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ARTESIAN

Developments III plc



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ANNUAL REPORT

For the year ended 31 March 2004

Annual report for the year ended 31 March 2004

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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
Registered Office	40, Queen Anne Street, London, W1G 9EL
Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	3300825

Chairman's statement
for the year ended 31 March 2004

Dear Shareholder,

Please find enclosed the Directors' report and audited financial statements for the year ended 31 March 2004 and the notice of the Annual General Meeting of the Company, which will be held on Thursday 15 July 2004.

Keypoints in this year's report and accounts are:

Profit before tax:	£216,463	(2003: £11,154)
NAV per share:	£1.495	(2003: £1.36)

I am delighted to be able to report profits before tax which reflect an 18.5% return on shareholders' funds and a 10% increase in the company's Net Asset Value per share. This year's profits before tax reflect the completion of the sales of the Portman Square flat and the Cobham site both of which were mentioned in last year's report and accounts. However, the largest contributor to profits in the year was the site at Fetter Lane, London EC4 which was bought unconditionally in June 2003. During the year, we were successful in achieving planning permission for the redevelopment of the property, including an additional two floor extension, to provide thirteen flats with a ground floor and basement restaurant unit. Whilst obtaining planning consent we were able to agree a sale at a very satisfactory profit which sale completed in January 2004.

Since the year end, the company, again jointly with its sister company, Artesian Developments IV plc, has exchanged contracts for the purchase of a more substantial building in Aldersgate Street, London EC4, close to Charterhouse Square. Again we will be submitting a planning application for the extension of this building by the construction of an additional floor, for the conversion of the upper floors to residential use and for the conversion of the ground floor and basement to a restaurant/bar user.

In accordance with shareholders' wishes, as expressed in the votes in 2002 and 2003, the company will not be providing a share sale facility and no dividend is proposed to be paid on the ordinary shares. As set out in the company's original prospectus the holders of the A share (Artesian Management Limited, a company owned by my fellow executive director and me) is entitled to a dividend the amount of which, £62,306, is calculated by reference to the company's profits. Last year's dividend was waived as the profits were attributable to interest receiveable as opposed to profits generated from development activities; this year the A shareholders' dividend will be payable.



Mark Breen
Chairman
9 June 2004

Directors' report
for the year ended 31 March 2004

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 do not propose to pay a dividend on the ordinary shares (2003: nil per ordinary share). An amount of £62,306 (2003: £nil, resulting from a waiver of £4,462) is payable as "A" shareholders' dividends. The retained profit for the financial year of £113,029 (2003: £11,476) 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 2003 and 31 March 2004
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 2004

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 period ended 31 March 2004. 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 payment, and pay in accordance with its contractual and other legal obligations. The company's average creditor payment period at 31 March 2004 for trade creditors excluding amounts due under contracted terms was nil days (2003: 10 days).

Auditors
The term of office of the auditors, PricewaterhouseCoopers LLP, will expire at the forthcoming Annual General Meeting, and a resolution to re-appoint them as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board



D.J.T. MacDonald
Joint Company Secretary
9 June 2004

Independent auditors' report to the members of
Artesian Developments III plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards and are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
London
9 June 2004

Profit and loss account
for the year ended 31 March 2004

	Notes	2004 £	2003 £
Turnover	1	1,808,938	10,617
Cost of sales		(1,583,833)	(18,111)
Gross profit/(loss)		225,105	(7,494)
Net operating expenses		(17,107)	(16,724)
Operating profit/(loss)		207,998	(24,218)
Interest receivable		22,022	35,372
Interest payable	2	(13,557)	–
Profit on ordinary activities before taxation	3	216,463	11,154
Tax on profit on ordinary activities	6	(41,128)	322
Profit on ordinary activities after taxation		175,335	11,476
Dividends	7	(62,306)	–
Retained profit for the year	12	113,029	11,476

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 2004

	Notes	2004 £	2003 £
Current assets			
Stocks	8	176,883	878,573
Debtors	9	27,174	34,492
Cash	16	1,199,098	562,123
		1,403,155	1,475,188
Creditors: amounts falling due within one year	10	(119,686)	(304,748)
Net assets		1,283,469	1,170,440
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	480,670	367,641
Shareholders' funds	13	1,283,469	1,170,440

The financial statements on pages 6 to 12 were approved by the Board of Directors on 9 June 2004 and were signed on its behalf by:



