CONTENTS

DIRECTORS AND ADVISERS

Directors	M R Breen A P Cunningham
Non-Executive Director	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	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 1 Embankment Place, London, WC2N 6RH
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	Number 2552255

FRIDAY
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A44 26/09/2014 #365
COMPANIES HOUSE

CHAIRMAN'S STATEMENT

Dear Shareholder

Please find enclosed the report of the directors and the audited financial statements for the year ended 31 March 2014 and the Notice of the Annual General Meeting to be held on 25 September 2014

The key points in this year's report and financial statements are

- Net asset value ('NAV') per share £2 91 (2013 £2 85)
- Net assets have increased to £5 91m from £5 81m (adjusted for the 2013 buy back)
- Pre-tax gains £95,000 (2013 losses of £230,000)

While the results for this year may show only a slight increase in NAV per share I am pleased with the activities of the year, which have put the company in a good position to enjoy strong growth in the year to 31 March 2015 as set out in last year's Business Review We have continued with the sales of commercial property outside London to enable us to focus on developments in London

The final three townhouses at Crabtree Place, formerly known as Whitfield Street were sold at asking price early in the financial year generating further profits from this very successful development At Yaldham the Manor House which is the principal 'heritage' asset, is now complete and recently has gone on to the market At this early stage the Manor has obtained favourable publicity including a two page article in the Times' Bricks and Mortar' supplement A prospective sale of the new build' site at Yaldham, which was complicated by the detailed planning conditions and S106 Agreement frustratingly fell through after almost a year of negotiation With the passage of time a number of the conditions attaching to the development have now been satisfied or simplified, and we have accepted another offer for the site which we are confident will proceed Unfortunately it has been necessary to recognise that the likely cumulative costs to complete this complex and "planning-constrained' development will not now be recoverable through sales, and so recognition of those anticipated losses has been made in the results for the year

The more recent residential developments at Conduit Street, London W1 and on Chatham Road London SW11 should both benefit from the well publicised rise in house prices over the last twelve months Conduit Street is almost complete, and we are currently furnishing two show flats within the development, with full marketing starting later this month Protracted party wall negotiations and difficult ground conditions, exacerbated by last winter's extraordinary rainfall have delayed the completion of the four new houses at Chatham Road but these should be on the market before the end of the year Our South West and South East London residential portfolios have shown very significant growth on valuation which, after the year end, we are realising by selling some of the lower value South East London flats

The sale of the non-London commercial portfolio is almost complete and has generated cash for new acquisitions, and overall achieved sale prices better than last year's valuations We have an interest in the Trebovir hotel, in Earl's Court London, for which a purchase offer has been made at a price above its year end valuation The principal acquisition has been an office on Farringdon Street, on the west of the City of London We are very pleased to have succeeded in obtaining planning consent to extend the building from 43,000 sq ft over 7 floors to 74,000 sq ft over 11 floors This considerable increase gives us a very valuable asset which should produce a substantial return for shareholders

I am pleased to report that all offers to sell shares in the 2013 share sale facility were met in full A share sale facility is being made available again this year priced at a 7 5% discount to the net asset value at 31 March 2014 However, in view of the prospects for an increase in that net asset value that are currently in place shareholders who are considering selling may decide not to take this opportunity

Details of that facility, which is an opportunity both to sell and buy shares, are set out in the letter enclosed with this report **If you do not wish to sell all or part of your shareholding or do not wish to purchase further shares you do not need to take any action in response to that letter.** Shareholders intending to offer to buy or sell shares should read the accompanying letter, the offer to sell and the application to purchase most carefully Whilst the directors will endeavour to answer any questions shareholders might have regarding the company or the procedures to be followed, we are unable to advise shareholders as to the action they should take and for such advice shareholders should therefore refer to their own professional or financial advisers

I am confident that the current activities and prospects for the company will produce good returns for shareholders

MARK BREEN
Chairman
9 July 2014
60, Webbs Road,
London, SW11 6SE

STRATEGIC REPORT

As the company's activities are carried out through Artesian Property Partnership ("APP"), in which the company is a partner, the directors submit the Strategic report of APP for the year to 31 March 2014 as that of the company

The group ("APP"), which comprises Artesian Property Partnership and its wholly owned subsidiaries Artesian 20 Limited, Highfend Limited, Artesian Sekforde Limited, Speed 6834 Limited and Artesian Farringdon Street Limited which was established during the year to hold a property in Farringdon Street, London, carries out a wide range of property related activities, including investment, development and trading Investments have been made in other property related activities, jointly with others, in CHF Trebovir LLP and Embergreen Technology Limited where effective control is with APP, and the results of those activities have been included in the APP group results

