ARTESIAN DEVELOPMENTS III Limited

Annual report for the year ended 30 June 2014

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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 I 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

SATURDAY
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A21 21/02/2015 #344
COMPANIES HOUSE

Chairman's statement
for the year ended 30 June 2014

Dear Shareholder,

Please find enclosed the Report and Audited financial statements for the year ended 30 June 2014 with the notice of Annual General Meeting of the Company which will be held on 17 February 2015

Key points for the report and accounts are

- Profit before tax £102,289 (2013 £19 166)
- NAV per share £1 75 (2013 £1 57)

This has been a very frustrating year for us on the sales front, counter balanced by excellent trading on the operational side

During the last year the Judd and Jenkins hotels have been offered for sale as part of a portfolio together with five other hotels each under separate ownership but with the same management and in one of which other Artesian companies hold a majority share It was considered that the greater lot size would attract a more financially secure category of purchasers who could deliver a more certain outcome Indeed, throughout the year, we received serious interest from several parties involving detailed negotiations and due diligence but unfortunately none of these parties ultimately proceeded Throughout the year the hotels have been under offer to at least one party Halfway through the year we consulted with a number of main agents with a view to openly marketing the hotels The resulting advice was that we should continue with the current interests which we had from purchasers, mostly from overseas, who would only consider an 'off market' deal

We therefore continued with this policy throughout the summer and autumn whilst always of course entertaining offers on individual hotels This has resulted in two of the hotels in the portfolio being sold to two separate purchasers but unfortunately not the Judd and Jenkins They are however currently again under offer as a pair and we are negotiating with two separate parties who are both promising to perform quickly

We have decided that if there is no exchange in January a main agent will be appointed to openly market the hotels from February Given that funding is now more readily available to individual purchasers, we are very hopeful of achieving a sale at a satisfactory price in the next few months

In the light of this we consider that it would not be sensible to offer a share buyback at this stage with a view to introducing one upon the sale of the hotels Should there be no sale in the next few months we could offer a limited buyback should shareholders wish it

MARK BREEN
Chairman
7 January 2015

60, Webbs Road,
London, SW11 6SE

Strategic report

The company's principal activity is property development

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 of £102,289 compared to £19,166 in 2013, and the net asset value per share of the company has increased to £1 75 from £1 57 last year

The company holds an interest of 22 52% in CHF Judd LLP, which operates the 37 room Judd hotel and a 15 015% in CHF Jenkins LLP which operates the 19 room Jenkins hotel both of which are in Cartwright Gardens, London, near King's Cross

The company s share of the two hotels' income is the principal source of the company's income and any capital growth in the value of the hotels represents the company's growth prospects

Both hotels have operated successfully, with the Judd doubling its profits and the Jenkins completing its first year of profitable trading after its start up phase The existing loans on the hotels were also repaid after the year end and refinanced on better terms with a new lender

Turnover increased at the Judd to £1 4m this year from £1 29m last year with an average room rate (ARR) rising to just under £114 up from £104, though occupancy fell slightly to 90 81% from 91 22% last year Turnover at the Jenkins in the first full year of uninterrupted operation rose sharply to £0 7m with an ARR of £114 and occupancy of 87 8%

The effect of this good performance has been that the company s share of pre-tax profits from the two hotels has increased this year to £117,502 from £34 657 last year Shareholders should note that the hotels are carried in the financial statements of the company at the cost of the original investment in the LLPs which own the hotels, rather than reflecting the company s share of the hotels underlying market valuation, which the directors consider is significantly higher Shareholders should also note that the pre-tax profits of the hotels are reduced by the accounting requirement for purchased goodwill to be amortised and depreciation to be applied to the hotels' buildings and fixtures and fittings (£134,327 in the current year and £223,516 in the prior year)

The objective of the company is however to realise profits for shareholders by property development, which has been carried out through the acquisition, obtaining planning consent and extension and refurbishment of these two hotels In consequence negotiations have been proceeding for some time to sell the hotels, for which satisfactory offers have been received but as yet none has proceeded to a final sale

By order of the Board

D J T. MacDonald
Joint Company Secretary
7 January 2015

60, Webbs Road,
London, SW11 6SE

Directors' report
for the year ended 30 June 2014

Share capital, share purchase, reserves and dividends

The directors do not propose to pay a dividend on the ordinary shares (2013 £nil per ordinary share) £4,318 (2013 £nil) is payable as "A" shareholders dividends The profit for the year of £86,383 (2013 £28 624) will be transferred to reserves

