ARTESIAN DEVELOPMENTS III plc

Annual report for the period ended 30 June 2011

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DIRECTORS AND ADVISERS

Directors	M R Breen A P Cunningham 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	Lewis Golden & Co , Chartered Accountants and Statutory Auditors, 40 Queen Anne Street, London, W1G 9EL
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	3300825

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COMPANIES HOUSE

Chairman's statement
for the period ended 30 June 2011

Dear Shareholder,

Please find enclosed the Report and Audited Financial Statements for the fifteen months to 30 June 2011 with the notice of Annual General Meeting of the Company, which will be held on 5 January 2012

Key points for the report and accounts are

- Profit before tax £5,910 (Year to 31 March 2010 loss of £79,383)
- NAV per share £1 49 (31 March 2010 £1 49)

The year end of the company was changed from 31 March to 30 June in order to align the financial reporting periods of the company and CHF Judd LLP, which operates the Judd Hotel, and which now provides the company with its operating income and future prospects I am glad to report that the Judd hotel has traded very successfully, following its opening in May 2010, and has been achieving high occupancy levels and room rates The company's 22 5% share of the Judd's pre-tax income is reported in the profit and loss account

In order to build on the success of the Judd, the company, with the other partners in CHF Judd LLP, is actively negotiating the acquisition of a smaller hotel near to the Judd, which would enable the operation of both those hotels to be carried out without a matching increase in overhead costs The company has the cash with which to meet its share of the equity required to acquire the hotel, and we will keep you informed of progress on this encouraging prospect

While the Judd and the second hotel, if acquired, offer real prospects of income and growth, we recognise that some shareholders may now wish, or need, to realise their holdings in the company No share sale facility has been available since October 2008, as the company has been constrained by both cash requirements and limited distributable reserves As cash is now available to support a share sale facility, we have given consideration to the availability of distributable reserves Recent changes in the Companies Act have enabled private, as distinct from public, companies to establish such reserves, subject to shareholders' approval, without the delay and expense of seeking the approval of the Courts Accordingly, a resolution is proposed at the AGM to re-register the company, currently "public ", as a "private" company Thereafter, subject to shareholder approval, the company could establish distributable reserves by a reduction in capital The company would then be in a position to offer a share sale facility The process and consequences for shareholders of such a re-registration are set out more fully in the **accompanying Circular, which is important, and I ask you please to read carefully**

I trust that you will consider that the interests of all shareholders are met by supporting the resolutions proposed

MARK BREEN
Chairman
30 November 2011

60, Webbs Road,
London, SW11 6SE

Directors' report
for the period ended 30 June 2011

Principal activity
The company's principal activity is property development

Business review
The company carries out property development, and so faces the principal risks and uncertainties of locating and acquiring sites for profitable development and obtaining planning consent, and of the construction, financing and selling of those developments

The company made a profit before tax for the fifteen month period of £5,910 compared to a loss for the year of £79,383 last year, and the net asset value per share of the company was £1 49 (2010 £1 49)

The company's development activities have, as last year, been carried out jointly with Artesian Developments IV plc

The accounting reference date of the company was extended from 31 March to 30 June, in order to align the financial reporting periods of the company and CHF Judd LLP, which operates the Judd Hotel The profit and loss account reflects the company's 22 5% share of the operations of the pre-tax profit of the Judd's trading activities Tax on that share of the Judd's pre-tax profit is borne by the company as it is deemed to be carrying out that business

The Judd currently represents the trading activities and operations of the company Following obtaining planning consent and redevelopment works, the Judd hotel opened to customers in May 2010, since when it has increased business rapidly, and now consistently achieves high room rates and occupancy levels

During the period, the company's site at Weymouth, owned jointly with Artesian Developments IV plc, was sold at book value (although at a loss overall on acquisition and development costs) realising cash for the company

As referred to in the Chairman's Statement and the accompanying Circular, it is proposed that shareholders approve the re-registration of the company as a private company, which would enable the directors to establish distributable reserves by the reduction of the share premium account The availability of distributable reserves is a necessary condition for any resumption of the share sale facility

Dividends and transfers to reserves
The directors do not propose to pay a dividend on the ordinary shares (2010 £nil per ordinary share) £nil (2010 £nil) is payable as "A" shareholders' dividends The profit for the period of £2,091 (2010 loss for the year of £74,683) will be transferred to reserves

Directors' report
for the period ended 30 June 2011

(continued)

Directors and their interests
The directors during the period and up to the date of signing of the financial statements and their interests in the shares of the company were as follows

	No of 50p Ordinary shares held at 1 April 2010 and 30 June 2011
M R Breen	5,002
A P Cunningham	2,502
N J L Welch	–

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

Purchase of own shares
During the period, no shares were purchased for cancellation

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors 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

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs

Directors' report
for the period ended 30 June 2011

(continued)

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 30 June 2011 for trade creditors excluding amounts due under contracted terms was 0 day (2010 1 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 The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