The following companies are partners in APP Artesian Challenger plc, Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc, Artesian Developer plc, Artesian Developments plc and Artesian Developments II plc These companies have each made capital contributions to APP equivalent to the relevant company's consolidated net asset value in return for a share of APP

Each partner company reports its share of APP as an investment in a joint venture on the basis that, under the partnership agreement, there are no restrictions on the distribution of profits from the partnership Partner companies may make cash drawings on APP to meet their own corporate expenses, buy back of shares and taxation liabilities

Each partner company's share is calculated by reference to the net asset values of all the companies of APP at 31 March 2013, reduced by the costs of the 2013 buy back of shares and costs borne directly by the companies The share attributable to a partner company in the future may vary in line with any fluctuation in the proportion of entitlement that the partner companies may undergo following future amounts returned to shareholders in partner companies

The principal risks and uncertainties faced are those of the timing of investment acquisitions (and, if appropriate, planning consent and construction), interest rates, tenant covenant and the timing of disposals, locating and acquiring sites for profitable development and obtaining planning consent and the construction, financing and selling of developments APP seeks to mitigate these risks by having an exposure to a variety of markets, avoiding a concentration on a single sector Interest rate risk in respect of bank borrowings is managed by entering into swaps or purchasing caps, as appropriate

The loss of the group for the year on ordinary activities before tax and partner companies' drawings and minority interests was £204,285 (2013 profit of £608,961) The unrealised surplus on revaluation of investment properties of the group was £1,553,457 (2013 deficit of £1,336,535)

APP has continued with the rationalisation of the investment portfolio and the creation of new development opportunities, principally in London

APP has continued with its programme of selling commercial investment properties outside London Six properties were sold for, in total, £9 5m, which was just under £1m in excess of the valuations at 31 March 2013, before sales costs The properties were in Weybridge, Tunbridge Wells, Harpenden, Poole and two in Peterborough Rental income has in consequence reduced by around £850,000pa, though with a reducing recurring level as tenancies expired, and new tenancies at similar rates have been more difficult to achieve outside London Some of the sales have been to local builders encouraged to convert these office buildings into residential units, following the removal in most areas of the ability of councils to prohibit such "office to resi" conversions The purpose of these sales has been to realise cash from properties where the only likely source of growth would be from low margin residential development The Committee considers developments in London offer better prospects for growth and shareholder returns

STRATEGIC REPORT (continued)

Across the whole standing portfolio, held throughout the year, there has been an increase in valuation for the first time in several years The greatest increase was in the South West London mid-range residential portfolio, where values rose over 25% While rental levels in this area have not risen very noticeably, capital values have increased strongly, as has been widely reported by the media APP plans to continue to hold its South West London portfolio, and, where both possible and sensible, to gradually increase its holdings The smaller South East London portfolio has also risen in value by over 16% The smaller size of these units, principally one bedroomed flats in blocks, and the location do not support long term holding, and APP has recently put a number of these flats on the market, and is negotiating sales at levels significantly higher than the March 2014 valuations The proceeds will be applied to expand the South West London portfolio

The prospects for residential property, especially in London, have been the subject of much public discussion APP has taken the view that capital growth, at least in London, will continue for some time yet, as there is a very large demand from a mobile population

The commercial portfolio, much reduced by the sales during the year, overall rose by 6%, though with sharp differences within the portfolio One of the two remaining office buildings outside London rose by 10%, reflecting the improving assessment of the tenant's covenant, while the second fell in value by 18% as the tenancies in the building expire during the current year APP is in discussions with local developers for a sale of the emptied building While one of the new buildings of the previous year, at Maidstone, leased to the Royal Mail, remained at the same value as last year, a second purchase in 2013, in Shoreditch on the northern fringes of the City of London, rose on valuation by over 22%

The most significant acquisition of the year was that of 20 Farringdon Street, on the western border of the City of London, which in June 2013 was acquired for some £17m including costs Funding has been provided by a mix of APP's own resources (in part provided by the sale of the non-London office buildings) and £13 5m by a fund APP has been very active in developing plans for the extension of the building, increasing the building's height and so the floor areas, from 43,000 sq ft to 74,000 sq ft , and very recently full planning consent has been given for those plans There are now excellent opportunities for APP to realise a significant increase in value, which are being actively pursued

