

P&O PENSION FUNDS INVESTMENTS LIMITED

DIRECTORS' REPORT

AND

BALANCE SHEET

31 DECEMBER 2001

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 2001.

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 2001:

I G H Barnett	D P Harrison
T C Cairns	Sir Bruce MacPhail
J M Crossman	Lord McGowan
Miss J E Curin	C L Miller
S J Edsall	P J Smith
Mrs J A Fraser-Smith	J D Stirling Gallacher
R D Galpin	P A Walker

D E A Morris resigned on 30 October 2001

T J R Harding was appointed on 1 November 2001

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			
	31.12.2001	31.12.2000	31.12.2001	Granted During Year	Exercised During Year	31.12.2000
I G H Barnett	12,639	10,743	116,176	31,326	-	84,850
T C Cairns	6,032	5,882	87,007	14,904	-	72,103
J M Crossman	35,412	31,184	Nil	-	-	Nil
S J Edsall	5,262	3,730	133,387	51,654	-	81,733
Mrs J A Fraser-Smith	1,097	350	13,589	6,703	-	6,886
T J R Harding	187,997	187,936	404,055	10,171	46,806	440,690
D P Harrison	Nil	2,808	Nil	-	-	Nil
Lord McGowan	Nil	Nil	Nil	-	-	Nil
C L Miller	2,351	2,351	Nil	-	-	Nil
J D Stirling-Gallacher	30,168	26,062	Nil	-	-	2,736
P A Walker	1,866	1,196	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 2001.

By order of the Board



J E T Morris
Secretary


247 Tottenham Court Road
London
W1T 7HB

BALANCE SHEET AT 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u>	<u>2000</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 27 March 2002 and were signed on its behalf by:

)
)
) Director
)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

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.