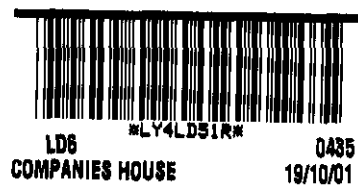


REGISTERED NUMBER 583831

24 DECEMBER 2000



CHEVERELL ESTATES LIMITED
REPORT OF THE DIRECTORS

Page 1

The directors present their annual report and accounts of the company for the year ended 24 December 2000.

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

A A Preiskel

According to the register of notifications received by the company relating to interests in the share capital and debentures of group undertakings, the following director had interests in The Peninsular and Oriental Steam Navigation Company, the company's ultimate parent undertaking, as set out below:


	24 December 2000	24 December 1999
	Deferred Stock	Deferred Stock
	£	£
A H Fletcher	1,959	485

During the year A H Fletcher was granted new options over £28,184 nominal of deferred stock and replacement options over £54,088 nominal of deferred stock in accordance with the rules of the P&O executive stock option scheme and exercised options over £1,230 nominal of deferred stock in accordance with the rules of the P&O save as you earn scheme.

R A Knight and A A Preiskel 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
17 October 2001


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, 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.

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

Page 3

We have audited the accounts on pages 4 to 8.

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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
17 October 2001

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

CHEVERELL ESTATES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 2000

Page 4

NOTES	Year ended 24 December 2000		Year ended 24 December 1999	
	£	£	£	£
Turnover - Property sales		12,213,673		128,108,948
Cost of sales		(8,105,453)		(98,402,740)
Property writedown		-		(1,497,903)
Other income - Rent receivable	4,910,184		6,659,883	
Ground and head rents payable	(1,834,943)		(2,571,937)	
Property (outgoings)/recoveries	(1,451,196)		30,334	
		1,624,045		4,118,280
Group management charge		(275,000)		(538,000)
Operating profit		5,457,265		31,788,585
Interest receivable - third party		10,692		29
2 Profit on ordinary activities before taxation		5,467,957		31,788,614
3 Taxation on profit on ordinary activities		(1,560,000)		(9,569,000)
Profit on ordinary activities after taxation		3,907,957		22,219,614
BALANCE BROUGHT FORWARD		33,748,902		11,529,288
Dividend proposed		(30,000,000)		-
BALANCE CARRIED FORWARD		7,656,859		33,748,902

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 2000

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<u>NOTES</u>	24 December 2000		24 December 1999	
	£	£	£	£
CURRENT ASSETS				
Stock:				
Properties		2,108,521		10,185,206
Debtors:				
Trade debtors	6,843		24,773,130	
Amounts owed by group undertakings	40,747,358		16,648,003	
Other debtors	542,239		324,567	
Prepayments and accrued income	16,031		109,083	
		<u>41,312,471</u>		<u>41,854,783</u>
		<u>43,420,992</u>		<u>52,039,989</u>
CAPITAL AND RESERVES				
4 Called up share capital		1,000,000		1,000,000
Profit and loss account		7,656,859		33,748,902
Equity shareholders' funds		<u>8,656,859</u>		<u>34,748,902</u>
CREDITORS: amounts falling due within one year:				
Trade creditors	674,371		3,394,113	
Other creditors	316,448		505,375	
Taxation	2,010,000		12,719,000	
Accruals and deferred income	1,763,314		672,599	
Dividends	30,000,000		-	
		<u>34,764,133</u>		<u>17,291,087</u>
		<u>43,420,992</u>		<u>52,039,989</u>

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



A A PREISKEL
 Directors
 17 October 2001



R A KNIGHT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 24 December 2000 £	Year ended 24 December 1999 £
Profit for the financial year	3,907,957	22,219,614
Total recognised gains and losses relating to the financial year	<u>3,907,957</u>	<u>22,219,614</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 24 December 2000 £	Year ended 24 December 1999 £
Total recognised gains and losses for the financial year	3,907,957	22,219,614
Opening shareholders' funds	34,748,902	12,529,288
Dividends	(30,000,000)	-
Closing shareholders' funds	<u>8,656,859</u>	<u>34,748,902</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.

3 TAXATION

	24 December 2000 £	24 December 1999 £
UK corporation tax at 30% (1999: 30.25%)	(2,010,000)	(9,569,000)
Deferred taxation	450,000	-
	<u>(1,560,000)</u>	<u>(9,569,000)</u>

4 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
Ordinary shares of £1 each At 24 December 2000 and 25 December 1999	<u>1,000,000</u>	<u>1,000,000</u>

5 DEFERRED TAXATION

	£
At 25 December 1999	-
Transfer to profit and loss account	450,000
At 24 December 2000	<u>450,000</u>

The deferred tax balance is included within other debtors.

6 PARENT UNDERTAKINGS

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 CF4 3UZ.