

P&O PENSION FUNDS INVESTMENTS LIMITED

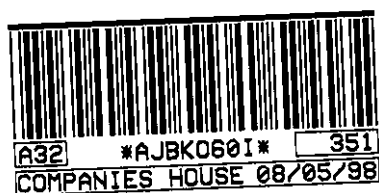
DIRECTORS' REPORT

AND

BALANCE SHEET

31 DECEMBER 1997

REGISTERED NUMBER: 382817



REPORT OF THE DIRECTORS 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 1997.

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 1997:

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

Mrs L L Bulmer appointed 23 January 1997 and resigned on 27 August 1997

D E A Morris appointed 23 January 1997

R N Walford resigned on 2 December 1997

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			
	31.12.1997	31.12.1996	31.12.1997	Granted During Year	Exercised During Year	31.12.1996
I G H Barnett	7,198	5,047	10,800	-	8,623	19,423
J M Clay	961	961	Nil	-	-	Nil
J M Crossman	27,523	14,723	25,000	-	51,637	76,637
Miss J A Fraser	944	851	Nil	-	-	Nil
D P Harrison	2,430	2,405	Nil	-	-	Nil
J M M Kane	10,563	9,897	22,109	-	-	22,094
J T Marden	2,353	2,313	19,791	5,000	-	14,791
J D Stirling-Gallacher	27,442	27,054	14,002	-	-	14,002
G B Whitehead	6,039	8,194	Nil	-	-	Nil

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 1997.

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 1997

	<u>Note</u>	<u>1997</u>	<u>1996</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 *18 March '98* and were signed on its behalf by:

James G. Aitken)
I. G. H. Barnett) Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

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.