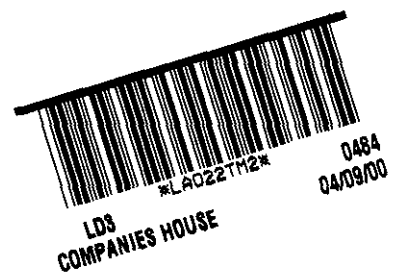


Metropolitan Management Services Limited

**Directors' report and financial
statements**

Registered number 1710237

Year End Date 31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activity

The principal activity of the company is the provision of management services. There has been no significant change in the nature of the company's business activity during the year under review nor is any envisaged in the immediate future.

Financial statements and dividends

The result of the company for the year ended 31 December 1999 is set out in the attached financial statements.

The directors do not recommend the payment of a dividend (1998:£nil).

Directors and directors' interests

The directors who held office during the year, and who are still in office, are:

Mr BSE Freshwater
Mr HE Severn

The Articles of Association of the company do not require the directors to retire by rotation.

The directors do not have service contracts or receive any emoluments from the company.

The whole of the issued capital of the company is owned by Metropolitan Properties Company Limited. Mr BSE Freshwater is a director of Metropolitan Properties Company Limited and his interest therein is set out in the directors' report of that company. Mr HE Severn is also a director of Metropolitan Properties Company Limited.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.

Year 2000

There has been no disruption to the Group's operations during or since the turn of the Millennium, as a result of the Group's systems not being Year 2000 compliant. No disruption is expected and the directors continue to monitor the position.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Cohen, Arnold & Co. and KPMG as joint auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CC Morse /
Secretary

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

17 May 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements 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.

Report of the joint auditors, Cohen, Arnold & Co. and KPMG, to the members of Metropolitan Management Services Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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. 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's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cohen, Arnold & Co
Chartered Accountants
Registered Auditor
London



KPMG
Chartered Accountants
Registered Auditors
London

17 May 2000

Profit and loss account

for the year ended 31 December 1999

	Note	1999	1998
		£	£
Management charges receivable	1	772,327	737,249
Cost of management	2	(760,327)	(725,249)
		<hr/>	<hr/>
Administrative expenses		12,000 (1,500)	12,000 (1,500)
		<hr/>	<hr/>
Operating profit		10,500	10,500
Interest payable	3	(15)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	10,485	10,500
Taxation	5	(3,200)	(3,300)
		<hr/>	<hr/>
Retained profit for the financial year	9	7,285	7,200
		<hr/>	<hr/>

There were no recognised gains or losses (1998:nil) other than the profit on ordinary activities after taxation.

None of the company's operations were discontinued during the year or during the previous year.

The movements on reserves are shown in note 9.

The notes on pages 7 to 10 form part of these financial statements.

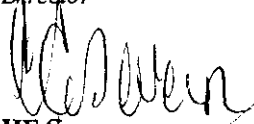
Balance sheet

at 31 December 1999

	Note	1999 £	1998 £
Current assets			
Debtors	6	297,311	95,000
Cash at bank and on deposit		19,819	22,907
		<hr/>	<hr/>
		317,130	117,907
Creditors: amounts falling due within one year	7	(202,029)	(10,091)
		<hr/>	<hr/>
Net assets		115,101	107,816
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	115,001	107,716
		<hr/>	<hr/>
		115,101	107,816
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 17 May 2000 and were signed on its behalf by:


BSE Freshwater
 Director


HE Severn
 Director

The notes on pages 7 to 10 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Taxation

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Turnover

The company's income is derived from the provision of management services to other members of the group.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No.1) on the grounds that it is a wholly-owned subsidiary undertaking of a holding company registered in England and Wales which prepares consolidated financial statements that include a consolidated cash flow statement.

2 Staff numbers and costs

The company jointly employed with two other companies, connected with one of the directors, an average of 35 persons during the year (1998: 35).

The aggregate payroll costs of these persons incurred by the company were as follows:

	1999 £	1998 £
Wages and salaries	668,009	636,841
Social security costs	52,050	52,798
Other pension costs	40,268	35,610
	<hr/>	<hr/>
	760,327	725,249
	<hr/>	<hr/>

Notes *(continued)*

3 Interest payable

	1999 £	1998 £
Bank charges	15	-

4 Profit on ordinary activities before taxation

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration for audit services	1,500	1,500

The directors of the company did not receive any emoluments from the company during the year or in the previous year.

5 Taxation

	1999 £	1998 £
Consideration payable for group relief	3,200	3,300

6 Debtors

	1999 £	1998 £
Amount due from immediate parent undertaking	140,472	95,000
Amounts due from fellow subsidiary undertakings	156,839	-
	<u>297,311</u>	<u>-</u>

Notes (continued)

7 Creditors: amounts falling due within one year

	1999 £	1998 £
Value added tax	1,991	1,991
Consideration payable for group relief (note 5)	6,500	6,600
Amount due to connected company (see below)	192,038	-
Other creditors and accruals	1,991	1,500
	<u>202,029</u>	<u>10,091</u>

The connected company referred to above is Highdorn Co. Limited. The directors of the company are also directors of Highdorn Co. Limited and Mr B S E Freshwater has a non-beneficial interest in its share capital.

8 Called up share capital

	1999 £	1998 £
<i>Authorised, allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Reserves

	Profit and loss account £
At 1 January 1999	107,716
Profit for the financial year	7,285
	<u>115,001</u>
At 31 December 1999	<u>115,001</u>

Notes *(continued)*

10 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Retained profit for the financial year	7,285	7,200
Opening shareholders' funds	107,816	100,616
	<hr/>	<hr/>
Closing shareholders' funds	115,101	107,816
	<hr/>	<hr/>

11 Directors' interests in contracts

The directors of the company are also directors of Highdorn Co. Limited, one of the companies referred to in Note 2, and Mr BSE Freshwater has a non-beneficial interest in its share capital.

During the year £760,327 (1998:£725,249) was paid to Highdorn Co. Limited for the provision of management services. These amounts were charged at normal commercial rates.

12 Ultimate parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up is Centremanor Limited, a company registered in England and Wales.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up is Metropolitan Properties Company Limited, a company registered in England and Wales.

Copies of these financial statements can be obtained from the following address: Freshwater House, 158/162 Shaftesbury Avenue, London WC2H 8HR.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.