

P&O PENSION FUNDS INVESTMENTS LIMITED

DIRECTORS' REPORT

AND

BALANCE SHEET

31 DECEMBER 2000

REGISTERED NUMBER: 382817



REPORT OF THE DIRECTORS TO THE MEMBERS OF

P&O PENSION FUNDS INVESTMENTS LIMITED

The directors have pleasure in submitting their annual report and the accounts of the Company for the year ended 31 December 2000.

The Company has as its objects to act as Trustee of the P&O Pension Scheme and to hold investments for the benefit of the Scheme. The Company has not traded on its own account during the year. All transactions entered into by the Company are for the benefit of the scheme and accordingly subsumed into the accounts of the Scheme. No change in the Company's activities is intended in the foreseeable future.

The following directors served throughout the year ended 31 December 2000:

I G H Barnett	Sir Bruce MacPhail
T C Cairns	C L Miller
J M Crossman	D E A Morris
Mrs J A Fraser-Smith	J D Stirling Gallacher
D P Harrison	

P J Smith was appointed on 7 January 2000

J M Clay and K W Moore retired on 31 March 2000

Lord McGowan and R D Galpin were appointed on 1 April 2000

Miss J A Fraser married on 14 June 2000 and is now Mrs J A Fraser-Smith

J T Marden and N L Luff resigned on 1 October 2000

Miss J E Curin, S J Edsall and P A Walker were appointed on 15 December 2000

According to the notifications received by the Company the directors who are not also directors of the holding company had interest in the deferred stock of the Peninsular and Oriental Steam Navigation Company as shown overleaf.

	DEFERRED STOCK		DEFERRED STOCK UNDER OPTION			
	31.12.2000	31.12.1999	31.12.2000	Granted During Year	Exercised During Year	31.12.1999
I G H Barnett	10,743	7,581	84,850	84,850	-	21,800
T C Cairns	5,882	1,352	87,007	87,007	11,687	27,087
J M Crossman	31,184	30,094	Nil	-	-	Nil
S J Edsall	3,730	370	81,733	81,733	-	16,600
D P Harrison	2,808	2,525	Nil	-	-	Nil
Lord McGowan	-	-	Nil	-	-	Nil
C L Miller	2,351	2,351	Nil	-	-	Nil
D E A Morris	138,882	119,219	Nil	-	-	Nil
Mrs J A Fraser-Smith	350	266	6,886	6,886	-	Nil
J D Stirling-Gallacher	26,062	25,650	2,736	-	-	3,500
P A Walker	1,196	1,160	Nil	-	-	Nil

The interest of those directors who are also directors of the holding company are detailed in the P&O Report and Accounts for the year ended 31 December 2000.

By order of the Board


J E T Morris
Secretary


Dorland House
14-16 Regent Street
London
SW1Y 4PH

BALANCE SHEET AT 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u>	<u>1999</u>
CURRENT ASSETS			
Debtors – Amount owed by ultimate holding company	2	£100	£100
CAPITAL AND RESERVE			
Called-up Share Capital. Authorised, allotted, called-up and fully paid 100 Ordinary shares of £1 each		£100	£100

Within the meaning of Section 250 of the Companies Act 1985 the Company was dormant throughout the year.

The financial statements were approved by the Board on 19 March 2001 and were signed on its behalf by:

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) Director
)
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

1. Accounting Policy.

The accounts have been prepared on the historical cost basis of accounting.

2. Ultimate Holding Company

The ultimate holding company is The Peninsular and Oriental Steam Navigation Company, a company incorporated by Royal Charter in Great Britain and therefore not registered. Its accounts are available to the public from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

3. Activities and Profit and Loss Account

The Company has not traded during either the current or previous year. Accordingly, no profit and loss account has been prepared. No directors remuneration is payable.

Certain securities are registered in the name of the Company on behalf of the P&O Pension Scheme. These have not been included in the balance sheet.