The final three townhouses at Whitfield Street were sold during the summer of 2013, very profitably at asking price APP's only remaining interest in that development is the freehold of the site, for which an agreement to sell has been reached with a number of the purchasers of units on the site Following that sale, APP's very successful and profitable involvement with the Whitfield Street site and its subsequent development and sale will come to an end

The conversion of an office building into five residential units on Conduit Street, London W1, has continued successfully during the year, and the units are shortly to be marketed The building also has a retail unit at ground floor level, and demand for such space in the heart of the West End of London is currently very strong The Committee expects that profits from the sales of the completed residential units and of the retail investment should arise in the current year to 31 March 2015

The long running development at Yaldham Manor is approaching completion of the "Heritage" buildings, being the Manor, the Oast and the Granary The Manor is now complete and has just gone on to the market through Savills and Strutt & Parker The Oast will be completed shortly, and the Granary by the autumn An earlier proposed sale of that part of the estate which has planning consent for the building of 10 new build houses, referred to in the prior year's report, did not proceed Consideration has been given to APP developing the site itself, but that option has not been taken, and APP is negotiating another sale, though at a lower price That sale may delay the sale of the Oast and the Granary, as the prospective purchasers of those buildings will share access via the road that the builders of the new build houses will use during their construction phase This has been a very complex project, subject to the usual risks associated with working on old buildings and to considerable imput by, and requirements for approval from, the relevant council's planning department, with consequential effects on both the costs and the time taken to complete After a close review of the costs incurred to date, those remaining to complete the "Heritage" works, and of the likely sales prices for the "Heritage" buildings and the sale of the new build land, the Committee has concluded that the net sales values will be less than the costs, and has therefore made a charge of £1 063m to the profit and loss to recognise the shortfall

STRATEGIC REPORT (continued)

The development of the former garage in Chatham Road, in South West London, although behind schedule, is well underway, and the resulting four houses (gated and with off street parking) should be complete so that they can be put on the market towards the end of the year House prices in South West London have been rising sharply, so, although the houses are a new style in the area, it is expected that profits will be generated in the current year to 31 March 2015

The property on the Crown Estate, Oxshott, developed through Oxted Properties Limited, is completed and is on the market An early offer accepted at asking price frustratingly failed to proceed to exchange, but there is continued interest at the asking price, so APP's share of the expected profits should now be reported in the current year to 31 March 2015

The Embergreen project has, as anticipated, been scaled back and should not have an any further impact on the results of APP

The Trebovir hotel in Earl's Court, in which APP has a 75% holding, has continued to trade at high room rates and occupancy levels The Jenkins, near King's Cross, has proved both very popular with customers and profitable, and has now almost fully recovered its start up losses There has been much market interest in hotels in London, and several offers have been received to sell the hotels Currently offers have been accepted for both hotels, with the detail now being negotiated which should lead to an exchange of contracts In both cases the prospective sales price is in excess of the values at which both hotel interests are carried

Financing generally has proved more available during the year, an improvement on recent years The major new finance facility was that of £13 5m for the acquisition of Farringdon Street, where the funders will receive a fixed rate of interest and a share of profits The facility terms are for expiry at the end of December 2014, unless planning consent has been achieved, in which case the facility can extend out to June 2016 As planning consent was obtained after year end, the liability is shown in APP's balance sheet at 31 March 2014 under "Creditors amounts falling due within one year" as part of "Bank loans and overdrafts" In addition, after the year end, drawings have been made under the development facilities for Conduit Street and Chatham Road, where the maturity dates of those facilities extend beyond the currently expected sales dates The Trebovir hotel has a loan facility which expires towards the end of the year, for which a replacement facility with another bank is already under advanced negotiation

The APP partner companies again offered a share sale facility last autumn, and over £2 3m was returned to shareholders in those companies, representing between 6 and 9% of the existing share capital of the partner companies After careful review of APP's cashflow and banking facilities, the Committee has decided that further funds can be made available to the companies to enable a further share sale facility to be offered

By order of the Board

D J T MacDonald
Joint Company Secretary

9 July 2014
60 Webbs Road
London SW11 6SE

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements of Artesian Challenger plc (the "company") for the year ended 31 March 2014

DIRECTORS

The directors during the year and up to the date of the signing of these financial statements were
M R Breen
A P Cunningham
N J L Welch
A directors' and officers' indemnity policy was in force during the year

