shares

FORM OF PROXY

I .....
(IN BLOCK CAPITALS PLEASE)

of .....
being a member of Artesian Developments III plc hereby appoint M.R. Breen or, failing him, A.P. Cunningham, both directors of the company, or ..... as my proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held on 17 September 2001 and at every adjournment thereof.

Dated ..... 2001 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 2001.		
2 To re-appoint PricewaterhouseCoopers as the company's auditors and to authorise the directors to fix the remuneration of the auditors.		
3 That a final dividend in respect of the year ended 31 March 2001 be declared payable at the rate of 5.12 pence per ordinary share on 28 September 2001 to shareholders registered at the close of business on 10 September 2001.		

Notes

1 To be valid this proxy form, duly completed, must be lodged at 60 Webbs Road, London SW11 6SE not later than 48 hours before the date of the Meeting.

2 In the case of joint holders the signature of the senior holder will be accepted.

3 If any other proxy is 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.