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 30 June 2013 and 30 June 2014
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

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

Directors' report
for the year ended 30 June 2014

(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 2014 for trade creditors excluding amounts due under contracted terms was 0 day (2013 0 days)

Independent auditors and disclosure of information to auditors

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware They have taken all the 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

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
7 January 2015

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

We have audited the financial statements of Artesian Developments III Limited for the year ended 30 June 2014 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 is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor s report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work for this report, or for the opinions we have formed

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 Strategic Report and the Directors Report to identify material inconsistencies with the audited 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 2014 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

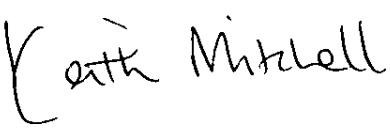
In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 (Senior Statutory Auditor)
For and on behalf of Lewis Golden & Co
Chartered Accountants & Statutory Auditors
London
7 January 2015



Profit and loss account
for the year ended 30 June 2014

	Notes	2014 £	2013 £
Turnover	1 and 2	1,063	5 255
Cost of sales		(832)	(6 004)
Gross profit/(loss)		231	(749)
Net operating expenses		(16,547)	(16,382)
Operating loss		(16 316)	(17,131)
Share of net income of CHF Judd LLP and CHF Jenkins LLP	7	117,502	34,657
Interest receivable and similar income		1 103	1,640
Profit on ordinary activities before taxation	3	102,289	19 166
Tax on profit on ordinary activities	6	(15,906)	9,458
Profit for the year	12	86,383	28,624

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

There are no gains and losses other than the 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 profit for the year stated above, and their historical cost equivalents

Balance sheet
at 30 June 2014

	Notes	2014 £	2013 £
Current assets			
Investments	7	684,686	684 686
Debtors	8	19 264	28,632
Cash at bank and in hand	16	160 092	164,006
		864 042	877,324
Creditors amounts falling due within one year	9	(34,186)	(115 393)
Provision for liabilities and charges	10	(4 726)	(1,396)
Net current assets and total assets less current liabilities and net assets		825,130	760 535
Capital and reserves			
Called up share capital	11	236 315	241,816
Share premium account	12	173 497	173,497
Capital redemption reserve	12	192,987	187,486
Profit and loss reserve	12	222,331	157,736
Total shareholders' funds	13	825,130	760 535

The financial statements on pages 7 to 16 were approved by the Board of Directors on 7 January 2015 and were signed on its behalf by

M R Breen
Director

Registered number 3300825

Cash flow statement
for the year ended 30 June 2014

	Notes	2014 £	2014 £	2013 £	2013 £
Operating activities					
Net cash flow from operating activities	14		(32,592)		(4,888)
Returns on investments and servicing of finance					
Distribution from CHF Judd LLP		45,045		–	
Interest received		1,103		1,640	
Net cash flow from returns on investments and servicing of finance			46,148		1,640
Increase/(decrease) in cash before financing			13,556		(3,248)
Financing					
Purchase of own shares			(17 470)		–
Decrease in cash	16		(3,914)		(3,248)

Notes to the financial statements
for the year ended 30 June 2014

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 and CHF Jenkins 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 sites with a view to profitable realisation rather than longer term holding That interest is accounted for at the cost less any amounts written off, with the company's share in the LLPs profit or loss being shown in the profit and loss account

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

Notes to the financial statements
for the year ended 30 June 2014

(continued)

2 Turnover

	2014	2013
	£	£
Turnover comprises		
Property income	1,063	5,255
	1 063	5,255

3 Profit on ordinary activities before taxation

	2014	2013
	£	£
This is stated after charging		
Directors emoluments (note 4)	1,800	1 800
Auditors remuneration for audit services	5 700	5,700
Artesian Management Limited fee for administration	3 822	723

M R Breen has an interest in Artesian Management Limited details of which are set out in note 17

4 Directors' emoluments

	2014	2013
	£	£
Directors emoluments comprise		
Fees	1,800	1,800

5 Employee information

There were no employees during the year (2013 nil)

Notes to the financial statements
for the year ended 30 June 2014

(continued)

6 Tax on profit on ordinary activities

	2014 £	2013 £
The tax charge on the profit on ordinary activities for the year is as follows		
Current tax		
UK Corporation tax	12,576	-
Deferred tax		
Origination and reversal of timing differences	3 330	(9 458)
Total tax on profit on ordinary activities	15 906	(9,458)
Factors affecting current year tax		
Profit on ordinary activities before taxation	102,289	19,166
Profit on ordinary activities before taxation multiplied by small profits rate of UK corporation tax of 20% (2013 20 0%)	20,458	3,833
Non-taxable income	(7,882)	(6 931)
Tax losses carry forward	-	3,098
Current year charge	12,576	-