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report of the directors 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 have 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 or 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

PURCHASE OF OWN SHARES

During the year, the company purchased for cancellation 125,759 of its ordinary shares of 50p each, which represented 5 83% of the called up share capital The purchase price was £2 67 per share, and the total consideration together with costs was £338,166 The purchase was made following approval from the shareholders

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 Each director has taken all steps that they ought to have taken as a director 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, 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 that Annual General Meeting

By order of the Board

D J T MacDonald

D J T MacDonald
Joint Company Secretary
9 July 2014
60 Webbs Road,
London, SW11 6SE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARTESIAN CHALLENGER plc

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Artesian Challenger Plc, comprise

- the balance sheet as at 31 March 2014,
- the profit and loss account and statement of total recognised gains and losses for the year then ended,
- the cash flow statement for the year then ended,
- the note of historical cost profits and losses, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARTESIAN CHALLENGER plc (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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

S Copeland

Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 July 2014

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	2013 £
Administrative expenses		(70,229)	(69,185)
Operating loss	3	(70,229)	(69,185)
Income from fixed asset investment			
APP joint venture	2	(115,612)	77,741
Profit on disposal of investments		380	-
(Loss)/profit on ordinary activities before taxation		(185,461)	8,556
Tax on (loss)/profit on ordinary activities	5	1,504	39,443
(Loss)/profit for the financial year	11	(183,957)	47,999

All results derive from continuing operations (2013 continuing)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014

	2014 £	2013 £
(Loss)/profit for the financial year	(183,957)	47,999
Other recognised gains and losses during the year		
Share of unrealised surplus/(deficit) on revaluation of investment properties held in APP joint venture	281,215	(238,420)
Total recognised gains and losses relating to the year	97,258	(190,421)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014

	2014 £	2013 £
Reported (loss)/profit on ordinary activities before taxation	(185,461)	8,556
Realisation of deficit on revaluation of investment properties held in APP joint venture	(1,496,585)	(345,312)
Historical cost loss on ordinary activities before taxation	(1,682,046)	(336,756)
Historical cost loss for the year retained after taxation	(1,680,542)	(297,313)

BALANCE SHEET
AT 31 MARCH 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Investment in APP joint venture	2		
Share of gross assets		13,829,097	12,517,171
Share of gross liabilities		(8,010,230)	(6,494,898)
		5,818,867	6,022,273
Investments	6	58,314	83,779
		5,877,181	6,106,052
CURRENT ASSETS			
Debtors	7	40,923	46,274
CREDITORS amounts falling due within one year	8	(6,686)	-
NET CURRENT ASSETS		34,237	46,274
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		5,911,418	6,152,326
CAPITAL AND RESERVES			
Called up share capital	10	1,015,107	1,077,987
Share premium account	11	2,177,972	2,177,972
Capital redemption reserve	11	1,471,744	1,408,864
Revaluation reserve	11	(49,710)	(1,827,510)
Profit and loss reserve	11	1,296,305	3,315,013
TOTAL SHAREHOLDERS' FUNDS	12	5,911,418	6,152,326

The financial statements on pages 9 to 21 were approved by the board of directors on 9 July 2014 and were signed on its behalf by -

M R Breen
Director

Registered number 2552255

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2014	2013	2013
	£	£	£	£
OPERATING ACTIVITIES				
Net cash flow from operating activities		(70,229)		(69,185)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Drawings from APP joint venture	381,046		579,145	
Net cash flow from returns on investments and servicing of finance		381,046		579,145
TAXATION				
Corporation tax recovered		1,504		39,443
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of fixed asset investments	(350,000)		(558,200)	
Disposal of fixed asset investments	375,845		558,605	
Net cash flow from capital expenditure and financial investment		25,845		405
INCREASE IN CASH BEFORE FINANCING		338,166		549,808
FINANCING				
Purchase of own shares	(338,166)		(549,808)	
Net cash flow from financing		(338,166)		(549,808)
INCREASE IN CASH		–		–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In accordance with Financial Reporting Standard 9 "Associates, joint ventures and other arrangements", the company's share of Artesian Property Partnership ("APP" or "partnership') is reported as a "joint venture" on the basis that, under the partnership agreement, there are no restrictions on the distribution of profits from the partnership This requires the company to report in its own financial statements that share of APP's gross assets less gross liabilities, and recognise in its profit and loss account, as a single item, its share of APP's income The item in the Profit and Loss account described as "Income from fixed asset investment APP joint venture" represents the company's share of APP's pre-tax income, less the taxation of APP's subsidiary companies, less the share of post-tax income attributable to minority interests The company's share of the unrealised surplus or deficit on revaluation of investment properties held in the APP joint venture is reported in the Statement of Total Recognised Gains and Losses and is taken to the Revaluation Reserve except where the deficit is considered to be permanent

