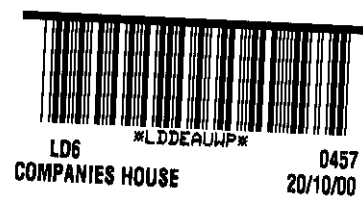


**LAING INVESTMENT COMPANY (CENTRAL) LIMITED**

**REGISTERED NUMBER 709936**

**DIRECTORS' REPORT AND ACCOUNTS**

**24 DECEMBER 1999**



The Directors present their annual report and accounts of the company for the year ended 24 December 1999.

**Principal activity and review of business:**

The company's principal activity is acting as an investment holding company. The company's investment operates in Canada. The company's accounts for the year summarise the income received. Where appropriate, movements on share capital, reserves and fixed assets together with details of paid and proposed dividends are set out in the accounts.

**Directors and directors' interests:**

The directors during the year were:

P A Bignell

R G Ferguson (resigned 31 July 1999)

R A Knight

A A Preiskel

C F Sadler (appointed 14 July 1999)

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

	24 December 1999	24 December 1998
	Deferred Stock	Deferred Stock
P A Bignell	24,620	20,077
C F Sadler	27,532	(1)
(1) 16,669 at date of appointment.		

During the year P A Bignell and C F Sadler were granted options over £4,200 and £2,500 nominal of deferred stock respectively, and exercised options over £nil and £10,863 nominal of deferred stock respectively in accordance with the rules of the P&O executive stock option scheme. P A Bignell exercised options over £4,620 nominal of deferred stock in accordance with 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.

247 Tottenham Court Road  
LONDON, W1P 0HH  
19 October 2000

On behalf of the board



P A BIGNELL  
DIRECTOR

**LAING INVESTMENT COMPANY (CENTRAL) LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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.

We have audited the accounts on pages 4 to 9.

**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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

London

*19 October 2000*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

**LAING INVESTMENT COMPANY (CENTRAL) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 24 DECEMBER 1999**

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<u>NOTES</u>	Year ended 24 December 1999 £	Period ended 24 December 1998 £
Profit on sales of investment held as fixed assets	90,372,623	-
Interest receivable	713,446	533,228
2 Profit on ordinary activities before taxation	91,086,069	533,228
3 Taxation on profit on ordinary activities	(11,256,000)	46,426
Profit on ordinary activities after taxation	79,830,069	579,654
BALANCE BROUGHT FORWARD	(810,021)	2,199
Exchange gain/(loss)	920,524	(1,391,874)
Transfer to other reserves	(79,617,498)	-
BALANCE CARRIED FORWARD	323,074	(810,021)

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 period stated above, and their historical cost equivalents.

**LAING INVESTMENT COMPANY (CENTRAL) LIMITED**  
**BALANCE SHEET AT 24 DECEMBER 1999**

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<u>NOTES</u>	24 December 1999 £	24 December 1998 £
<b>FIXED ASSETS</b>		
Investments		
4 Shares in subsidiary	12,393,665	6,991,391
<b>CURRENT ASSETS</b>		
Amounts owed by group undertakings	269,640,754	175,666,914
Amounts owed by subsidiary undertaking	-	16,431,925
Other debtors	855,067	-
Taxation	99,749	99,749
	<u>282,989,235</u>	<u>199,189,979</u>
<b>CAPITAL AND RESERVES</b>		
5 Called up share capital	200,000,000	200,000,000
6 Other reserves	79,617,498	-
Profit and loss account	323,074	(810,021)
Equity shareholders' funds	<u>279,940,572</u>	<u>199,189,979</u>
<b>CREDITORS: amounts falling due within one year:</b>		
Accruals	1,878,787	-
Taxation	1,169,876	-
	<u>282,989,235</u>	<u>199,189,979</u>

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



PA BIGNELL  
Directors  
19 October 2000



C F SADLER

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year to 24 December 1999 £	Period to 24 December 1998 £
Profit for the financial period	79,830,069	579,654
Exchange movements on foreign currency net investments	920,524	(1,391,874)
Total recognised gains and losses relating to the period	<u>80,750,593</u>	<u>(812,220)</u>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year to 24 December 1999 £	Period to 24 December 1998 £
Total recognised gains and losses for the financial period	80,750,593	(812,220)
Opening shareholders' funds	<u>199,189,979</u>	<u>200,002,199</u>
Closing shareholders' funds	<u>279,940,572</u>	<u>199,189,979</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 on the historical cost basis and in accordance with applicable United Kingdom accounting standards.

### **Foreign currencies**

Foreign currency investments are translated into sterling at the rate ruling on the date of acquisition. Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates. Exchange differences arising in the ordinary course of trading are included in operating profit and other exchange differences are taken to reserves.

### **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.

### **Investments**

Investments are stated at cost less amounts written off for permanent diminution in value.

### **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. The company's investment operates in Canada.
- (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 1999 £	24 December 1998 £
UK Corporation tax at 30.25% (1998: 31%)	(1,169,876)	99,749
Withholding tax on overseas income	(10,086,124)	(53,323)
	<u>(11,256,000)</u>	<u>46,426</u>
Taxation charge on capital items included above is as follows:		
UK Corporation tax at 30.25% (1998: 31%)	<u>(10,755,125)</u>	<u>-</u>

### 4 INVESTMENTS

	Shares in subsidiaries £
At 25 December 1998	6,991,391
Disposals	(6,991,391)
Additions	12,393,665
At 24 December 1999	<u>12,393,665</u>

During the year the company acquired 30,129 preferred shares of C\$1,000 par value in the Douglasdale Developments Inc., a company incorporated in Canada.

In the opinion of the directors, the value of the shares in the group undertaking is not less than the amount shown in the balance sheet.

Group accounts are not submitted because the company is itself a wholly owned subsidiary of another company registered in England.

### 5 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 24 December 1999 and 25 December 1998		
Ordinary shares at £1 each	<u>200,000,000</u>	<u>200,000,000</u>

6 OTHER RESERVES

£

At 25 December 1998	-
Transfer from profit and loss account	79,617,498
	<hr/>
At 24 December 1999	79,617,498
	<hr/>

7 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, and P&O Property Holdings Limited, its intermediate parent undertaking, a company registered in England. Copies of the accounts of these companies can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.