

**P&O PENSION FUNDS INVESTMENTS LIMITED**

**DIRECTORS' REPORT**

**AND**

**BALANCE SHEET**

**31 DECEMBER 1996**

**REGISTERED NUMBER: 382817**



**REPORT OF THE DIRECTOR TO THE MEMBERS OF**

**P&O PENSION FUNDS INVESTMENTS LIMITED**

The directors have pleasure in submitting their report and accounts for the year ended 31 December 1996.

The Company acts as a nominee company and there have been no transactions in the year. No change in the Company's activities is intended in the foreseeable future.

The following directors served throughout the year ended 31 December 1996:

I G H Barnett	Sir Bruce MacPhail
Sir Peter Cazalet	J T Marden
J M Clay	R L Martin
J M Crossman	K W Moore
Miss J A Fraser	J D Stirling Gallacher
D P Harrison	R N Walford
J M M Kane	G B Whitehead

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			
	31.12.1996	31.12.1995	31.12.1996	Granted During Year	Exercised During Year	31.12.1995
I G H Barnett	5,047	4,398	19,423	-	-	19,423
J M Clay	961	961	-	-	-	-
J M Crossman	14,723	13,935				76,637
Miss J A Fraser	851	752	-	-	-	-
D P Harrison	2,405	2,373	-	-	6,984	6,984
J M Kane	9,897	2,709	22,094			29,712
J T Marden	2,313	2,117	14,791	-	4,348	19,139
R L Martin	2,131	1,711	25,353	-	2,498	27,851
J D Stirling Gallagher	27,054	25,078	14,002	-	-	14,002
J N Walford	4,106	3,843	17,278	-	18,545	35,823
G B Whitehead	8,194	8,057	-	-	-	-

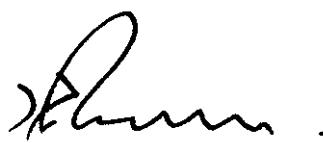
All the above interest are beneficial.

No other director held a beneficial interest in the share of the Company or any subsidiary of the holding company during the year.

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 1996.

In accordance with Section 252 of the Companies Act 1985, a resolution was passed on 30 September 1986 that, as the company is dormant, auditors shall not be appointed.

By order of the Board



J E T Morris  
Secretary

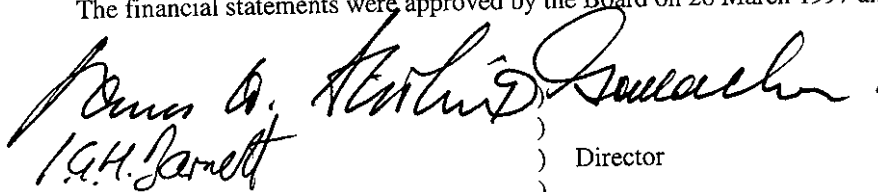
Dorland House  
14-16 Regent Street  
London  
SW1Y 4PH

**BALANCE SHEET AT 31 DECEMBER 1996**

	<u>Note</u>	<u>1996</u>	<u>1995</u>
<b>CURRENT ASSETS</b>			
Debtors - Amount owed by ultimate holding company	2	£100	£100
<b>CAPITAL AND RESERVE</b>			
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 26 March 1997 and were signed on its behalf by:

  
I.G.H. Barnett  
)  
) Director  
)  
)

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996**

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 in Great Britain.

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.