The share of APP's consolidated results that has been recognised by the company is 18 18% (2013 17 90%) That share is calculated by reference to the net asset values of all the partners of APP at 31 March 2013, reduced by the costs to the company of the 2013 buy back of shares and the costs borne directly by the company The share attributable to the company in the future may vary in line with any fluctuation in the proportion of entitlement that the company may undergo following future amounts returned to shareholders in the company and to the other APP partner companies Advantage has been taken of the exemption conferred by regulation 7 of SI 1993/1820 from the requirements of regulations 4 to 6 of SI 1993/1820

INVESTMENTS

Fixed asset investments represent the cost of acquisitions, less any impairment Impairment reviews are performed where there has been an indication of potential impairment and any required provision is charged to the profit and loss account

CURRENT AND DEFERRED TAXATION

The tax expense recognised in the profit and loss account comprises current and, where appropriate, deferred tax, and arises principally on the company's share of profits and gains of APP, excluding taxation of APP subsidiaries which is reported in "Income from fixed asset investment APP joint venture" The current corporation tax charge is calculated on the basis of the UK tax laws enacted at the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

2. ARTESIAN PROPERTY PARTNERSHIP

2 1 With effect from 1 April 1998, the company became a partner in Artesian Property Partnership ("APP") The other partners are Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc, Artesian Developer plc, Artesian Developments plc and Artesian Developments II plc M R Breen, A P Cunningham and N J L Welch are directors of each of the partner companies The principal place of business of APP is 60 Webbs Road, London, SW11 6SE

2 2 The audited profit and loss accounts of APP for the years ended 31 March are set out below

	APP	APP	Pro-forma share attributable to the company 18 18%	Pro-forma share attributable to the company 17 90%
	2014	2013	2014	2013
	£	£	£	£
Turnover:				
Continuing operations	11,147,547	9,296,088	2,026,094	1,664,457
Costs of sales	(8,815,935)	(6,864,420)		
Gross profit.	2,331,612	2,431,668		
Impairment of fixed assets	–	(267,966)		
Administrative expenses	(1,974,277)	(2,053,074)		
Operating profit: Continuing operations	357,335	110,628		
Loss on disposal of fixed assets	(52,604)	–		
Profit on sale of investment properties	723,951	1,572,279		
Interest receivable and similar income	32,316	15,961		
Interest payable and similar charges	(1,265,283)	(1,089,907)		
(Loss)/profit on ordinary activities before taxation	(204,285)	608,961	(37,129)	109,035
Tax on (loss)/profit on ordinary activities	(266,428)	(171,504)	(48,424)	(30,708)
(Loss)/profit on ordinary activities after taxation	(470,713)	437,457	(85,553)	78,327
Minority interests	(165,383)	(3,270)	(30,059)	(586)
(Loss)/profit for the financial year	(636,096)	434,187	(115,612)	77,741

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2 3 The audited balance sheets of APP at 31 March are set out below

	APP	APP	Pro-forma share attributable to the company 18 18%	Pro-forma share attributable to the company 17 90%
	2014	2013	2014	2013
Fixed assets	£	£	£	£
Tangible assets	321,190	384,798		
Investment property	45,018,974	30,865,000		
Investments	184,845	184,845		
	45,525,009	31,434,643	8,274,284	5,628,345
Current assets				
Stock property	22,933,345	23,947,600		
Debtors	5,451,740	5,202,040		
Cash at bank and in hand	2,393,143	9,533,559		
	30,778,228	38,683,199	5,595,736	6,928,269
Creditors amounts falling due within one year	(26,644,080)	(11,513,925)	(4,842,626)	(2,061,558)
Net current assets	4,134,148	27,169,274		
Total assets less current liabilities	49,659,157	58,603,917		
Creditors amounts falling due after more than one year	(16,226,465)	(23,587,839)	(2,949,202)	(4,223,382)
Provision for liabilities	(161,835)	(241,036)	(29,414)	(43 157)
Net assets	33,270,857	34,775,042	6,048,778	6,228,517
Minority interest	(1 039,810)	(931,589)	(188,988)	(166,801)
Partners' capital	32,231,047	33,843,453	5,859,790	6,061,716
Reported in the company's balance sheet as				
Gross assets			13,829,097	12,517,171
Gross liabilities			(8,010,230)	(6,494,898)
			5,818,867	6,022,273
Corporation tax			40,923	39,443
			5,859,790	6,061,716

