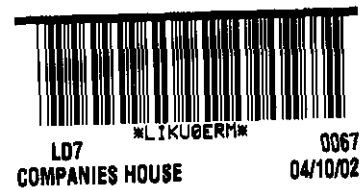


HILLSWOOD 3000 LIMITED

REGISTERED NUMBER 03612455

DIRECTORS' REPORT AND ACCOUNTS

24 DECEMBER 2001



HILLSWOOD 3000 LIMITED
REPORT OF THE DIRECTORS

Page 1

The directors present their annual report and accounts of the company for the year ended 24 December 2001.

Principal activity and review of business:

The company's principal activity is property development. The company's accounts for the year summarise the property and other income, and property movements.

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:

W T Edgerley

S O F Kerridge

P A Bignell (appointed 9 January 2002)

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 2001 | 24 December 2000 |
|----------------|------------------|------------------|
| | Deferred Stock | Deferred Stock |
| | £ | £ |
| S O F Kerridge | 7,430 | 4,289 |

During the period S O F Kerridge was granted options over £19,288 nominal of deferred stock in accordance with the rules of the P&O executive stock option scheme and £1,827 nominal of deferred stock in accordance with the rules of the P&O save as you earn stock option scheme.

W T Edgerley and P A Bignell 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.

Auditors

A resolution for the re-appointment of KPMG Audit Plc will be proposed at the company's annual general meeting.

On behalf of the board

4 Carlton Gardens
Pall Mall
LONDON, SW1Y 5AB
26 September 2002


W T EDGERLEY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HILLWOOD 3000 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 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 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
26 September 2002

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

HILLSWOOD 3000 LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24 DECEMBER 2001

Page 4

| <u>NOTES</u> | Year ended 24 December 2001 £ | Year ended 24 December 2000 £ |
|---|-------------------------------------|-------------------------------------|
| Interest receivable - third party | - | 131 |
| 2 Profit on ordinary activities before and after taxation | - | 131 |
| BALANCE BROUGHT FORWARD | 3,172,710 | 3,172,579 |
| Dividends proposed | (3,172,710) | - |
| BALANCE CARRIED FORWARD | - | 3,172,710 |

All turnover and operating loss are attributable to continuing operations.

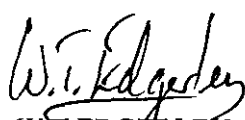
There is no difference between the loss on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

HILLSWOOD 3000 LIMITED
BALANCE SHEET AT 24 DECEMBER 2001

Page 5

| <u>NOTES</u> | 24 December 2001 | | 24 December 2000 | |
|--|------------------|------------|------------------|------------|
| | £ | £ | £ | £ |
| CURRENT ASSETS | | | | |
| Debtors | | | | |
| Trade debtors | - | | 1,269 | |
| Amounts owed by group undertakings | 13,172,710 | | 15,666,810 | |
| | | 13,172,710 | | 15,668,079 |
| | | 13,172,710 | | 15,668,079 |
| | | | | |
| CAPITAL AND RESERVES | | | | |
| 3 Called up share capital | | 10,000,000 | | 10,000,000 |
| Profit and loss account | | - | | 3,172,710 |
| Equity shareholders' funds | | 10,000,000 | | 13,172,710 |
| CREDITORS: amounts falling due within one year: | | | | |
| Trade creditors | - | | 2,495,369 | |
| Dividends | 3,172,710 | | - | |
| | | 3,172,710 | | 2,495,369 |
| | | 13,172,710 | | 15,668,079 |

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


W T EDGERLEY
Directors
26 September 2002


P A BIGNELL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | Year ended 24 December 2001 £ | Year ended 24 December 2000 £ |
|--|-------------------------------------|-------------------------------------|
| Profit for the financial year | - | 131 |
| Total recognised profits relating to the financial year | <u>-</u> | <u>131</u> |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Year ended 24 December 2001 £ | Year ended 24 December 2000 £ |
|---|-------------------------------------|-------------------------------------|
| Total recognised profits for the financial year | - | 131 |
| Dividends | (3,172,710) | |
| Opening shareholders' funds | 13,172,710 | 13,172,579 |
| Closing shareholders' funds | <u>10,000,000</u> | <u>13,172,710</u> |