

Company Number 1344820

MANAGED OFFICES LIMITED

DIRECTORS' REPORT  
AND ACCOUNTS

31 DECEMBER 2000



## Report of the directors

The directors present their annual report and audited accounts for the year ended 31 December 2000.

## Principal activity and review of business

The results of the Group are set out in detail on pages 6 to 10 and in the accompanying notes.

The Company is an investment holding company. It is the holding company for Laing Properties Inc. The principal activity of Laing Properties Inc. and its subsidiaries was long term property investment, together with the development of properties for retention or sale. Laing Properties Inc. operated in the United States. Both the investment and development property portfolios were disposed during 1998.

The directors do not recommend the payment of a dividend (1999: £nil)

## Directors and directors' interests

The directors during the year were:

P N Armstrong	
W N Hugill	
J E Curin	(appointed 7 November 2000)
T J R Harding	(resigned 7 November 2000)
N L Luff	(resigned 20 October 2000)

Since the year end, on 17 January 2001, R M Gradon was appointed as a director.

No director holds shares in the Company. No director has had an interest in any contract with the Company during the year.

## Auditors

Under section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



S. Scott  
Secretary

79 Pall Mall  
London SW1Y 5EJ  
22 January 2002

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACCOUNTS**

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the auditors on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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 and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the directors are required to select appropriate accounting policies and then apply 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 accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF MANAGED OFFICES LIMITED

We have audited the accounts on pages 4 to 18.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements 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 financial statements 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 financial statements, 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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

22 January 2002

**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 consolidated accounts of the Company and its subsidiaries are prepared under the historical cost convention. The accounts have been prepared in accordance with applicable United Kingdom accounting standards.

As the Company and Group have net liabilities, joint letters of support have been obtained from the shareholders to confirm that the Company and Group will continue to be able to meet their debts as they fall due.

The consolidated accounts include the accounts of the Company and its subsidiaries and incorporate the Group's interests in joint ventures. Results of subsidiaries and joint ventures disposed during the year are included to the effective date of disposal. Where the accounts of subsidiaries and joint ventures do not conform with the accounting policies set out below, adjustments are made on consolidation in order to achieve conformity.

In accordance with section 230 of the Companies Act 1985 a separate profit and loss account for Managed Offices Limited is not presented.

**Accounting policies (continued)****Joint ventures**

The appropriate share of results of joint ventures, as disclosed in their financial statements but after adjustment to conform with the Company's accounting policies, is included in the Group's profit and loss account. Investments in joint ventures are shown in the balance sheet at cost less goodwill plus the appropriate share of post-acquisition reserves.

**Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of these assets to estimated residual value, on a straight line basis over the expected useful life of the asset concerned. Useful lives are estimated to be between three and five years.

**Pension schemes**

Contributions in respect of defined contribution pension schemes are charged to the profit and loss account when they are payable.

**Deferred taxation**

Deferred taxation is provided on income and expenditures dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that the reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities recorded in foreign currencies and the results of overseas subsidiaries have been stated in sterling at rates ruling at the balance sheet date. Gains and losses arising on translation of the net assets of such subsidiaries together with gains and losses arising on translation of related foreign currency borrowings, are taken to reserves. Other exchange differences are taken to the profit and loss account.

**Liquid resources**

Liquid resources comprise current asset investments including commercial paper with maturities of less than 90 days.

**Consolidated profit and loss account  
for the year ended 31 December 2000**

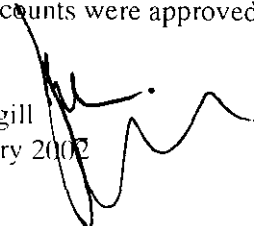
	Notes	2000 £'000	1999 £'000
Net operating income from discontinued operations	1	557	615
		<hr/> 557	<hr/> 615
Share of joint venture's operating profit		-	1
<b>Total operating profit from discontinued operations</b>		<hr/> 557	<hr/> 616
Net interest and similar items	2	3,214	1,992
<b>Profit on ordinary activities before taxation</b>		<hr/> 3,771	<hr/> 2,608
Taxation	3	(284)	(100)
<b>Retained profit for the financial year</b>		<hr/> <hr/> 3,487	<hr/> <hr/> 2,508

