

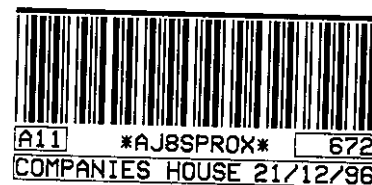


MILK STREET HOLDINGS LIMITED

Report and Financial Statements

31 March 1996

**Deloitte & Touche
Leda House
Station Road
Cambridge CB1 2RN**





REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the period from 1 October 1995 to 31 March 1996. The financial year has been changed from 30 September to 31 March so these financial statements cover a period of 6 months.

STATE OF AFFAIRS AND DIVIDENDS

The company is dormant.

The director does not recommend the payment of a dividend.

DIRECTOR

The director who served throughout the period is Mr J H Williamson. He had no interest in the share capital of the company. His interest in the share capital of Cadastra Limited, the ultimate parent company of the group, is set out in the report of the directors of that company.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Approved by the Director
and signed on his behalf

for CADAstra LIMITED


DIRECTOR/SECRETARY

Secretary

12 December 1996

Leda House
Station Road
Cambridge



Chartered Accountants

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MILK STREET HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 3 to 5 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of the director and auditors

As described on page 1 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1996 and of the result for the period from 1 October 1995 to 31 March 1996 and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors
19 December 1996



PROFIT AND LOSS ACCOUNT

Period from 1 October 1995 to 31 March 1996

	Note	6 months to 31 March 1996 £	12 months to 30 September 1995 £
Release of warranty provision	3	2,730,149	-
Provision re assignment	3	(2,730,149)	-
PROFIT FOR THE FINANCIAL PERIOD		-	-
RETAINED PROFITS			
Opening balance 1 October		-	-
Closing balance 31 March		-	-

All amounts derive from discontinued operations.

There are no recognised gains and losses other than as shown in the profit and loss account. Accordingly no separate statement of total recognised gains and losses and no reconciliation of movements in shareholders' funds are given.



BALANCE SHEET
31 March 1996

	Note	31 March 1996 £	30 September 1995 £
CURRENT ASSETS			
Amounts due from parent company		3,800,150	3,800,150
Other debtors		930,149	1,800,000
		<u>4,730,299</u>	<u>5,600,150</u>
CREDITORS: amounts falling due within one year			
Other creditors	3	2,730,149	-
		<u>2,000,150</u>	<u>5,600,150</u>
NET CURRENT ASSETS			
PROVISION FOR LIABILITIES			
Provision for warranty	3	-	(3,600,000)
		<u>2,000,150</u>	<u>2,000,150</u>
CAPITAL AND RESERVES			
Called up share capital	2	2,000,150	2,000,150
Profit and loss account		-	-
		<u>2,000,150</u>	<u>2,000,150</u>
SHAREHOLDERS' FUNDS			
Equity shareholders' funds		100	100
Non-equity shareholders' funds		2,000,050	2,000,050
		<u>2,000,150</u>	<u>2,000,150</u>

These financial statements were approved by the Director on

12 December 1996

Director

NOTES TO THE ACCOUNTS

Period from 1 October 1995 to 31 March 1996

1. ACCOUNTING POLICY

The financial statements are prepared in accordance with applicable accounting standards.

2. CALLED UP SHARE CAPITAL

	31 March 1996 £	30 September 1995 £
Authorised, allotted and fully paid		
Participating preference shares of £1 each	50	50
15% non-cumulative preference shares of £1 each	2,000,000	2,000,000
Ordinary shares of £1 each	100	100
	<u>2,000,150</u>	<u>2,000,150</u>

The 15% non-cumulative preference shares rank in priority to the ordinary shares as regards Capital as well as Dividend, but do not carry any further right to participate in the profits or assets of the company. The participating preference shares rank in priority to the ordinary shares as regards Capital as well as Dividend to the extent of a 10% non-cumulative preference dividend and thereafter at varying rates as laid down in the Company's Articles of Association. The holders of the preference shares do not have the right to attend or vote at any General Meeting except in respect of a resolution varying the rights of the holders of the shares.

3. PROVISIONS

During a prior year the company made a provision of £3,600,000 for contingent warranty repayment liabilities relating to consideration of the same amount receivable for the sale of certain investments.

By a Deed of Assignment dated 30 September 1987 the company assigned to a group company a majority interest in the £3,600,000 receivable less any warranty repayments made.

Since 31 March 1996 the amount of such warranty repayment has been determined and paid and therefore release of the balance of the provision has been made in these financial statements.

A new provision has been made for sums payable under the Deed of Assignment, the amount of which remains to be agreed with the assignee. Pending such agreement, such new provision has been made at the amount equal to the release of the original provision.

	31 March 1996 £	30 September 1995 £
Opening warranty provision	3,600,000	3,600,000
Applied in meeting warranty obligation	(869,851)	-
Release to profit and loss account	<u>(2,730,149)</u>	<u>-</u>
Closing provision	<u>-</u>	<u>3,600,000</u>
Provision for interest assigned	<u>2,730,149</u>	<u>-</u>

4. ULTIMATE PARENT COMPANY

The ultimate parent company is Cadastra Limited, which is registered in England and Wales. The group accounts are available at Leda House, Station Road, Cambridge.