

LAING ESTATES (MILL HILL) LIMITED

REGISTERED NUMBER 816985

DIRECTORS' REPORT AND ACCOUNTS

24 DECEMBER 1998



LAING ESTATES (MILL HILL) LIMITED
REPORT OF THE DIRECTORS

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The Directors present their annual report and accounts of the company for the year ended 24 December 1998.

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.

Where appropriate, movements on share capital and reserves are set out in the accounts.

Directors and directors' interests:

The directors during the year and subsequently were:

R G Ferguson (resigned 31 July 1999)

A H Fletcher (appointed 14 July 1999)

R A Knight

A A Preiskel

The directors at 24 December 1998 were 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.

Year 2000 Issues

The risks and uncertainties associated with the year 2000 problem have been reviewed. The company uses systems operated by its immediate parent undertaking who is addressing the year 2000 issue. No significant costs are expected to be incurred by the company.

On behalf of the board



A H FLETCHER
DIRECTOR

247 Tottenham Court Road
LONDON, W1P 0HH
20 October 1999

LAING ESTATES (MILL HILL) 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
LAING ESTATES (MILL HILL) LIMITED**

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We have audited the accounts on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
20 October 1999

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

LAING ESTATES (MILL HILL) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 1998

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NOTES	Year ended 24 December 1998		Year ended 24 December 1997	
	£	£	£	£
Turnover	-		525,000	
Cost of sales	-		(409,766)	
Dealing profit		-		115,234
Rent receivable	691,500		695,300	
Ground and head rents payable	(520,001)		(520,001)	
Property outgoings	(144,047)		(144,243)	
		27,452		31,056
Operating profit		27,452		146,290
Interest receivable third party		-		2,139
2 Profit on ordinary activities before taxation		27,452		148,429
3 Taxation on profit on ordinary activities		57,000		(46,000)
Profit on ordinary activities after taxation		84,452		102,429
BALANCE BROUGHT FORWARD		436,737		334,308
BALANCE CARRIED FORWARD		<u>521,189</u>		<u>436,737</u>

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.

LAING ESTATES (MILL HILL) LIMITED
BALANCE SHEET AT 24 DECEMBER 1998

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<u>NOTES</u>	24 December 1998		24 December 1997	
	£	£	£	£
CURRENT ASSETS				
Stocks				
Properties		2,827,668		2,970,889
Debtors				
Other debtors	196		1,119	
3 Taxation	57,000		-	
		57,196		1,119
		2,884,864		2,972,008
CAPITAL AND RESERVES				
4 Called up share capital		100		100
Profit and loss account		521,189		436,737
Equity shareholders' funds		521,289		436,837
CREDITORS: amounts falling due within one year:				
Trade creditors	99,670		89,424	
Amounts due to group undertakings	2,175,917		2,323,257	
Other creditors	44,558		28,060	
3 Taxation	-		46,000	
Accruals and deferred income	43,430		48,430	
		2,363,575		2,535,171
		2,884,864		2,972,008

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



A H FLETCHER
Directors
20 October 1999



R A KNIGHT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 24 December 1998 £	Year ended 24 December 1997 £
Profit for the financial year	84,452	102,429
Total recognised gains relating to the financial year	<u>84,452</u>	<u>102,429</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 24 December 1998 £	Year ended 24 December 1997 £
Total recognised gains relating to the financial year	84,452	102,429
Opening shareholders' funds	<u>436,837</u>	<u>334,408</u>
Closing shareholders' funds	<u>521,289</u>	<u>436,837</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.

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.

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.

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

The taxation charge on profit on ordinary activities is as follows:

	24 December 1998 £	24 December 1997 £
Current year:		
UK Corporation tax at 31% (1997: 31.5%) on the profit for the year	-	(46,000)
Group relief receivable	57,000	-
	<u>57,000</u>	<u>(46,000)</u>

The tax charge has been reduced by losses brought forward.

4 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 24 December 1998 and 25 December 1997		
Ordinary shares at £1 each	<u>100</u>	<u>100</u>

5 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.