

HILLSWOOD 3000 LIMITED

REGISTERED NUMBER 03612455

DIRECTORS' REPORT AND ACCOUNTS

**PERIOD FROM 4 AUGUST 1998 TO
24 DECEMBER 1999**



HILLSWOOD 3000 LIMITED
REPORT OF THE DIRECTORS

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

Principal activity and review of business:

The company was incorporated on 4 August 1998.

The company's principal activity is property development. The company's accounts for the period 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 period were:

B Collett (appointed 4 August 1998, resigned 5 August 1998)

W T Edgerley (appointed 5 August 1998)

S O F Kerridge (appointed 5 August 1998)

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	5 August 1999
	Deferred Stock	Deferred Stock
	£	£
S O F Kerridge	1,274	1,773

During the period S O F Kerridge was granted options over £3,000 nominal of deferred stock in accordance with the rules of the P&O executive stock option scheme and was granted options over £450 nominal of deferred stock in accordance with the rules of the P&O save as you earn stock option scheme.

W T Edgerley is also a member of the board of directors of P&O Property Holdings Limited of which this company is a wholly owned subsidiary undertaking. His 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 has addressed the year 2000 issue. No significant costs are expected to be incurred by the company. At the accounts signing date, no adverse effects to the company's systems or day to day operations resulting from the year 2000 issues have appeared, but residual exposure remains.

HILLSWOOD 3000 LIMITED
REPORT OF THE DIRECTORS (Continued)

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Auditors

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

4 Carlton Gardens
Pall Mall
LONDON, SW1Y 5AB

20 July 2000

On behalf of the board


W T EDGERLEY

The directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period. 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 5 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 period then ended and have been properly prepared in accordance with the Companies Act 1985.

20 July 2000
London

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

HILLSWOOD 3000 LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 24 DECEMBER 1999

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<u>NOTES</u>	Period ended 24 December 1999 £
Turnover - Property sales	29,356,279
Cost of sales	(24,807,700)
2 Profit on ordinary activities before taxation	4,548,579
3 Taxation on profit on ordinary activities	(1,417,000)
Profit on ordinary activities after taxation	3,131,579
BALANCE BROUGHT FORWARD	-
BALANCE CARRIED FORWARD	3,131,579

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.

HILLSWOOD 3000 LIMITED
BALANCE SHEET AT 24 DECEMBER 1999

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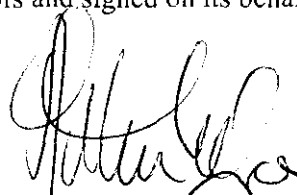
NOTES	24 December 1999	
	£	£
CURRENT ASSETS		
Debtors		
Amounts owed by group undertakings	17,433,275	
Other debtors	12,504	
		17,445,779
		17,445,779
CAPITAL AND RESERVES		
4 Called up share capital		10,000,000
Profit and loss account		3,131,579
Equity shareholders' funds		13,131,579
CREDITORS: amounts falling due within one year:		
Trade creditors	2,897,200	
Taxation	1,417,000	
		4,314,200
		17,445,779

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


W T EDGERLEY

Directors

20 July 2000


S O F KERRIDGE

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period ended 24 December 1999 £
Profit for the financial period	3,131,579
	<hr/>
Total recognised gains and losses relating to the financial period	3,131,579
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RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period ended 24 December 1999 £
Total recognised gains and losses for the financial period	3,131,579
New shares issued	10,000,000
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	13,131,579
	<hr/>

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.

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.

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.

NOTES TO THE ACCOUNTS AT 24 DECEMBER 1999 (Continued)

3 TAXATION

24 December 1999

£

UK Corporation tax at 30.5% on
the profit for the period

(1,417,000)

 (1,417,000)

4 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
Ordinary shares at £1 each		
At 4 August 1998	-	-
Issued during the period	10,000,000	10,000,000
At 24 December 1999	<u>10,000,000</u>	<u>10,000,000</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.