

LEONORA PROPERTIES (UK) LIMITED

REGISTERED NUMBER 805591

DIRECTORS' REPORT AND ACCOUNTS

24 DECEMBER 2004



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LEONORA PROPERTIES (UK) LIMITED
REPORT OF THE DIRECTORS

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The Directors present the audited financial statements for the year ended 24 December 2004.

Principal activity and review of business:

The company's principal activity is acting as a property investment holding company. 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

A A Preiskel

C F Sadler (died 6 August 2005)

It is with sadness the directors report the death of Mr C F Sadler on 6 August 2005.

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 2004	24 December 2003
	Deferred Stock	Deferred Stock
	£	£
C F Sadler	28,674	28,674

P A Bignell 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



P A BIGNELL
DIRECTOR

247 Tottenham Court Road
LONDON, W1T 7HH
12 October 2005

LEONORA PROPERTIES (UK) 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 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
LEONORA PROPERTIES (UK) LIMITED**

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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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
12 October 2005


KPMG Audit Plc
Chartered Accountants
Registered Auditor

LEONORA PROPERTIES (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 2004

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<u>NOTES</u>	Year ended 24 December 2004 £	Year ended 24 December 2003 £
Dividends receivable	-	125,000,000
2 Profit on ordinary activities before taxation	-	125,000,000
3 Taxation on profit on ordinary activities	2,895	330,636
Profit on ordinary activities after taxation	2,895	125,330,636
Dividends proposed or paid	-	(125,000,000)
BALANCE BROUGHT FORWARD	5,141,313	4,810,677
BALANCE CARRIED FORWARD	5,144,208	5,141,313

All turnover and operating profits are attributable to continuing operations.

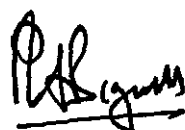
There is no difference between the profits on ordinary activities before taxation and the retained profits for the year stated above, and their historical cost equivalents.

LEONORA PROPERTIES (UK) LIMITED
BALANCE SHEET AT 24 DECEMBER 2004

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<u>NOTES</u>	24 December 2004		24 December 2003	
	£	£	£	£
FIXED ASSETS				
Investments:				
4	Shares in group undertakings	707,822		707,822
CURRENT ASSETS				
Amounts owed by group undertakings				
	4,686,386		4,683,491	
		4,686,386		4,683,491
		5,394,208		5,391,313
CAPITAL AND RESERVES				
5	Called up share capital	250,000		250,000
	Profit and loss account	5,144,208		5,141,313
	Equity shareholders' funds	5,394,208		5,391,313

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



P A BIGNELL
 Directors
 12 October 2005



A A PREISKEL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year to 24 December 2004 £	Year to 24 December 2003 £
Profit for the financial year	2,895	125,330,636
Total recognised gains and losses relating to the year	<u>2,895</u>	<u>125,330,636</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year to 24 December 2004 £	Year to 24 December 2003 £
Total recognised gains and losses for the financial year	2,895	125,330,636
Opening shareholders' funds	5,391,313	5,060,677
Dividends	-	(125,000,000)
Closing shareholders' funds	<u>5,394,208</u>	<u>5,391,313</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.

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.

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by Financial Reporting Standard 19 (Deferred Tax).

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 2004	24 December 2003
Analysis of charge in the period	£	£
UK corporation tax at 30% (2003: 30%)	-	-
Adjustments in respect of prior years	2,895	330,636
Tax on profit on ordinary activities	<u>2,895</u>	<u>330,636</u>

4 INVESTMENTS

£

Shares in subsidiary undertakings:

At 25 December 2003 and 24 December 2004

707,822

The company's subsidiary undertakings at the date of the balance sheet are set out below. All are wholly owned, registered in England, and engaged in property investment, development or dealing.

	Class of Capital	Shares in Subsidiary
Leonora Investment Company Limited	Ordinary	250,000
Leonora Estates Limited	Ordinary	50,000
Charlwood Alliance Properties Limited	Ordinary	99,593
Leonora Estates (Loughton) Limited	Ordinary	200
Leonora Investments (Harrow) Limited	Ordinary	100
Leonora Investments (Eastbourne) Limited	Ordinary	100
Leonora Investments (Bracknell) Limited	Ordinary	100
Leonora Estates (Mill Hill) Limited	Ordinary	100
Leonora Investments (Seafeld) Limited	Ordinary	100
Leonora Estates (Plymouth) Limited	Ordinary	100

In the opinion of the directors the value of the shares in the subsidiary undertakings is not less than the amount shown in the balance sheet.

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

5 CALLED UP SHARE CAPITAL

	Authorised	Allotted, called up and fully paid
	£	£
At 24 December 2004 and 25 December 2003:		
Ordinary shares at £1 each	250,000	250,000
	<u> </u>	<u> </u>

6 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.