

P&O PENSION FUNDS INVESTMENTS LIMITED

DIRECTORS' REPORT

AND

BALANCE SHEET

31 DECEMBER 2004
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 2004.

The Company has as it 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 2004:

T C Cairns	Sir Bruce MacPhail
J M Crossman	C L Miller
S J Edsall	C A Mowatt
R D Galpin	N S Pusey
T J R Harding	P J Smith
D P Harrison	J D Stirling Gallacher
P I Hedley	P A Walker
N L Luff	

J H Bell, P Donnelly, D M Newton and C J Winkley were appointed on 1 April 2005.
T C Cairns, D P Harrison, C L Miller, N S Pusey and J D Stirling Gallacher resigned on 1 April 2005.

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			
	31.12.2004	31.12.2003	31.12.2004	Granted During Year	Exercised During Year	31.12.2003
T C Cairns	7,205	7,205	97,185	Nil	21,894	119,079
J M Crossman	35,168	35,168	Nil	Nil	Nil	Nil
S J Edsall	4,914	6,117	257,816	Nil	Nil	257,816
D P Harrison		Nil	Nil	Nil	Nil	Nil
T J R Harding	270,991	270,991	Nil	Nil	123,254	123,254
P Hedley	1,288	1,288	123,088	Nil	Nil	123,088
Sir Bruce MacPhail	873,675	1,217,127	1,835,308	Nil	244,911	2,080,219
C L Miller	2351	2,351	Nil	Nil	Nil	Nil
C A Mowatt	9	8	47,576	Nil	Nil	47,576
N S Pusey	Nil	262	Nil	Nil	Nil	Nil
J D Stirling Gallacher	12,954	15,916	Nil	Nil	2,736*	2,736
P A Walker	27,026	11,549	160,560	Nil	Nil	160,560

The interests 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 2004.

By order of the Board



Ms R Powell
Secretary
4 August 2005

247 Tottenham Court Road
London
W1T 7HB

Key: * = includes lapsed options

BALANCE SHEET AT 31 DECEMBER 2004

	<u>Note</u>	<u>2004</u>	<u>2003</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

- a) For the year ended 31 December 2004 the Company was entitled to exemption under section 249AA (1) of the Companies Act 1985.
- b) Members have not required the Company to obtain an audit in accordance with Section 249B(2) of the Companies Act 1985.
- c) The Directors acknowledge their responsibility for:
- i) ensuring the Company keeps accounting records which comply with Section 221; and
 - ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

The financial statements were approved by the Board on 4 August 2005 and were signed on its behalf by:

P. A. W. L.

M. L.

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) Director
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

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.

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.