

P&O Subsea Limited

REGISTERED NUMBER: 658000

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2001



P&O Subsea Limited

REPORT OF THE DIRECTORS

The directors present their annual report and the accounts of the Company for the year ended 31 December 2001.

Principal activities of the company

The Company did not trade during the year.

Directors and directors' interests

The directors during the year were:

R M Gradon	
N J Monteith	
J M Laver	(Resigned 20th April 2001)
S Scott	(Appointed 20th April 2001)

On 31st May 2002 N J Monteith resigned and P A Walker was appointed as director of the company.

According to notifications received by the Company relating to the interests of the directors and their families in the share capital and debentures of the company and other group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	Deferred Stock			Deferred Stock under option		
	2001	2000		Granted in year	Exercised in year	2000
N J Monteith	17,036+	7,105	195,618	73,189	-	122,429
S Scott	60	60*	34,148	16,059	-	18,089*

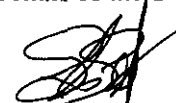
*at/from date of appointment

+Of this £12,238 nominal of deferred stock is held under the rules of the P&O Deferred Bonus & Co-Investment Matching Plan full details of which are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company. £8,406 nominal of deferred stock is held as a Stock Award/Deferred Stock Bonus Award granted on 15 March 2001 and £3,832 nominal of deferred stock is held as an Investment Stock award.

The interests of R M Gradon in shares and debentures of group companies and of his awards under the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of the Company's ultimate holding company, The Peninsular and Oriental Steam Navigation Company.

79 Pall Mall
London SW1Y 5EJ
17th September 2002

On behalf of the Board



S SCOTT
Secretary

P&O Subsea Limited

Balance sheet at 31 December 2001

Assets	Note	31 Dec 2001 £	31 Dec 2000 £
Current assets			
Amounts owed by fellow subsidiary		35,522	35,522
Creditors: amounts falling due within one year			
Loan stock held by fellow subsidiary	2	(9,700)	(9,700)
Loan stock held by holding company	2	(9,690,300)	(9,690,300)
Net assets		<u>(9,664,478)</u>	<u>(9,664,478)</u>
Capital and reserves			
Called up share capital	3	1,000	1,000
Profit and loss account		(9,665,478)	(9,665,478)
Equity shareholders' funds		<u>(9,664,478)</u>	<u>(9,664,478)</u>
Non-equity shareholders' funds			
		<u>(9,664,478)</u>	<u>(9,664,478)</u>

- a) For the year ended 31 December 2001 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 section 226, and which otherwise comply with the Companies Act relating to accounts, so far as applicable to the company.

Approved by the board of directors on 17th September 2002 and signed on their behalf by
P A Walker.



P A WALKER
Director

P&O Subsea Limited

Notes to the financial statements

- 1 These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The company has not traded during the year nor the preceding year and thus no profit and loss account has been prepared.
- 2 The unsecured loan stock is repayable on demand and bears a rate of interest that is determined from time to time by the directors. During the year to 31 December 2001 the interest rate was nil (2000 nil).
- 3 Share capital, authorised, allotted, called up and fully paid at 31 December 2001 and 2000 was:

	Authorised £	Called up £
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

- 4 The Company's ultimate holding company is The Peninsular and Oriental Steam Navigation 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.