PricewaterhouseCoopers LLP resigned as auditors of the company during the period, and Lewis Golden & Co were appointed as auditors of the company by the directors

The term of office of the auditors, Lewis Golden & Co , 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
30 November 2011

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

We have audited the financial statements of Artesian Developments III plc for the period ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the company's affairs as at 30 June 2011 and of its profit and cash flows for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the period 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

Keith Mitchell

Keith Mitchell (Senior Statutory Auditor)
For and on behalf of Lewis Golden & Co
Chartered Accountants & Statutory Auditors
London
30 November 2011

Profit and loss account

for the period ended 30 June 2011 (2010· year ended 31 March)

	Notes	15 months to 30 June 2011 £	Year to 31 March 2010 £
Turnover	1 and 2	139,872	639,241
Cost of sales		(141,379)	(653,444)
Gross loss		(1,507)	(14,203)
Amounts written off stock properties	4	–	(41,735)
Net operating expenses		(27,108)	(20,116)
Operating loss		(28,615)	(76,054)
Share of net income of CHF Judd LLP		16,496	–
Interest receivable and similar income		18,029	1,288
Interest payable and similar charges	3	–	(4,617)
Profit/(loss) on ordinary activities before taxation	4	5,910	(79,383)
Tax on profit (2010 recovery on loss) on ordinary activities	7	(3,819)	4,700
Profit for the period (2010 loss for the year)	15	2 091	(74,683)

The results for the period (2010 year) relate to the continuing activities of the company

There are no gains and losses other than the profit for the period (2010 loss for the year), so no separate statement of total recognised gains and losses has been presented

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the period/year stated above, and their historical cost equivalents

Balance sheet
at 30 June 2011

	Notes	2011 £	31 March 2010 £
Current assets			
Investment	9	500,000	500,000
Stocks	10	–	125,000
Debtors	11	38,270	50,457
Cash at bank and in hand	19	391,852	183,992
		930,122	859,449
Creditors amounts falling due within one year	12	(82,563)	(17,675)
Provision for liabilities and charges	13	(3,694)	–
Net current assets and total assets less current liabilities and net assets		843,865	841,774
Capital and reserves			
Called up share capital	14	283,140	283,140
Share premium account	15	373,497	373,497
Capital redemption reserve	15	146,162	146,162
Profit and loss reserve	15	41,066	38,975
Total shareholders' funds	16	843,865	841,774

The financial statements on pages 7 to 15 were approved by the Board of Directors on 30 November 2011 and were signed on its behalf by

M R Breen
Director

Registered number 3300825

Cash flow statement
for the period ended 30 June 2011 (2010: year ended 31 March)

	Notes	2011 £	2011 £	2010 £	2010 £
Operating activities:					
Net cash flow from operating activities	17		117,688		526,948
Returns on investments and servicing of finance:					
Distribution from CHF Judd LLP		67,568		–	
Interest received		18,029		1,288	
Interest and similar charges paid		–		(6,277)	
Net cash flow from returns on investments and servicing of finance			85,597		(4,989)
Taxation					
Corporation tax received			4,575		51,843
Capital expenditure and financial investment:					
Purchase of current investment			–		(8,144)
Dividends					
Dividends paid			–		(35,000)
Increase in cash before financing			207,860		530,658
Financing.					
Borrowings repaid		–		(375,000)	
Net flow from financing			–		(375,000)
Increase in cash	19		207,860		155,658

Notes to the financial statements
for the period ended 30 June 2011

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and 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 those transactions

The interest of the company in CHF Judd LLP is reported as a current asset investment, as the nature of the activity is property development, reflecting the intentions of the original decision to apply part of the company's funds to the site with a view to profitable realisation rather than longer term holding That interest is accounted for at the cost less any amounts written off

Turnover

Turnover is the gross value of sales of properties and associated rental income, and has all arisen within the United Kingdom Stock properties are reported as sold at the date of exchange of a sales contract, or, where later, when all material conditions relevant to that exchanged sale contract have been satisfied

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

Going concern

The directors believe that preparing the accounts on a going concern basis is appropriate based on projections for the forseeable future as the company has sufficient cash resources to meet its debts as they fall due for a period of not less than twelve months from the date of approval of these financial statements

2 Turnover

	15 months to 30 June 2011 £	Year to 31 March 2010 £
Turnover comprises		
Sales of properties	127,500	639,241
Property income	12,372	–
	139,872	639,241

Notes to the financial statements
for the period ended 30 June 2011

(continued)

3 Interest payable and similar charges

	15 months to 30 June 2011	Year to 31 March 2010
	£	£
Interest payable on bank loan and overdraft	–	4,617
Total interest payable and similar charges	–	4,617

4 Profit/(loss) on ordinary activities before taxation

	15 months to 30 June 2011	Year to 31 March 2010
	£	£
This is stated after charging		
Directors' emoluments (note 5)	1,875	1,500
Auditors' remuneration for audit services	8,330	4,750
Artesian Management Limited fee for administration	11,008	7,646
Amounts written off stock properties at Weymouth and Great Guildford Street	–	41,735