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2 4 The analysis of turnover, operating profit and net assets of APP is as follows

	Turnover		Operating profit		Net assets	
	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£
Class of business						
Continuing operations						
Rental	3,473,580	6,696,088				
Stock properties	7,673,967	2,600,000				
	11,147,547	9,296,088	357,335	110,628	49,176,132	57,793,238
Borrowings due after more than one year					(16,226,465)	(23,587,839)
Other fixed asset investment					321,190	569,643
					33,270,857	34,775,042

2 5 Investment Property held by APP

	Freehold property at cost	Leasehold property at cost	Total at cost	Valuation deficit	Total at valuation
	£	£	£	£	£
At 1 April 2013 (as restated)	38,958,532	1,972,378	40,930,910	(10,065 910)	30,865,000
Additions	2,408,015	1,997	2,410,012	–	2,410,012
Disposals	(16,757,662)	–	(16,757,662)	8,234,193	(8,523,469)
Increase in valuation in the year	–	–	–	1,553,457	1,553,457
At 31 March 2014	24,608,885	1,974,375	26,583,260	(278,260)	26,305,000

Assets in the course of construction - at cost	
At 1 April 2013	-
Additions	18,713,974
At 31 March 2014	18,713,974
TOTAL	
At 31 March 2014	45,018,974
At 31 March 2013	30,865,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2 5 Investment Property held by APP (continued)

The investment properties of the group have been stated at Market Value at 31 March 2014 of £26,305,000 as valued by

- Drivers Jonas Deloitte LLP, Chartered Surveyors acting as External Valuers, for properties of the group valued in total at £14,730,000,
- Savills LLP, Chartered Surveyors acting as External Valuers, for a property of the group, valued at £11,075,000, and
- Committee of Management for a property of the group, valued at £500,000

The external valuations have been carried out in accordance with the RICS Valuation Standards - Professional Standards

2 6 Principal accounting policies of APP

i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The "group" figures reflected in the financial statements include the results of the partnership and its wholly owned subsidiary companies, Artesian 20 Limited, Highfend Limited, Artesian Sekforde Limited, Speed 6834 Limited and Artesian Farringdon Street Limited Investments have been made in property developments, jointly with others, in CHF Trebovir LLP and Embergreen Technology Limited where effective control is with APP, and the results of those activities have been consolidated in the APP group results

The Committee of Management has reviewed the cash flows and banking facilities of APP, details of which are set out in the Strategic report, and considers that the use of the "going concern" assumption in preparing the financial statements is appropriate

ii) INVESTMENT PROPERTY

In accordance with SSAP 19, the investment property portfolio is revalued annually on a market value basis by appropriately qualified external valuers or by the Committee of Management Any revaluation surplus or deficit arising is reported in the Statement of Total Recognised Gains and Losses and is taken to the revaluation reserve except where the deficit is considered to be permanent Permanent deficits are taken to the profit and loss account

No depreciation or amortisation is provided in respect of freehold or leaseholds of over 50 years held as investment properties The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19 The Committee of Management believes that, as these properties are not held for consumption but investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified

Investment properties are reported as acquired at their full cost at the date of exchange of a purchase contract, or, where later when all material conditions relevant to that exchanged purchase contract have been satisfied

Investment properties are reported as sold at the date of exchange of a sale contract, or, where later, when all material conditions relevant to that exchanged sale contract have been satisfied

Assets in the course of construction are carried at cost which includes financing costs and own labour costs where relevant, and are reclassified as investment properties as soon as they are available for letting All subsequent costs, including financing costs and own labour costs, are written off as they are incurred

Assets on which substantial development is taking place are transferred to 'Assets in the course of construction' at the carrying value at the date of transfer

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2 6 Principal accounting policies of APP (continued)

iii) TURNOVER

Turnover comprises gross rental and service charge income, receivable during the year, the sale of stock properties and hotel income, and was all derived from UK activities Stock properties are reported as sold at the date of exchange of a sale contract, or, where later, when all material conditions relevant to that exchanged sale contract have been satisfied Rental and hotel income is recognised on an accruals basis as the rent due under the relevant lease for the financial year or part thereof

iv) STOCK PROPERTY

Properties carried as stock are valued at the lower of cost and net realisable value Cost includes the purchase cost and associated acquisition costs and for development properties building costs, financing costs and own labour costs