M.R. Breen
Director

Cash flow statement
for the year ended 31 March 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Operating activities:					
Net cash flow from operating activities	14		619,038		(616,523)
Returns on investments and servicing of finance:					
Interest received		31,768		6,067	
Interest and similar charges paid		(13,557)		–	
Net cash inflow from returns on investments and servicing of finance			18,211		6,067
Taxation:					
Corporation tax paid			(274)		(16,138)
Dividends:					
Dividends paid			–		(15,128)
(Increase/(decrease) in cash before financing			636,975		(641,722)
Financing:					
Borrowings		435,000		–	
Repayment of borrowings		(435,000)		–	
			–		–
Increase/(decrease) in cash	15		636,975		(641,722)

Notes to the financial statements
for the year ended 31 March 2004

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 preparation of financial statements

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

The directors have concluded that, in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements", the company's share of certain property transactions should be reported as "joint arrangements". This requires the company to report in its own financial statements its share of the profit and loss account, balance sheet and cash flows of those transactions.

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 work 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. Property purchases are recognised on exchange of contracts, where any relevant conditions applying to the contract have been satisfied by year end.

Deferred taxation

Deferred taxation is provided at the current rate on timing differences that have originated but not reversed by the balance sheet date. Deferred 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.

2 Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank loan and overdraft	13,557	–

3 Profit on ordinary activities

	2004	2003
	£	£
This is stated after charging		
Directors' emoluments (note 4)	2,500	2,500
Auditors' remuneration for audit services	3,231	2,977
Artesian Management Limited fee for administration	6,811	9,437

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
for the year ended 31 March 2004

(continued)

4 Directors' emoluments

	2004 £	2003 £
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

	2004 £	2003 £
Corporation tax at 19% (2003: 19%)	41,128	274
Over provision in prior year	–	(596)
	41,128	(322)

There are no differences between the tax assessed for the year and the standard rate of corporation tax in the UK (19%).

7 Dividends

	2004 £	2003 £
On "A" shares:		
– payable	62,306	–

8 Stocks

	2004 £	2003 £
Stock properties, associated acquisition and development costs	176,883	878,573

Stock properties are held jointly with other parties, and have been reported as the company's share of the total cost of these properties. The principal other party with which the stock properties are held is Artesian Developments IV plc, the directors of which are also the directors of the company.

9 Debtors

	2004 £	2003 £
Amounts falling due after more than one year:		
Other debtors	5,000	5,000
Amounts falling due within one year:		
Trade debtors	2,600	–
Other debtors	19,574	29,492
Total debtors	27,174	34,492

Notes to the financial statements (continued)
for the year ended 31 March 2004

10 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	–	290,924
Corporation tax	41,128	274
Accruals	16,252	13,537
Other taxation	–	13
Dividend payable	62,306	–
	119,686	304,748

11 Called up share capital

	2004 £	2003 £
Equity		
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 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".

12 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2003	373,497	367,641
Retained profit for the year	–	113,029
At 31 March 2004	373,497	480,670

Notes to the financial statements (continued)
for the year ended 31 March 2004

13 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Opening shareholders' funds	1,170,440	1,158,964
Retained profit for the year	113,029	11,476
Closing shareholders' funds	1,283,469	1,170,440

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

	2004	2003
	£	£
Operating profit/(loss) for the year	207,998	(24,218)
Decrease/(increase) in stocks	701,690	(876,889)
(Increase)/decrease in debtors	(2,428)	368
(Decrease)/increase in creditors	(288,222)	284,216
Net cash flow from operating activities	619,038	(616,523)

15 Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Increase/(decrease) in cash	636,975	(641,722)
Net funds at 1 April	562,123	1,203,845
Net funds at 31 March	1,199,098	562,123

16 Analysis of changes in net funds

	1 April 2003	Cash flow	31 March 2004
	£	£	£
Cash at bank	562,123	636,975	1,199,098
Net funds	562,123	636,975	1,199,098

17 Directors' interests 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 £6,811 (2003: £9,437) inclusive of VAT. At 31 March 2004 the balance due to that company was £6,811 (2003: £9,437).

18 Capital commitments

At 31 March 2004 the company had not entered into contracts in respect of construction work .

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2004 Annual General Meeting of Artesian Developments III plc (the company) will be held at: -

The East India Club
16 St James Square
London SW1

At 11:00am on 15 July 2004 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 2004.

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

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

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 9 June 2004

D.J.T. MacDonald
Joint Company Secretary

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

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 15 July 2004, and at every adjournment thereof.

Dated .....2004 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 2004		
2 To re-elect A.P. Cunningham as a director of the company.		
3 To re-appoint PricewaterhouseCoopers LLP as the company's auditors and to authorise the directors to fix their remuneration .		

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 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.