



STONEFLARE UK LIMITED

Report and Financial Statements

31 March 1999



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

**17/01/00
AC03sul8**



REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Director's report	1
Auditors' report	2
Profit and loss account	3
Statement of movements on reserves	3
Reconciliation of movements in shareholders' funds	3
Balance sheet	4
Notes to the accounts	5

**DIRECTOR'S REPORT**

The director presents his annual report and the audited financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is the making and holding of investments.

DIRECTOR AND HIS INTERESTS

The director who served throughout the year 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, 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. 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

Secretary
19.1.2000

DIRECTOR/SECRETARY

Leda House
Station Road
Cambridge CB1 2RN



STONEFLARE UK LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 3 to 7 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

26.1.00



PROFIT AND LOSS ACCOUNT

Year ended 31 March 1999

	Note	1999 £	1998 £
Interest receivable and similar income	3	447,400	437,270
PROFIT FOR THE YEAR		447,400	437,270
TRANSFERRED TO RESERVES			

All transactions arose from continuing activities.

There were no recognised gains or losses other than the profit for the year and the preceding year. Accordingly, no statement is provided of total recognised gains and losses.

STATEMENT OF MOVEMENTS ON RESERVES

Year ended 31 March 1999

	Profit and loss account £
At 1 April 1998	432,991
Profit for the year	447,400
At 31 March 1999	880,391

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1999

	1999 £	1998 £
Profit for the financial year	447,400	437,270
Issue of shares	-	199,900
Net addition to shareholders' funds	447,400	637,170
Opening shareholders' funds	632,991	(4,179)
Closing shareholders' funds	1,080,391	632,991



BALANCE SHEET
31 March 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Investments	5	<u>6,601,615</u>	<u>6,601,615</u>
CURRENT ASSETS			
Taxation recoverable		320	160
Amount owed by parent company		950,000	430,000
Cash at bank		<u>241,096</u>	<u>314,496</u>
		<u>1,191,416</u>	<u>744,656</u>
NET CURRENT ASSETS		<u>1,191,416</u>	<u>744,656</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,793,031</u>	<u>7,346,271</u>
CREDITORS: amounts falling due after more than one year			
Amounts owed to group undertakings		<u>(6,712,640)</u>	<u>(6,713,280)</u>
		<u>1,080,391</u>	<u>632,991</u>
CAPITAL AND RESERVES			
Called up share capital	6	200,000	200,000
Profit and loss account		<u>880,391</u>	<u>432,991</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,080,391</u>	<u>632,991</u>

These financial statements were approved by the Director on

Director

19 January 2000



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investment income

Investment income is included according to the date upon which dividends and interest became payable and is shown gross or with the related tax credit for dividends. Interest receivable on deposits and payable on borrowings is included on the accruals basis.

Investments held as fixed assets

Listed investments and loans are stated at cost less provision for any permanent diminution in value.

2. ADMINISTRATIVE EXPENSES

No director received any remuneration from the company in either year. Audit fees for both years were borne by another group undertaking.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £	1998 £
Bank interest	26,600	16,468
Interest receivable from fixed asset investments	420,800	420,800
Tax repayment supplement	-	2
	<u>447,400</u>	<u>437,270</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax on the profit for the year has been reduced to nil by the application of management expenses brought forward. At 31 March 1999 management expenses carried forward amounted to £275,372.



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

5. FIXED ASSET INVESTMENTS

	1999 £	1998 £
Fixed asset investments comprise:		
£10,000 of 8% Treasury Stock 2003		
Cost and net book value	9,582	9,582
7% unsecured loan notes 2007 Cadastra Limited		
Cost and net book value	6,000,000	6,000,000
Barclays Sterling Bond Fund		
Cost and net book value	200,000	200,000
Interest bearing rights		
At 1 April 1998	392,033	-
Additions at cost	-	800,000
Disposals	-	(407,967)
Net book value at 31 March 1999	392,033	392,033
Total fixed asset investments at 31 March	6,601,615	6,601,615
Market value of gilt edged stocks and Barclays Sterling Bond Fund	211,247	210,874

6. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised, issued and fully paid 200,000 ordinary shares of £1 each	200,000	200,000



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

7. ULTIMATE PARENT COMPANY

The ultimate parent company and immediate controlling party is Cadastra Limited, which is registered in England and Wales. Copies of the group financial statements of Cadastra Limited are available from Leda House, Station Road, Cambridge.

8. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the company is Mr J H Williamson.

9. RELATED PARTY DISCLOSURES

The company is exempt from disclosing details of transactions with its ultimate parent company, Cadastra Limited, together with its subsidiaries, because copies of Cadastra Limited group financial statements are available at Leda House, Station Road, Cambridge.