Notes to the financial statements
for the year ended 30 June 2014

(continued)

7 Current asset investments

	CHF Judd LLP £	CHF Jenkins LLP £	Total £
a) Capital contributions			
At 30 June 2014 and 1 July 2013	500,000	184 686	684 686

The property development of the Judd hotel is held through an interest of 22 52% in CHF Judd LLP
The property development of the Jenkins hotel is held through an interest of 15 015% in CHF Jenkins LLP
The directors are confident that there is no impairment of value

b) Share of net income

		CHF Judd LLP Unaudited Year to 30 June 2014 £	CHF Jenkins LLP Unaudited Year to 30 June 2014 £
Sales		1,406 379	701 036
Cost of sales		(480,330)	(218 295)
Gross profit		926 049	482 741
Administrative expenses		(331,579)	(158 539)
Amortisation of goodwill		–	(33,333)
Depreciation of property		(40,772)	(25,627)
Depreciation of fixtures and fittings		(21,687)	(12 907)
Interest receivable		14,517	–
Interest payable		(129,220)	(95,669)
Profit		417,308	156,666
Company's share	£117 502	93,979	23,523

Notes to the financial statements
for the year ended 30 June 2014

(continued)

8 Debtors

	2014 £	2013 £
Amounts falling due after more than one year		
Other debtors	5,000	5 000
Amounts falling due within one year		
Trade debtors	300	600
Other debtors	13,964	23,032
Total debtors	19 264	28 632

Other debtors include an amount of £5,581 (2013 £17,157) due from Artesian Developments IV Limited, the directors of which are also directors of the company

9 Creditors amounts falling due within one year

	2014 £	2013 £
Corporation tax	12,576	-
Other creditors	2,252	85,156
Accruals	19,358	30 237
	34,186	115 393

10 Provision for liabilities and charges

	2014 £	2013 £
Deferred tax		
At 1 July	1,396	10 854
Deferred tax provided/(released)	3,330	(9 458)
At 30 June	4,726	1 396

Notes to the financial statements
for the year ended 30 June 2014

(continued)

11 Called up share capital

	2014 £	2013 £
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

	2014 Number of shares	2013 Number of shares	2014 £	2013 £
Allotted, called up and fully paid -				
A shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 July	483,531	483,531	241,766	241,766
Shares cancelled	(11,000)	–	(5,501)	–
At 30 June	472,531	483,531	236,265	241,766
Total share capital	472,631	483,631	236,315	241 816

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

12 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss reserve £
At 1 July 2013	173,497	187,486	157 736
Cancellation of shares on buy back	–	5,501	(17 470)
Profit for the year	–	–	86 383
Dividend due on A shares	–	–	(4 318)
At 30 June 2014	173,497	192,987	222,331

Notes to the financial statements (continued)
for the year ended 30 June 2014

13 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
At 1 July	760,535	731,911
Cancellation of shares on buy back	(17,470)	–
Profit for the year	86,383	28 624
Dividends due on 'A' shares	(4,318)	–
At 30 June	825,130	760 535

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

	2014 £	2013 £
Operating loss for the year	(16,316)	(17,131)
Decrease in debtors	9 368	3,443
(Decrease)/increase in creditors	(25,644)	8 800
Net cash flow from operations	(32 592)	(4,888)

15 Reconciliation of net cash flow to movement in net funds

	2014 £	2013 £
Decrease in cash	(3 914)	(3,248)
Changes in net funds	(3,914)	(3,248)
Net funds at 1 July	164,006	167,254
Net funds at 30 June	160 092	164,006

16 Analysis of changes in net funds

	30 June 2013 £	Cash flow £	30 June 2014 £
Cash at bank	164,006	(3,914)	160,092
Net funds	164,006	(3,914)	160,092

17 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 year to the value of £3,822 (2013 £723) inclusive of VAT At 30 June 2014 accrued administrative fees of £3,822 (2013 £19,643) and dividends due on 'A' shares of £4 318 (2013 £nil) were due to that company

18 Post balance sheet event

The freehold of the property at 37-39 Great Guildford Street, London, was sold after the year end The share of pre-tax profit attributable to the company is £9,500