**Consolidated balance sheet  
at 31 December 2000**

	Notes	2000 £'000	1999 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Other fixed assets	5	-	2
Investments	6	7	6
		<u>7</u>	<u>8</u>
<b>Current assets</b>			
Debtors under one year	7	1,258	424
Debtors over one year	7	93,508	24,814
Other investments	8	-	57,931
Cash at bank and in hand		289	1,044
		<u>95,055</u>	<u>84,213</u>
<b>Total assets</b>		<u>95,062</u>	<u>84,221</u>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	9	4,800	4,800
Other reserves	10	234	234
Profit and loss account	10	(24,790)	(31,252)
<b>Equity shareholders' funds</b>		<u>(19,756)</u>	<u>(26,218)</u>
Convertible unsecured subordinated loan stock	11	66,000	66,000
Provisions	12	5	787
Other loans	13	46,854	40,481
Other creditors	14	1,959	3,171
		<u>114,818</u>	<u>110,439</u>
<b>Total liabilities</b>		<u>95,062</u>	<u>84,221</u>

These accounts were approved by the Board of directors and signed on its behalf by:

J Curin  
W N Hugill  
22 January 2002






**Company balance sheet  
at 31 December 2000**

	Notes	2000 £'000	1999 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments	17	47,493	47,493
<b>Current assets</b>			
Other debtors	7	488	15
Cash at bank and in hand		3	3
		<u>491</u>	<u>18</u>
<b>Total assets</b>		<u>47,984</u>	<u>47,511</u>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	9	4,800	4,800
Other reserves	10	1,833	1,833
Profit and loss account	10	(79,518)	(72,683)
<b>Equity shareholders' funds</b>		<u>(72,885)</u>	<u>(66,050)</u>
<b>Convertible unsecured subordinated loan stock</b>			
Other loans	11	66,000	66,000
Other loans	13	46,854	40,481
Other creditors	14	8,015	7,080
		<u>120,869</u>	<u>113,561</u>
<b>Total liabilities</b>		<u>47,984</u>	<u>47,511</u>

These accounts were approved by the Board of directors and signed on its behalf by:

  
J Curran  
W N Hugill  
22 January 2002

**Consolidated cash flow statement  
for the year ended 31 December 2000**

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Net cash inflow from operating activities	16.(a)		211		1,856
Returns on investments and servicing of finance					
Interest received		3,475		2,939	
Interest paid		<u>(2,582)</u>		<u>(2,221)</u>	
Net cash inflow from returns on investments and servicing of finance			893		718
Taxation paid			(284)		(100)
Capital expenditure and financial investment					
Sale of investments		-		149	
Sale of other fixed assets		<u>-</u>		<u>28</u>	
Net cash inflow for capital expenditure and financial investment			<u>-</u>		<u>177</u>
Net cash inflow before management of liquid resources and financing			820		2,651
Management of liquid resources			63,315		(9,950)
Financing					
Loan drawdowns		-		999	
Loan from related parties		48,209		-	
Loans to related parties		(68,093)		-	
Loan repayments		<u>(45,097)</u>		<u>-</u>	
Net cash (outflow) / inflow from financing			(64,981)		999
Decrease in cash	16.(b)		<u><u>(846)</u></u>		<u><u>(6,300)</u></u>

**Group statement of total recognised gains and losses  
for the year ended 31 December 2000**

	<b>31 Dec 2000</b>	<b>31 Dec 1999</b>
	<b>£'000</b>	<b>£'000</b>
Retained profit for the financial year	3,487	2,508
Exchange movements on foreign currency net investments	2,975	1,138
Total recognised gains and losses for the year	<u>6,462</u>	<u>3,646</u>

**Note of Group historical cost profits and losses  
for the year ended 31 December 2000**

	<b>31 Dec 2000</b>	<b>31 Dec 1999</b>
	<b>£'000</b>	<b>£'000</b>
Historical cost profit on ordinary activities before taxation	3,771	2,608
Historical cost profit for the year retained after taxation	<u>3,487</u>	<u>2,508</u>

**Reconciliation of movements in Group shareholders'  
funds for the year ended 31 December 2000**

	<b>31 Dec 2000</b>	<b>31 Dec 1999</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains and losses for the year	6,462	3,646
Shareholders' funds at the beginning of the year	(26,218)	(29,864)
Shareholders' funds at the end of the year	<u>(19,756)</u>	<u>(26,218)</u>

## Notes to the accounts

## 1. Analysis of results

An analysis of net operating profit is as follows:

	2000 £'000	1999 £'000
Administrative income	24	46
Recovery of sale provision	533	569
	<u>557</u>	<u>615</u>

	2000 £'000	1999 £'000
Operating profit is stated after charging		
Auditors' remuneration: audit fee	(13)	(31)
Depreciation	-	(2)

The audit fee of the Company was £3,000 (1999- £3,000).

