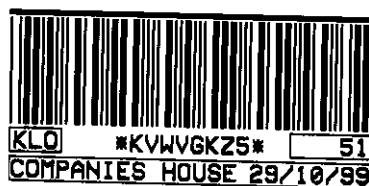




**PGS FLOATING PRODUCTION (UK) LTD**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**  
**COMPANY NUMBER 2436350**



## **PGS FLOATING PRODUCTION (UK) LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors have pleasure in presenting their report and accounts for the year ended 31 December 1998.

#### **DIRECTORS**

The directors who have served during the year are as follows:

Bjarte Bruheim (Chairman)  
Laurence Quinn  
J Chris Boswell (resigned 26<sup>th</sup> August 1998)  
Hugh Nevile (appointed 26<sup>th</sup> August 1998)

The directors hold no beneficial interest in the share capital of the company.

#### **PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS**

The principal activity of the company is the provision of floating production systems to the oil industry. It has negotiated the lease of a floating production vessel, MV Ramform Banff, together with associated equipment and entered into a contract with a major oil company to provide the services of a floating production ship for the purpose of oil production and extraction. During 1998 the company contracted two shuttle tankers however operations were still in the start up phase. Significant revenue is expected to be generated following commencement of oil production in early 1999.

#### **RESULTS AND DIVIDEND**

The loss for the year, after taxation was £3,639,868 (1997: loss £6,103).

This amount has been transferred from reserves. The directors do not recommend the payment of a dividend. In view of the deficit in Net Assets, the company has received assurance from its parent company that it will continue to receive financial support for the foreseeable future in order to meet its obligations as they fall due.

#### **YEAR 2000 COMPLIANCE**

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the business depends not only on the group's own computer systems, but also to some degree on those of suppliers and customers. This could expose the company to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A group wide programme, designed to address the impact of the Year 2000 on the group's business, has been commissioned by the Board and is under way. A cross-functional task force has been formed with the objective of ensuring that there is no adverse impact on business operations or systems.

A significant risk analysis has been performed to determine the impact of the issue on all activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant safety, environmental, financial or legal impact on the group's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

## **PGS FLOATING PRODUCTION (UK) LTD**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

The risk analysis also considers the impact of Year 2000 related failures by significant suppliers and customers. In appropriate cases formal communication has been initiated with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, it is considered that an acceptable state of readiness will be achieved and resources will be provided to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of this effort has been borne by other group companies.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **AUDITORS**

Following the merger of Coopers & Lybrand and Price Waterhouse on 1 July 1998, the new firm, PricewaterhouseCoopers, has indicated its willingness to be appointed as auditors. A resolution appointing PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By Order of the Board



H Neville  
Secretary

October 1999

## **Auditors' report to the members of PGS Floating Production (UK) Ltd**

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the accounts as noted on page 3. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

29 October 1999

**PGS FLOATING PRODUCTION (UK) LTD**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1998**

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<b>TURNOVER</b>		2,281,472	-
Cost of sales		<u>(4,023,582)</u>	<u>-</u>
<b>GROSS LOSS</b>		(1,742,110)	-
Administrative expenses		<u>(862,773)</u>	<u>(6,103)</u>
<b>OPERATING LOSS</b>	3	(2,604,883)	(6,103)
Interest receivable	4	5,050	-
Interest payable	5	<u>(177)</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2,600,010)	(6,103)
Tax on loss on ordinary activities	6	<u>(1,039,858)</u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(3,639,868)</u>	<u>(6,103)</u>

All amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the year.

# PGS FLOATING PRODUCTION (UK) LTD

## BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<b>TANGIBLE FIXED ASSETS</b>			
Assets under construction	7	49,882,488	2,434,410
<b>CURRENT ASSETS</b>			
Stock and work in progress		27,861	-
Prepayments and accrued income		807,357	-
Cash at bank and in hand		<u>743,582</u>	<u>63,721</u>
		1,578,800	63,721
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(51,913)</u>	<u>(2,504,234)</u>
<b>NET CURRENT LIABILITIES</b>		<u>1,526,887</u>	<u>(2,440,513)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,409,375	(6,103)
<b>CREDITORS: amounts falling due after more than one year</b>	9	(54,015,488)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Taxation including deferred tax		<u>(1,039,858)</u>	<u>-</u>
		<u>(3,645,971)</u>	<u>(6,103)</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000	1,000
Profit and loss account	11	<u>(3,646,971)</u>	<u>(7,103)</u>
Total Shareholders' funds	12	<u>(3,645,971)</u>	<u>(6,103)</u>

APPROVED BY THE BOARD  
October 1999

  
L. QUINN  
DIRECTOR

# PGS FLOATING PRODUCTION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention. The following accounting policies have been applied in dealing with all items which are considered material in relation to these accounts.

