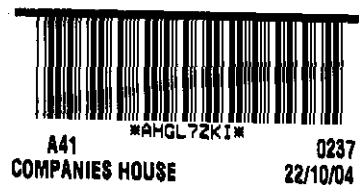


Company Number 1344820

MANAGED OFFICES LIMITED

DIRECTORS' REPORT  
AND ACCOUNTS

31 DECEMBER 2003



## **Report of the directors**

The directors present their annual report and audited accounts for the year ended 31 December 2003.

## **Principal activity and review of business**

The results of the Group are set out in the profit and loss account on page 4 and in the notes to the accounts.

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 (2002: £nil)

## **Directors and directors' interests**

The directors during the year were:

P N Armstrong

W N Hugill

J E Curin (resigned 5<sup>th</sup> March 2003)

P A Walker (appointed 5<sup>th</sup> March 2003)

R M Gradon

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  
15 September 2004

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

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

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

We have audited the financial statements on pages 4 to 13.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**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**

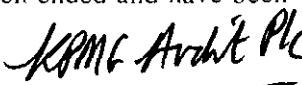
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 financial statements give a true and fair view of the state of the Company and the Group as at 31 December 2003 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square  
London  
EC4Y 8BB  
15 September 2004

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

**Consolidated profit and loss account  
for the year ended 31 December 2003**

	Notes	2003 £'000	2002 £'000
<b>Net operating loss from discontinued operations</b>	2	(35)	(77)
Net interest and similar items			
Interest receivable from parent companies		1,755	2,665
Bank interest and other third party interest receivable		<u>3</u>	<u>9</u>
<b>Profit on ordinary activities before taxation</b>		1,723	2,597
Taxation	3	<u>(63)</u>	<u>-</u>
<b>Retained profit for the financial year</b>		<u><u>1,660</u></u>	<u><u>2,597</u></u>

There is no difference between the results as disclosed above and the results on a historical cost basis.

Consolidated balance sheet  
at 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments	5	6	6
<b>Current assets</b>			
Debtors	6	86,012	93,206
Cash at bank and in hand		201	742
		<u>86,213</u>	<u>93,948</u>
<b>Creditors: amounts falling due within one year:</b>			
Other creditors	7	(241)	(241)
Due within one year		5,503	4,241
Debtors due after one year	6	80,469	89,466
<b>NET CURRENT ASSETS</b>		<u>85,972</u>	<u>93,707</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>85,978</u>	<u>93,713</u>
<b>Creditors: amounts falling due in more than one year:</b>			
Convertible unsecured subordinated loan stock	8	(66,000)	(66,000)
Other loans	9	(39,106)	(43,478)
<b>TOTAL NET LIABILITIES</b>		<u>(19,128)</u>	<u>(15,765)</u>
<b>CAPITAL &amp; RESERVES</b>			
Called up share capital	10	4,800	4,800
Other reserves	11	234	234
Profit and loss account	11	(24,162)	(20,799)
<b>Equity shareholders' deficit</b>		<u>(19,128)</u>	<u>(15,765)</u>

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

W N Hugill

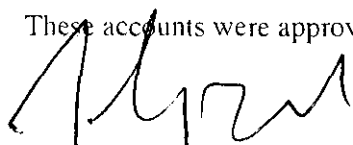
P A Walker


15 September 2004

**Company balance sheet  
at 31 December 2003**

	Notes	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Investments	13	42,770	47,552
<b>Current assets</b>			
Debtors	6	485	485
Cash at bank and in hand		3	3
		<u>488</u>	<u>488</u>
<b>Creditors falling due within one year:</b>			
Other creditors	7	(7,227)	(7,899)
		<u>(6,739)</u>	<u>(7,411)</u>
<b>NET CURRENT LIABILITIES</b>			
		<u>36,031</u>	<u>40,141</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>Creditors falling due in more than one year:</b>			
Convertible unsecured subordinated loan stock	8	(66,000)	(66,000)
Other Loans	9	(39,106)	(43,478)
		<u>(69,075)</u>	<u>(69,337)</u>
<b>TOTAL NET LIABILITIES</b>			
		<u>(69,075)</u>	<u>(69,337)</u>
<b>CAPITAL &amp; RESERVES</b>			
Called up share capital	10	4,800	4,800
Other reserves	11	1,833	1,833
Profit and loss account	11	(75,708)	(75,970)
		<u>(69,075)</u>	<u>(69,337)</u>
<b>Equity shareholders' deficit</b>			
		<u>(69,075)</u>	<u>(69,337)</u>

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

  
W N Hugill

  
P A Walker  
15 September 2004

**Group statement of total recognised gains and losses  
for the year ended 31 December 2003**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Retained profit for the financial year	1,660	2,597
Exchange movements on foreign currency net investments	(5,023)	(5,046)
Total recognised gains and losses for the year	<u>(3,363)</u>	<u>(2,449)</u>

**Reconciliation of movements in Group shareholders'  
deficit for the year ended 31 December 2003**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains and losses for the year	(3,363)	(2,449)
Shareholders' deficit at the beginning of the year	(15,765)	(13,316)
Shareholders' deficit at the end of the year	<u>(19,128)</u>	<u>(15,765)</u>



## Notes to the accounts

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to these accounts.

#### **Basis of preparation of accounts**

The accounts have been prepared on the historical cost basis and in accordance with the Companies Act 1985.

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. Accordingly the accounts have been prepared on a going concern basis.