## 2. Net interest and similar items

	2000 £'000	1999 £'000
Interest payable to third parties	(2,495)	(2,221)
Interest receivable from parent companies	751	-
Bank interest and other third party interest	4,958	4,213
	<u>3,214</u>	<u>1,992</u>

## 3. Taxation and deferred taxation

As of 31 December 2000 and 1999 the Group has available estimated net operating loss carryforward for US Federal and state purposes of approximately \$39 million and \$48 million respectively which are subject to certain limitations. These operating loss carryforwards are scheduled to expire in the years beginning 2004.

	2000 £'000	1999 £'000
<b>Overseas taxation:</b>		
Current tax on income for the period	<u>284</u>	<u>100</u>

**Notes to the accounts (continued)****4. Directors and employees**

## a) Directors' emoluments

No directors received any emoluments from the Group (1999 - nil).

## b) Employees other than directors

The average number of employees during the year was nil (1999 - nil).

**5. Other fixed assets**

<b>Group</b>	<b>£'000</b>
<b>Cost</b>	
At 1 January 2000	20
Exchange movements	3
Disposals	(23)
At 31 December 2000	-
<b>Depreciation</b>	
At 1 January 2000	(18)
Exchange movements	(2)
Charge for year	-
Disposals	20
At 31 December 2000	-
<b>Net book value</b>	
At 31 December 2000	-
At 31 December 1999	2

The Company has no other fixed assets at 31 December 2000 (1999:£nil).

## Notes to the accounts (continued)

## 6. Investments

Group	Shares £'000
<b>Joint ventures</b>	
<b>At cost or valuation</b>	
At 1 January 2000	6
Exchange movements	1
Disposals	-
At 31 December 2000	<u>7</u>

At 31 December 2000 the Group's share of joint venture liabilities is not material.  
The Company's investments are disclosed in note 17.

## 7. Debtors

Group	2000 £'000	1999 £'000
Amounts receivable within one year:		
Trade debtors	34	409
Other debtors	1,224	15
	<u>1,258</u>	<u>424</u>
Amounts receivable after more than one year:		
Other debtors	26,774	24,814
Amounts owed by related parties (see note 15)	66,734	-
	<u>93,508</u>	<u>24,814</u>
Total debtors	<u>94,766</u>	<u>25,238</u>

The Company has other debtors of £488,000 at 31 December 2000 (1999: £15,000) all receivable within one year.

## 8. Other investments

Other investments at 31 December 1999 consisted of commercial paper with maturities of less than 90 days.

## Notes to the accounts (continued)

## 9. Share capital

	Authorised £	Allotted, called up and fully paid £
At 31 December 2000 and 31 December 1999: Ordinary shares of £1 each	<u>70,800,100</u>	<u>4,800,100</u>

## 10. Reserves

Group	Other reserves £'000	Profit and loss account £'000
At 1 January 2000	234	(31,252)
Exchange movements	-	2,975
Retained profit for year	-	3,487
At 31 December 2000	<u>234</u>	<u>(24,790)</u>

Company	Other reserves £'000	Profit and loss account £'000
At 1 January 2000	1,833	(72,683)
Exchange movements	-	(3,792)
Loss for year	-	(3,043)
At 31 December 2000	<u>1,833</u>	<u>(79,518)</u>

## 11. Convertible unsecured subordinated loan stock

Stockholders have the right, exercisable at any time, to convert the whole or any part of such stock into fully paid ordinary shares of £1 each at the rate of one share for every £1 of stock converted. No interest is payable on the convertible unsecured loan stock.

## Notes to the accounts (continued)

## 12. Provisions

Group	Total £'000
At 1 January 2000	787
Exchange movements	79
Released during the year	(533)
Applied during the year	(328)
At 31 December 2000	<u>5</u>

Provisions relate primarily to expenditure related to property sales.