M R Breen has an interest in Artesian Management Limited, details of which are set out in note 20

5 Directors' emoluments

	15 months to 30 June 2011	Year to 31 March 2010
	£	£
Directors' emoluments comprise		
Fees	1,875	1,500

6 Employee information

There were no employees during the period (2010 nil)

Notes to the financial statements
for the period ended 30 June 2011

(continued)

7 Tax on profit/(loss) on ordinary activities

	15 months to 30 June 2011 £	Year to 31 March 2010 £
The tax charge on the profit on ordinary activities for the period (2010 year) is as follows		
Current tax		
UK Corporation tax at 21% (2010 recovery at 20%)	125	(4,700)
Deferred tax		
Origination and reversal of timing differences	3,694	–
Total tax on profit on ordinary activities	3,819	(4,700)
Factors affecting current period (2010 year) tax		
Profit/(loss) on ordinary activities before taxation	5,910	(79,383)
Profit on ordinary activities before taxation multiplied by small profits rate of UK corporation tax of 20 8% (2010 loss at 20%)	1,229	(15,877)
Adjustment in respect of prior period	125	–
Tax losses utilised	(1,229)	–
Tax losses not utilised	–	11,177
Current period (2010 year) charge/(recovery)	125	(4,700)

8 Dividends

	2011 £	2010 £
On "A" shares		
– payable	–	–

9 Current asset investment

	2011 £	2010 £
Contribution to CHF Judd LLP	500,000	500,000

The property development of the Judd hotel (formerly the Avalon) is held through an interest of 22 5% in CHF Judd LLP The directors are confident that there is no impairment of value

Notes to the financial statements
for the period ended 30 June 2011

(continued)

10 Stocks

	2011 £	2010 £
Stock properties, associated acquisition and development costs	–	125,000

11 Debtors

	2011 £	2010 £
Amounts falling due after more than one year		
Other debtors	5,000	5,000
Amounts falling due within one year		
Trade debtors	8,464	–
Corporation tax	–	4,700
Other debtors	24,806	40,757
Total debtors	38,270	50,457

Other debtors include an amount of £24,804 (2010 £40,746) due from Artesian Developments IV plc, the directors of which are also directors of the company

12 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	–	2,670
Other creditors	51,072	118
Accruals	31,491	14,887
	82,563	17,675

13 Provision for liabilities and charges

	2011 £	2010 £
Deferred tax		
At 1 April	–	–
Deferred tax provided	3,694	–
At 30 June (2010 31 March)	3,694	–

Notes to the financial statements
for the period ended 30 June 2011

(continued)

14 Called up share capital

	2011	2010
	£	£
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

	2011	2010	2011	2010
	Number of shares		£	£
Allotted, called up and fully paid -				
"A" shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April and 30 June	566,180	566,180	283,090	283,090
Total share capital	566,280	566,280	283,140	283,140

The benefits of the "A" Shares rank pari-passu with the Ordinary Shares

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"

15 Reserves

	Share premium account	Capital redemption reserve	Profit and loss reserve
	£	£	£
At 1 April 2010	373,497	146,162	38,975
Profit for the period	–	–	2,091
At 30 June 2011	373,497	146,162	41,066

Notes to the financial statements
for the period ended 30 June 2011 (continued)

16 Reconciliation of movements in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	841,774	885,487
Profit for the period (2010 loss for the year)	2,091	(74,683)
Dividend waived	–	30,970
Closing shareholders' funds	843,865	841,774

17 Reconciliation of operating loss to net cash flow from operating activities

	2011	2010
	£	£
Operating loss for the period (2010 year)	(28,615)	(76,054)
Decrease in stocks	125,000	646,562
Decrease in debtors	7,487	5,024
Increase/(decrease) in creditors	13,816	(48,584)
Net cash flow from operations	117,688	526,948

18 Reconciliation of net cash flow to movement in net funds

	2011	2010
	£	£
Increase in cash	207,860	155,658
Increase in debt due within one year	–	375,000
Changes in net funds	207,860	530,658
Net funds at 1 April	183,992	(346,666)
Net funds at 30 June (2010 31 March)	391,852	183,992

19 Analysis of changes in net funds

	1 April 2010	Cash flow	30 June 2011
	£	£	£
Cash at bank	183,992	207,860	391,852
Net funds	183,992	207,860	391,852

20 Directors' interests in contracts

M R Breen and A P Cunningham are directors of, and M R Breen is the shareholder in, Artesian Management Limited, which provided administrative services for the 15 month period to 30 June 2011 to the value of £11,008 (2010 year to 31 March £7,646) inclusive of VAT During 2010 that company waived dividends of £30,970 At 30 June 2011 accrued administrative fees of £18,920 (2010 £7,730) were due to that company