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(4) of the Companies Act 1985 a separate profit and loss account for Managed Offices Limited is not presented.

Under Financial Reporting Standard 1 (Revised) the Group is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company (based on the small companies exemption in companies legislation).

#### **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 plus goodwill and the appropriate share of post-acquisition reserves.

#### **Deferred taxation**

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates except as otherwise required by Financial Reporting Standard 19 (Deferred tax).

#### **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.

## Notes to the accounts (continued)

## 2. Analysis of results

An analysis of the net operating loss is as follows:

	2003 £'000	2002 £'000
Administrative costs	(35)	(77)

	2003 £'000	2002 £'000
Operating profit is stated after charging		
Auditors' remuneration: audit fee	(10)	(14)
fees paid to KPMG for tax services	(6)	-

The audit fee of the Company was £4,000 (2002: £4,000).

## 3. Taxation

Analysis of taxation of profit on ordinary activities:

	2003 £'000	2002 £'000
Overseas tax:		
Current tax on income for the period	63	-

The current taxation charge is less than (2002: less than) the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	1,723	2,597
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	517	779
Effects of:		
Prior year tax losses	(517)	(779)
Variance from overseas tax rates and adjustments (US Alternative Minimum Tax charge)	63	-
Current taxation charge for the period	63	-

## Notes to the accounts (continued)

## 3. Taxation (continued)

As of 31 December 2003 and 2002 the Group has available estimated net operating losses carried forward for US Federal and state purposes of approximately \$23.3 million and \$26.6 million respectively which are subject to certain limitations. These operating loss carry forwards are scheduled to expire in the years from 2004. No deferred tax asset has been recognised in the accounts in respect of these losses as it is not currently deemed probable that sufficient future taxable profits will be made to enable the asset to be recovered.

## 4. Directors and employees

## a) Directors' emoluments

No directors received any emoluments from the Group (2002: nil).

## b) Employees other than directors

The average number of employees during the year was nil (2002: nil).

## 5. Investments

At 31 December 2003 the Group's share of joint venture liabilities is not material. The Company's investments are disclosed in note 13.

Group	Shares £'000
Joint ventures	
At cost or valuation	
At 1 January and 31 December 2003	6

## 6. Debtors

Group	2003 £'000	2002 £'000
Amounts receivable within one year:		
Trade debtors	26	29
Accrued income	5,517	3,711
	<u>5,543</u>	<u>3,740</u>
Amounts receivable after more than one year:		
Amounts owed by related parties (see note 12)	80,469	89,466
	<u>80,469</u>	<u>89,466</u>
Total debtors	<u>86,012</u>	<u>93,206</u>

The Company has other debtors of £485,000 at 31 December 2003 (2002: £485,000), all receivable within one year, from a related party.

## Notes to the accounts (continued)

## 7. Other creditors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts owed to subsidiaries	-	-	7,023	7,698
Overseas taxation	6	6	-	-
Accruals and deferred income	235	235	204	201
	<u>241</u>	<u>241</u>	<u>7,227</u>	<u>7,899</u>

## 8. 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.

## 9. Other loans

	2003	2002
	£'000	£'000
<b>Group and Company</b>		
Loan from related parties	39,106	43,478

The Company holds two equal interest free loans from related parties, each of US\$35,000,000.

## Notes to the accounts (continued)

## 10. Share capital

	Authorised	Allotted, called up and fully paid
	£	£
At 31 December 2003 and 31 December 2002		
Ordinary shares of £1 each	70,800,100	4,800,100

## 11. Reserves

Group	Other reserves £'000	Profit and loss account £'000
At 1 January 2003	234	(20,799)
Exchange movements	-	(5,023)
Retained profit for year	-	1,660
At 31 December 2003	234	(24,162)

Company	Other reserves £'000	Profit and loss account £'000
At 1 January 2003	1,833	(75,970)
Exchange movements	-	365
Loss for year	-	(103)
At 31 December 2003	1,833	(75,708)

## Notes to the accounts (continued)

## 12. Related parties

As at 31 December Laing Properties Inc. has loan balances outstanding of US\$72,020,000 each (£40,235,000 at 31 December 2003 – see note 6) 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 Limited. 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 Limited (formerly Chelsfield plc). Interest accrues on the aggregate principal balance outstanding at a per annum rate equal to LIBOR plus 75 basis points (0.75) 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 2003, interest accrued but not yet received on these loans was £5,028,000. Total interest accrued for the year was £1,755,000 (2002: £2,665,000).

Managed Offices Limited also holds two equal interest free loans of US\$35,000,000 each from Chelsfield Ltd (one of its shareholders) and Leonora Investment Company (Central) Limited (formerly Laing Investment Company (Central) Limited), a subsidiary of its other shareholder, The Peninsular and Oriental Steam Navigation Company. As at 31 December 2003, the loans outstanding at their sterling equivalent totalled £39,106,000 (see note 9).

There were no other material related party transactions in the year ended 31 December 2003 (2002: £nil).

## 13. Principal subsidiaries

	Shares at cost £'000	Provisions against cost of shares £'000	Total £'000
Investment in subsidiaries:			
At 1 January 2003	92,639	(45,087)	47,552
Exchange movements	(9,316)	4,534	(4,782)
At 31 December 2003	83,323	(40,553)	42,770

At 31 December 2003 the Company owned 100% (2002: 100%) of the ordinary share capital of Laing Properties Inc., a company incorporated in the USA.

## 14. Shareholders

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