## 13. Other loans

	2000 £'000	1999 £'000
<b>Group and Company</b>		
US dollar unsecured	-	40,481
Loan from parent companies	46,854	-
	<u>46,854</u>	<u>40,481</u>

The Company was refinanced in November 2000 with two equal interest free loans from its parent companies, each of US\$35,000,000. This enabled the repayment of the variable rate bank loans outstanding at 31 December 1999 of US\$65,300,000.

## 14. Other creditors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts owed to subsidiaries	-	-	7,819	6,790
Overseas taxation	7	6	-	-
Accruals and deferred income	1,952	3,165	196	290
	<u>1,959</u>	<u>3,171</u>	<u>8,015</u>	<u>7,080</u>

Group other creditors include creditors repayable after more than one year of £nil (1999 - £1,386,000).



## Notes to the accounts (continued)

## 15. Related parties

On 7 November 2000 Laing Properties Inc. loaned US\$49,850,000 each (£33,367,000 at 31 December 2000) to two related parties, P&O Holdings, Inc., a subsidiary of The Peninsular and Oriental Steam Navigation Company, and Chelsfield Funding, Inc., a subsidiary of Chelsfield Plc. Each unsecured note is for a maximum amount of US\$75,000,000. The note from P&O Holdings, Inc. is guaranteed by the Peninsular and Oriental Steam Navigation Company and the note from Chelsfield Funding, Inc. is guaranteed by Chelsfield plc. Interest accrues on the aggregate principal balance outstanding at a per annum rate equal to LIBOR plus 75 basis points (.75) in simple interest terms. Interest is payable in arrears, beginning on 31 March 2001, with the final payment to coincide with the maturity of the notes on 20 September 2005. As at 31 December 2000, interest accrued but not yet received on these loans was £751,000 (see note 2). The loan balance outstanding at 31 December 2000 was £66,734,000. (see note 7).

Also in November 2000 Managed Offices Limited drew down two equal interest free loans of US\$35,000,000 each from Chelsfield plc (one of its parent companies) and Laing Investment Company (Central) Limited, a subsidiary of its other parent company, The Peninsular and Oriental Steam Navigation Company. As at 31 December 2000, the loans outstanding totalled £46,854,000 (see note 13).

There were no other material related party transactions in the year ended 31 December 2000 (1999 - £nil).

## 16. Notes to the consolidated cash flow statement

## (a) Reconciliation of operating profit to net cash inflow from operating activities

	2000 £'000	1999 £'000
Group operating profit	557	615
Depreciation	-	2
Decrease in debtors	417	6,725
Decrease in creditors and provisions	(763)	(5,486)
Net cash inflow from operating activities	<u>211</u>	<u>1,856</u>

## Notes to the accounts (continued)

## 16. Notes to the consolidated cash flow statement (continued)

## (b) Reconciliation of net cash flow to movement in net debt

	2000 £'000	1999 £'000
Decrease in cash	(846)	(6,300)
Net cash outflow / (inflow) from changes in debt financing	64,981	(999)
Net cash (inflow) / outflow from changes in liquid resources	(63,315)	9,950
Change in net debt resulting from cash flows	820	2,651
Change in net debt resulting from exchange movements	855	(972)
Movement in net debt in the year	1,675	1,679
Net debt at the beginning of the year	(47,506)	(49,185)
Net debt at the end of the year	(45,831)	(47,506)

## (c) Analysis of net debt

	At 1 January 2000 £'000	Cash flow £'000	Exchange movements £'000	At 31 December 2000 £'000
Cash available on demand	1,044	(846)	91	289
Third party loans	(40,481)	45,097	(4,616)	-
Loans to related parties	-	68,093	(1,359)	66,734
Loans from parent companies	-	(48,209)	1,355	(46,854)
Convertible unsecured subordinated loan stock	(66,000)	-	-	(66,000)
Liquid resources	57,931	(63,315)	5,384	-
	(47,506)	820	855	(45,831)

Liquid resources consisted of commercial paper with maturities of less than 90 days.

## Notes to the accounts (continued)

## 17. Principal subsidiaries

Company	Shares at cost £'000	Provisions against cost of shares £'000	Total £'000
Investment in subsidiaries:			
At 1 January and 31 December 2000	92,524	(45,031)	47,493

At 31 December 2000 the Company owned 100% (1999 100%) of the ordinary share capital of Laing Properties Inc., a company incorporated in the USA.

## 18. Ultimate parent companies

The Company is jointly owned by The Peninsular and Oriental Steam Navigation Company and Chelsfield plc. The accounts for these two are available from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.