When disposal occurs of property which forms part of a larger development, the costs allocated to the disposed stock item reflect both direct costs and a proportion of overall project costs

v) CURRENT AND DEFERRED TAXATION – Partner companies

Taxation on each partner company's share of profits and gains of the partnership is the responsibility of each of those partner companies The taxation liabilities of APP's subsidiary companies are recognised within the financial statements of APP Partner companies have their own liability to taxation, both current and deferred, based on their share of the APP results As the partner companies will draw from APP to meet these liabilities as and when they fall due, a liability to the partner companies for those amounts has been recognised as "Partners' corporation tax" and is shown both as a drawing by the partners, and as a creditor falling due within one year

CURRENT AND DEFERRED TAXATION – Subsidiary companies

The taxation liabilities of APP's subsidiary companies are recognised within the financial statements of APP The tax expense for the period comprises current and deferred tax Tax is recognised in the income statement The current income tax charge is calculated on the basis of the UK tax laws enacted at the balance sheet date

Deferred taxation in subsidiary companies is provided at the current rate on timing differences that have originated but not reversed by the balance sheet date Deferred taxation is not provided on unrealised revaluation gains on investment properties, unless, by the balance sheet date, the company has entered into a binding agreement to sell the revalued property and has recognised the gains and losses expected to arise from the sale 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

3 OPERATING LOSS

	2014	2013
This is stated after charging -	£	£
Auditors' remuneration -		
Audit services	–	–

Auditors' remuneration is borne by APP The company's share of the audit of APP, excluding APP subsidiaries, was £6,360 (2013 £6,265)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

4 EMPLOYEE INFORMATION

4 1 Directors' remuneration of £70,229 (2013 £69,185) comprises fees charged directly to the company by third parties for the services of M R Breen and N J L Welch

The remuneration of A P Cunningham is reported in the financial statements of APP

4 2 Other than directors, the company has no employees (2013 nil)

4 3 The average monthly number of employees of APP including the company's directors during the year was 12 (2013 12)

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2014 £	2013 £
Current tax		
UK corporation tax on (loss)/profit of the financial year	–	–
Adjustments in respect of prior periods	(1,504)	(39,443)
Total current tax and tax on (loss)/profit on ordinary activities	(1,504)	(39,443)

The tax assessed for the year is higher (2013 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013 24%) The differences are explained below

Factors affecting the tax charge for the year:

	2014	2013
(Loss)/profit on ordinary activities before taxation	(185,461)	8,556
(Loss)/profit on ordinary activities before taxation multiplied by UK corporation tax of 23% (2013 24%)	(42 656)	2,053
Increased by		
Tax losses not utilised	49,460	30,160
Share of post-tax losses of APP subsidiaries	23,330	23,833
Depreciation and impairment non-deductible	6,617	16,225
Other non-deductible costs	–	245
and reduced by		
Marginal tax rates	(185)	(3,260)
Tax recovery from tax losses carried back to prior periods	–	(39,443)
Capital allowances	(6,303)	(1,692)
Indexation on disposals	(30,263)	(67,564)
Adjustments in respect of prior periods	(1,504)	–
Current tax credit for the year	(1,504)	(39 443)

Factors affecting current and future tax charges:

The UK corporation tax rate effective from 1 April 2013 was reduced to 23%, will be 21% effective from 1 April 2014 and will be 20% effective from 1 April 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

6 INVESTMENTS

	2014 £	2013 £
Other investments, ordinary shares at cost		
At 1 April	83,779	84,150
Additions in the year	350,000	558,200
Disposal in the year	(375,465)	(558,571)
At 31 March	58,314	83,779

The directors consider that the investments are worth not less than their carrying value

7 DEBTORS

	2014 £	2013 £
Amounts falling due within one year		
Corporation tax recovery	40,923	39,443
Amounts due from APP partners	–	6,831
	40,923	46,274

8 CREDITORS: amounts falling due within one year

	2014 £	2013 £
Amounts due to APP partners	6,686	–
Total creditors	6,686	–

The amounts due to APP partners are interest free and repayable on demand

9 PROVISION FOR LIABILITIES AND CHARGES
DEFERRED TAX

In accordance with FRS 19, no deferred tax has been provided on the unrealised revaluation gains on APP's investment properties The company's share of taxation that would arise if the revalued properties were sold at their revalued amounts would be £nil (2013 £nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

