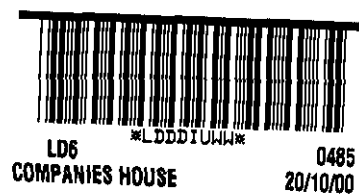


**LAING ESTATES (MILL HILL) LIMITED**

**REGISTERED NUMBER 816985**

**DIRECTORS' REPORT AND ACCOUNTS**

**24 DECEMBER 1999**



**LAING ESTATES (MILL HILL) LIMITED**  
**REPORT OF THE DIRECTORS**

Page 1

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 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

According to the register of notifications received by the company relating to interest 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:

	<b>24 December 1999</b>	<b>14 July 1999</b>
	<b>Deferred Stock</b>	<b>Deferred Stock</b>
	<b>£</b>	<b>£</b>
A H Fletcher	485	485

During the year A H Fletcher was granted options over £3,200 nominal of deferred stock in accordance with the rules of the P&O executive stock option scheme and exercised options over £678 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, W1P 0HH  
11 October 2000

  
A A PREISKEL  
DIRECTOR

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  
LAING ESTATES (MILL HILL) 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 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.

London  
11 October 2000

*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 1999**

Page 4

NOTES	Year ended 24 December 1999		Year ended 24 December 1998	
	£	£	£	£
Rent receivable	717,500		691,500	
Ground and head rents payable	(520,000)		(520,001)	
Property outgoings	(38,495)		(144,047)	
		<u>159,005</u>		<u>27,452</u>
2 Profit on ordinary activities before taxation		159,005		27,452
3 Taxation on profit on ordinary activities		<u>(16,000)</u>		<u>57,000</u>
Profit on ordinary activities after taxation		143,005		84,452
BALANCE BROUGHT FORWARD		521,189		436,737
<b>BALANCE CARRIED FORWARD</b>		<u><u>664,194</u></u>		<u><u>521,189</u></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 1999**

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<b>NOTES</b>	<b>24 December 1999</b>		<b>24 December 1998</b>	
	£	£	£	£
<b>CURRENT ASSETS</b>				
Stocks				
Properties		2,688,556		2,827,668
<b>Debtors</b>				
Other debtors	453		196	
3 Taxation	41,000		57,000	
		41,453		57,196
		2,730,009		2,884,864
<b>CAPITAL AND RESERVES</b>				
4 Called up share capital		100		100
Profit and loss account		664,194		521,189
Equity shareholders' funds		664,294		521,289
<b>CREDITORS: amounts falling due within one year:</b>				
Trade creditors	48,169		99,670	
Amounts due to group undertakings	1,974,800		2,175,917	
Other creditors	27,746		44,558	
Accruals and deferred income	15,000		43,430	
		2,065,715		2,363,575
		2,730,009		2,884,864

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



R A KNIGHT

Directors

11 October 2000



A A PREISKEL

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 24 December 1999 £	Year ended 24 December 1998 £
Profit for the financial year	143,005	84,452
Total recognised gains relating to the financial year	<u>143,005</u>	<u>84,452</u>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 24 December 1999 £	Year ended 24 December 1998 £
Total recognised gains relating to the financial year	143,005	84,452
Opening shareholders' funds	<u>521,289</u>	<u>436,837</u>
Closing shareholders' funds	<u>664,294</u>	<u>521,289</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 1999 £	24 December 1998 £
Current year:		
UK Corporation tax at 30.25% (1998: 31%) on the profit for the year	(16,000)	-
Group relief receivable	-	57,000
	<u>(16,000)</u>	<u>57,000</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 1999 and 25 December 1998		
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.