The accounts are drawn up on a going concern basis as the company's parent has confirmed that it will provide support to enable the company to meet its obligations as they fall due for at least the next twelve months.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange differences are taken to the Profit and Loss Account.

#### Operating leases

Rentals paid under operating leases are charged to income as incurred.

#### Work in Progress

Work in progress is stated at the lower of cost and net realisable value.

#### Deferred Taxation

Deferred taxation is provided where necessary using the liability method on all timing differences to the extent that a liability or asset is expected to crystallise in the foreseeable future.

### 2 TURNOVER

Turnover represents the value of goods and services provided, net of value added tax.

The turnover and loss before tax is principally derived from the spot charter of shuttle tankers.

### 3 OPERATING LOSS

	<u>1998</u>	<u>1997</u>
	£	£
This is stated after charging:		
Operating lease rental – plant and machinery	2,776,743	-
Auditors' remuneration	2,000	2,600
Auditors' remuneration (non audit work)	15,200	3,500
	<u>          </u>	<u>          </u>

The company had no employees and paid no salaries. The Directors did not receive any remuneration.

### 4 INTEREST RECEIVABLE

	<u>1998</u>	<u>1997</u>
	£	£
Bank deposits	5,050	-
	<u>          </u>	<u>          </u>

# PGS FLOATING PRODUCTION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

<b>5</b>	<b>INTEREST PAYABLE</b>	<u>1998</u> £	<u>1997</u> £
	Bank overdrafts	177	-
		==	==
<b>6</b>	<b>TAXATION</b>	<u>1998</u> £	<u>1997</u> £
	Provision for deferred tax	1,039,858	-
		==	==
<b>7</b>	<b>ASSETS UNDER CONSTRUCTION</b>		
	Costs incurred in relation to the development of specific equipment to be used by the company in providing services under its contract with a major oil company have been capitalised as assets under construction.		
<b>8</b>	<b>CREDITORS: amounts falling due within one year</b>	<u>1998</u> £	<u>1997</u> £
	Amounts owed to group companies	-	2,499,234
	Other creditors	46,913	-
	Accruals and deferred income	<u>5,000</u>	<u>5,000</u>
		51,913	2,504,234
		==	==
<b>9</b>	<b>CREDITORS: amounts falling due after more than one year</b>	<u>1998</u> £	<u>1997</u> £
	Amounts owed to group companies	54,015,488	-
		==	==
<b>10</b>	<b>EQUITY SHARE CAPITAL</b>	<u>1998</u> £	<u>1997</u> £
	Ordinary shares of £1 each:		
	Authorised, issued and fully paid	1,000	1,000
		==	==



# PGS FLOATING PRODUCTION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

<b>11</b>	<b>RESERVES</b>	<u>1998</u>	<u>1997</u>
		£	£
	Profit and loss account at start of year	(7,103)	(1,000)
	Loss for the year	(3,639,868)	(6,103)
	Profit and loss account at end of year	(3,646,971)	(7,103)
		=====	=====
<b>12</b>	<b>RECONCILIATION OF SHAREHOLDERS' FUNDS</b>	<u>1998</u>	<u>1997</u>
		£	£
	Balance at start of year	(6,103)	-
	Loss for the year	(3,639,868)	(6,103)
	Balance at end of year	(3,645,971)	(6,103)
		=====	=====
<b>13</b>	<b>OPERATING LEASE COMMITMENTS</b>	<u>1998</u>	<u>1997</u>
		£	£
	Annual payments on leases expiring between two and five years	12,776,000	-
		=====	=====

### 14 PARENT COMPANY

The ultimate parent company is Petroleum Geo-Services ASA, a company registered in Norway. Group accounts are available from Petroleum Geo-Services ASA, Strandveien 50, 1324 Lysaker, Norway. Consolidated accounts are also prepared for the intermediate parent company Petroleum Geo-Services (UK) Ltd, and are available from PGS Court, Halfway Green, Walton-on-Thames, Surrey KT12 1RS.

The company has received from its parent company confirmation of its intention to continue to provide support that may be required to enable it to continue in operation for the foreseeable future.

### 15 RELATED PARTY DISCLOSURE

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 (Related Party Transactions) in not disclosing transactions with other group companies where there is a common ownership interest of 90% or more.

### 16 CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Petroleum Geo-Services ASA and the cash flows of the company are included in the consolidated group cash flow statement of Petroleum Geo-Services ASA which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.