10 CALLED UP SHARE CAPITAL

	2014	2013
	£	£
Authorised -		
100 Founders' shares of 50p each	50	50
5,999,900 Ordinary shares of 50p each	2,999,950	2,999,950
	3,000,000	3,000,000

	2014	2013	2014	2013
	Number of shares		£	£
Allotted and fully paid -				
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April	2,155,875	2,355,535	1,077,937	1,177,767
Cancelled on share buy back during the year	(125,759)	(199,660)	(62,880)	(99,830)
At 31 March	2,030,116	2,155,875	1,015,057	1,077,937
Total share capital	2,030,216	2,155,975	1,015,107	1,077,987

The benefits of the Founder Shares rank pari-passu with the Ordinary Shares

11 RESERVES

	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss reserve
	£	£	£	£
At 1 April 2013	2,177,972	1,408,864	(1,827,510)	3,315 013
Cancellation of shares on buy back and costs	–	62,880	–	(338,166)
Transfer of realised revaluation deficit	–	–	1,496,585	(1,496,585)
Revaluation surplus on investment properties in APP joint venture	–	–	281,215	–
Retained loss for the year	–	–	–	(183,957)
At 31 March 2014	2,177,972	1,471,744	(49,710)	1,296,305

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2014

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Shareholders' funds at 1 April	6,152,326	6,892,555
Cancellation of shares on buy back	(338,166)	(549,808)
(Loss)/profit for the financial year	(183,957)	47,999
Other recognised gains and losses relating to the year	281,215	(238,420)
Shareholders' funds at 31 March	5,911,418	6,152,326

13 RELATED PARTY TRANSACTIONS

a) TRANSACTIONS WITH APP JOINT VENTURE

The company has drawn £381,046 from the APP joint venture for corporate expenses and taxation payments, and at 31 March 2014 there was a balance of £6,686 due to APP

b) DIRECTORS' INTEREST IN APP CONTRACTS

(i) M R Breen has an interest in Epicwork Limited which provided property services to the value of £230,000 (2013 £220,000) to APP At 31 March 2014 the balance due to that company was £52,000 (2013 £33,043)

(ii) N J L Welch has an interest in Crescent Projects Limited, which provided project management and surveying services of £3,200 (2013 £38,400) to APP At 31 March 2014 there was no balance due to that company (2013 £nil)

c) APP RELATED PARTY TRANSACTIONS

(i) During the year, APP advanced £91,585 to Embergreen Technology Limited, a company in which M R Breen and A P Cunningham have minority interests

(ii) During the year, APP received £187,500 from CHF Trebovir LLP

ARTESIAN CHALLENGER plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Artesian Challenger plc (the Company) will be held at -

The East India Club,
16, St James Square,
London, SW1

at 11 00 am on 25 September 2014, 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 2014

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

3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next annual general meeting at which financial statements are laid before the Company and that their remuneration be fixed by the directors

To approve the following resolution, which will be proposed as a Special Resolution

4 That the proposed subscription by the Company of up to £470,000 for up to 470,000 ordinary shares of £1 each in Artesian Buy Back 2014 Limited (as described in the letter to shareholders dated 9 July 2014 (the Letter)) be and hereby is approved and that the directors of the Company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve

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 July 2014

D J T MacDonald
Joint Company Secretary

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

ARTESIAN CHALLENGER plc

For use by the holders of ordinary shares

FORM OF PROXY

I

(IN BLOCK CAPITALS PLEASE)

of

being a member of Artesian Challenger 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 25 September 2014, and at every adjournment thereof

Dated 2014 Signature

ORDINARY RESOLUTIONS	FOR	AGAINST
1 Adoption of the report of the directors, report of the auditors and the financial statements for the year ended 31 March 2014		
2 To re-elect A P Cunningham as a director of the Company		
3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next annual general meeting at which financial statements are laid before the Company and that their remuneration be fixed by the directors		

SPECIAL RESOLUTION	FOR	AGAINST
4 That the proposed subscription by the Company of up to £470,000 for up to 470,000 ordinary shares of £1 each in Artesian Buy Back 2014 Limited (as described in the letter to shareholders dated 9 July 2014 (the Letter)) be and hereby is approved and that the directors of the Company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve		

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 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