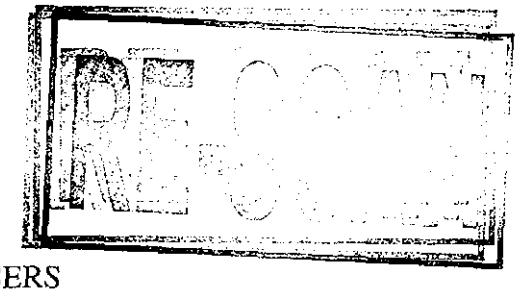
ARTESIAN DEVELOPMENTS III plc

Annual report for the year ended 31 March 2005

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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

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Chairman's statement
for the year ended 31 March 2005

Dear Shareholder,

Please find enclosed the Directors' report and audited financial statements for the year ended 31 March 2005 and the Notice of the Annual General Meeting of the Company, which will be held on Tuesday 28 June 2005.

Once again the Company's main project (which it owns jointly with Artesian Developments IV plc) has spanned the year end and therefore, as in 2003, the Company is reporting only nominal profits derived from interest earned. Unfortunately it is in the nature of the type of transaction which we have undertaken in Developments III and IV that projects commonly take around 18 months to come to fruition and we expect this to be the case in relation to the Company's project at Aldersgate Street, London EC1.

Following completion of the acquisition in June 2004 the property was vacated and an application was made for redevelopment. I am delighted to be able to report that we have been successful in obtaining consent for the extension of the property by the addition of a new fifth floor, and for the conversion of the building to provide 14 flats in the upper parts and 7,000 ft^2 of commercial space on the ground and basement floors.

Terms have been agreed separately for two lettings, one for part of the basement and the other for the ground floor, to two major tenants and we have also agreed terms for the disposal of the whole of the upper parts to another residential developer. Needless to say these agreements are all interdependent and we are in the process of finalising specifications and lease terms which, because they involve at least three sets of lawyers and surveyors, are bound to be complicated. Ultimately, when a disposal is completed, we believe this will have been a very successful project for your Company.

As in previous years, where profits have been derived from interest earned rather than from a successful development or property trade, the directors have waived the entitlement for Artesian Management Limited to receive a dividend.

Mark Breen
Chairman
11 May 2005

Directors' report
for the year ended 31 March 2005

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 (2004: nil per ordinary share). £1,458 (2004: £62,306) is payable as "A" shareholders' dividends, but that entitlement has been waived this year. The retained profit for the financial year of £3,645 (2004: £113,029) 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 2004 and 31 March 2005
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
for the year ended 31 March 2005

(continued)

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

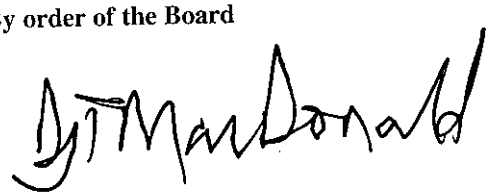
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 2005 for trade creditors excluding amounts due under contracted terms was 21 days (2004: nil 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
11 May 2005

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 2005 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
11 May 2005

Profit and loss account
for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	1 and 2	7,960	1,808,938
Cost of sales		(4,421)	(1,583,833)
Gross profit		3,539	225,105
Net operating expenses		(17,650)	(17,107)
Operating (loss)/profit		(14,111)	207,998
Interest receivable		17,889	22,022
Interest payable	3	(133)	(13,557)
Profit on ordinary activities before taxation	4	3,645	216,463
Tax on profit on ordinary activities	7	–	(41,128)
Profit on ordinary activities after taxation		3,645	175,335
Dividends	8	–	(62,306)
Retained profit for the year	13	3,645	113,029

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 2005

	Notes	2005 £	2004 £
Current assets			
Stocks	9	2,117,308	176,883
Debtors	10	5,060	27,174
Cash	17	207,461	1,199,098
		2,329,829	1,403,155
Creditors: amounts falling due within one year	11	(1,042,715)	(119,686)
Net assets		1,287,114	1,283,469
Capital and reserves			
Attributed to equity interests:			
Called up share capital	12	429,302	429,302
Share premium account	13	373,497	373,497
Profit and loss account	13	484,315	480,670
Shareholders' funds	14	1,287,114	1,283,469

The financial statements on pages 6 to 13 were approved by the Board of Directors on 11 May 2005 and were signed on its behalf by:

M.R. Breen
Director

Cash flow statement
for the year ended 31 March 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Operating activities:					
Net cash flow from operating activities	15		(1,892,527)		619,038
Returns on investments and servicing of finance:					
Interest received		37,448		31,768	
Interest and similar charges paid		(33,101)		(13,557)	
Net cash flow from returns on investments and servicing of finance			4,347		18,211
Taxation:					
Corporation tax paid			(41,128)		(274)
Dividends:					
Dividends paid			(62,306)		–
(Decrease)/increase in cash before financing			(1,991,614)		636,975
Financing:					
Borrowings		999,976		435,000	
Repayment of borrowings		–		(435,000)	
			999,976		–
(Decrease)/increase in cash	16		(991,637)		636,975

Notes to the financial statements
for the year ended 31 March 2005

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 associated rental income, 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 Turnover

	2005 £	2004 £
Turnover comprises:		
Sales of properties	–	1,777,438
Rental income	7,960	31,500
	7,960	1,808,938

3 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank loan and overdraft	133	13,557

Notes to the financial statements (continued)
for the year ended 31 March 2005

4 Profit on ordinary activities

	2005 £	2004 £
This is stated after charging		
Directors' emoluments (note 5)	2,500	2,500
Auditors' remuneration for audit services	3,525	3,231
Artesian Management Limited fee for administration	9,734	6,811

M.R. Breen and A.P. Cunningham have an interest in Artesian Management Limited, details of which are set out in note 18.

5 Directors' emoluments

	2005 £	2004 £
Directors' emoluments comprise:		
Fees	2,500	2,500

6 Employee information

There were no employees during the year.

7 Taxation on profit on ordinary activities

	2005 £	2004 £
Corporation tax at 19% (2004: 19%)	–	41,128

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

8 Dividends

	2005 £	2004 £
On "A" shares:		
– payable	–	62,306

9 Stocks

	2005 £	2004 £
Stock properties, associated acquisition and development costs	2,117,308	176,883

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. Interest of £52,538 (2004: £nil) is included.

Notes to the financial statements (continued)
for the year ended 31 March 2005

10 Debtors

	2005 £	2004 £
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	60	19,574
Total debtors	5,060	27,174

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loan	999,976	–
Trade creditors	1,250	–
Corporation tax	–	41,128
Accruals	41,489	16,252
Dividend payable	–	62,306
	1,042,715	119,686

The bank loan is secured by a fixed charge over the stock property at Aldersgate Street.

12 Called up share capital

	2005 £	2004 £
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".

Notes to the financial statements
for the year ended 31 March 2005

(continued)

13 Reserves

	Share premium account	Profit and loss account
	£	£
At 1 April 2004	373,497	480,670
Retained profit for the year	–	3,645
At 31 March 2005	373,497	484,315

14 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Opening shareholders' funds	1,283,469	1,170,440
Retained profit for the year	3,645	113,029
Closing shareholders' funds	1,287,114	1,283,469

15 Reconciliation of operating (loss)/profit to net cash flow from operating activities

	2005	2004
	£	£
Operating (loss)/profit for the year	(14,111)	207,998
(Increase)/decrease in stocks	(1,887,887)	701,690
Decrease/(increase) in debtors	2,555	(2,428)
Increase/(decrease) in creditors	6,916	(288,222)
Net cash flow from operating activities	(1,892,527)	619,038

16 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£	£
(Decrease)/increase in cash	(991,637)	636,975
Increase in debt due within one year	(999,976)	–
Changes in net funds	(1,991,613)	636,975
Net funds at 1 April	1,199,098	562,123
Net funds at 31 March	(792,515)	1,199,098

Notes to the financial statements
for the year ended 31 March 2005

(continued)

17 Analysis of changes in net funds

	1 April 2004	Cash flow	31 March 2005
	£	£	£
Cash at bank	1,199,098	(991,637)	207,461
Debt due within one year	–	(999,976)	(999,976)
Net funds	1,199,098	(1,991,613)	(792,515)

18 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 £9,734 (2004: £6,811) inclusive of VAT. At 31 March 2005 the balance due to that company was £9,734 (2004: £6,811).

19 Capital commitments

At 31 March 2005 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 2005 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 28 June 2005 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 2005.

2 To re-elect N. J. L. Welch 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 11 May 2005

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 28 June 2005, and at every adjournment thereof.

Dated .....2005 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 2005		
2 To re-elect N. J. L. Welch 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.