

CHEVERELL ESTATES LIMITED

REGISTERED NUMBER 583831

DIRECTORS' REPORT AND ACCOUNTS

24 DECEMBER 2003



CHEVERELL ESTATES LIMITED
REPORT OF THE DIRECTORS

Page 1

The directors present the audited financial statements for the year ended 24 December 2003.

Principal activity and review of business:

The company's principal activity is property development and dealing. The company's accounts for the year summarise the property and other income, and property movements.

Where appropriate, movements on share capital and reserves together with details of paid and proposed dividends are set out in the accounts.

Directors and directors' interests:

The directors during the year were:

A H Fletcher

R A Knight (Resigned 16 December 2003)

A A Preiskel

I G H Barnett (Appointed 16 December 2003)

All of the directors are also members of the board of directors of P&O Property Holdings Limited of which this company is a wholly owned subsidiary undertaking. Their interests in shares and debentures of group undertakings are disclosed in the directors' report of that company.

On behalf of the board

247 Tottenham Court Road
LONDON, W1T 7HH
19 October 2004



A A PREISKEL
DIRECTOR

CHEVERELL ESTATES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Page 2

The directors are required by the Companies Act 1985 to prepare accounts 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 for the financial year. In preparing those accounts, the directors are required to select appropriate accounting policies and then employ them consistently, make judgements and estimates that are reasonable and prudent and state whether all accounting standards which they consider to be applicable have been followed. The directors are also required to use a going concern basis in preparing the accounts unless this is inappropriate.

The directors have responsibility for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CHEVERELL ESTATES LIMITED**

Page 3

We have audited the accounts on pages 4 to 9.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion


We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 24 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
19 October 2004


KPMG Audit Plc
Chartered Accountants
Registered Auditor

CHEVERELL ESTATES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 2003

Page 4

NOTES	Year ended 24 December 2003		Year ended 24 December 2002	
	£	£	£	£
Turnover - Property sales		1,490,000		1,806,000
Cost of sales		(1,505,677)		(976,708)
Stock write up/(down)		491,075		(1,245,345)
Rent receivable	2,698,825		1,282,967	
Ground and head rents payable	(849,834)		(1,548,422)	
Property outgoings	(350,179)		(348,358)	
Dilapidations recovered	-		1,450,000	
		1,498,812		836,187
Group management charge		(309,000)		(66,000)
Interest Receivable		203		-
2 Profit on ordinary activities before taxation		1,665,413		354,134
3 Taxation on profit on ordinary activities		(117,416)		(350,000)
Profit on ordinary activities after taxation		1,547,997		4,134
BALANCE BROUGHT FORWARD		5,066,118		5,061,984
BALANCE CARRIED FORWARD		6,614,115		5,066,118

All turnover and operating profits are attributable to continuing operations.

There is no difference between the profits on ordinary activities before taxation and the retained profits for the year stated above, and their historical cost equivalents.

CHEVERELL ESTATES LIMITED
BALANCE SHEET AT 24 DECEMBER 2003

Page 5

<u>NOTES</u>	24 December 2003		24 December 2002	
	£	£	£	£
CURRENT ASSETS				
Stock:				
Properties		27,174,349		25,460,371
Debtors:				
Trade debtors	675		60,697	
Other debtors	235,684		169,841	
Prepayments and accrued income	4,986		26,986	
		241,345		257,524
		27,415,694		25,717,895
CAPITAL AND RESERVES				
4 Called up share capital		1,000,000		1,000,000
Profit and loss account		6,614,115		5,066,118
Equity shareholders' funds		7,614,115		6,066,118
CREDITORS: amounts falling due within one year:				
Trade creditors	1,244,853		675,813	
Other creditors	216,027		249,664	
Amounts owed to group undertakings	16,742,659		17,230,361	
Taxation	705,000		628,000	
Accruals and deferred income	660,915		555,814	
		19,569,454		19,339,652
6 Provisions for liabilities and charges		232,125		312,125
		27,415,694		25,717,895

The accounts were approved by the Board of Directors and signed on its behalf by:-


A A PREISKEL
Directors
19 October 2004


A H FLETCHER

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 24 December 2003 £	Year ended 24 December 2002 £
Profit for the financial year	1,547,997	4,134
Total recognised gains and losses relating to the financial year	<u>1,547,997</u>	<u>4,134</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 24 December 2003 £	Year ended 24 December 2002 £
Total recognised gains and losses for the financial year	1,547,997	4,134
Opening shareholders' funds	<u>6,066,118</u>	<u>6,061,984</u>
Closing shareholders' funds	<u>7,614,115</u>	<u>6,066,118</u>

1 ACCOUNTING POLICIES

The principal accounting policies that have been adopted in the preparation of these accounts are given below.

Basis of preparation of accounts

The accounts have been prepared in accordance with applicable United Kingdom accounting standards, and under historical cost accounting rules.

Development and dealing properties

Development and dealing properties are included in current assets at the lower of cost and net realisable value. Interest and other outgoings less income receivable are charged to the profit and loss account during development.

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions or balances with entities which form part of the group.

Cash flow statement

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

2 PROFIT AND LOSS ACCOUNT

- (a) The company's business is organised in the United Kingdom.
- (b) The basis of charging intra-group interest is agreed between the parties from time to time.
- (c) The directors do not receive any remuneration for their services to the company; their emoluments for work within the group are paid by other group undertakings and are dealt with in the accounts of those undertakings.
- (d) Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company.
- (e) Details of staff numbers and staff costs are disclosed in the accounts of the parent undertaking.

NOTES TO THE ACCOUNTS AT 24 DECEMBER 2003 (Continued)

3 TAXATION

	24 December 2003	24 December 2002
	£	£
UK corporation tax at 30% (2002: 30%)	(109,000)	-
Adjustment in respect of prior years	(33,416)	-
	<u>(142,416)</u>	<u>-</u>
Deferred taxation	25,000	(350,000)
	<u>(117,416)</u>	<u>(350,000)</u>

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK 30% (2002: 30%). The difference is explained below:

	24 December 2003	24 December 2002
Current tax reconciliation		
Profit on ordinary activities before tax	1,665,413	354,134
	<u>1,665,413</u>	<u>354,134</u>
Current tax at 30%	(499,624)	(106,240)
Effects of:		
Stock write up & disposal	232,640	-
Industrial buildings allowances	183,248	-
Expenses disallowable for tax	(25,319)	106,240
Adjustment in respect of prior years	(33,416)	-
Other differences	55	-
Total current tax charge	<u>(142,416)</u>	<u>-</u>

4 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 24 December 2003 and 2002		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

NOTES TO THE ACCOUNTS AT 24 DECEMBER 2003 (Continued)

5 DEFERRED TAXATION

	£
25 December 2002	100,000
Transfer from profit and loss account	25,000
At 24 December 2003	<u>125,000</u>

The balance at 24 December 2003 consists primarily of short-term timing differences. This balance is included in other debtors.

6 PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 25 December 2002	312,125
Transfer from profit & loss account	41,750
Transfer to creditors due within one year	(121,750)
At 24 December 2003	<u>232,125</u>

The provision relates to future rental obligations.

7 PARENT UNDERTAKING

The results of the company are included in the consolidated accounts of The Peninsular and Oriental Steam Navigation Company, its ultimate parent undertaking, a company incorporated by Royal Charter and therefore not registered, copies of whose accounts can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.