



PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

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PGS EXPLORATION (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
OFFICERS AND OTHER INFORMATION

Directors	G Langseth C Steen-Nilsen J Reinhardsen (appointed 1 st April 2008) S Rennemo (resigned 1 st April 2008)
Secretary	M C Pinto (appointed 15 th August 2008) M Caines (resigned 15 th August 2008)
Auditors	KPMG LLP 2 Cornwall Street Birmingham West Midlands, B3 2DL United Kingdom
Registered office	4, The Heights Brooklands Weybridge Surrey, KT13 0NY United Kingdom
Registered number	2904391

PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 December 2008.

Principal activities

The principal activity of the company is the provision of consulting services to the oil and gas industry. The main segments within the company are Marine (streamer seismic data acquisition, marine MultiClient library, data processing, and technology) and Onshore (seismic operations on land, in shallow water and transition zones).

The company is a member of the Petroleum Geo-Services Group ("the Group"), a Norwegian registered oil services group with operations worldwide.

Results and dividends

The profit for the year after taxation is \$21,759,000 (2007: \$29,912,000)

The directors do not recommend a dividend (2007: Nil).

Business Review

During 2008 the marine seismic market was strong for the Group as a whole, although contract revenue for the company fell as a result of strategic planning within the wider Group. Multiclient revenues decreased overall, primarily driven by lower late sales as a result of cuts in capital expenditures among clients in the second half of 2008 compared to 2007.

Revenues in the Latin American market increased during the year, whereas activity in North Africa declined. It is this fall in African revenues that has most significantly impacted the company during the year, however the company's operating margin increased from 14% in 2007 to 17% in 2008 in part due to lower vessel costs, such as charter-hire.

The seismic industry has been impacted by the rapid changes in the financial markets and lower oil price. During 2009, a net decline from 2008 in exploration and production spending among clients is expected, causing margins for new contracts to decrease. In the marine segment the Group has a healthy order book for the first eight months of 2009 and it has a competitive advantage in its cost efficient and uniform fleet which will be an important factor in a temporarily weaker market.

Principal risks and uncertainties of the company

The management of the business and the execution of the company's strategy are subject to a number of risks, all of which are closely integrated with those of the Group.

The key business risks and uncertainties affecting the company are considered to relate to competition from other international oil and gas industry consultants and to the price of oil, which is the key driver of demand for the company's services and future profitability.

From the perspective of the company, the principal risks and uncertainties are so integrated with the principal risks of the group that they are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed below.

PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT *(continued)*

Principal risks and uncertainties of the Group

The Group is exposed to adverse changes in interest rates, which is managed through financial instruments such as interest rate swaps.

A portion of the Group's foreign currency exchange risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the US dollar are hedged through forward currency exchange contracts.

Credit risk relating to the Group's trade receivables is relatively limited due to the nature of the customer base and the historic low level of losses on trade receivables. Ongoing credit evaluations of customers are used to manage exposure to this type of risk.

Finally, as a result of the global economic and financial crisis, capital markets are generally less predictable and available than historically experienced. This represents an increased risk for all companies with respect to meeting possible future funding needs. The Petroleum Geo-Services Group continuously monitors its banks and has no reason to believe that they will not meet the Group's funding commitments if called upon.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 8 to 10 of the group's annual report.

Key performance indicators ("KPI's")

The directors of the Petroleum Geo-Services Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of PGS Exploration (UK) Limited. The development, performance and position of the group, which includes the company, is discussed on pages 4 to 12 of the group's annual report which does not form part of this report.

Research and development

The company contributes to the PGS Group's worldwide research and development programmes, the aims of which are the practical application and early introduction of relevant new technologies.

Directors

The directors who served the company during the year and to the date of this report were as follows:

C Steen-Nilsen

G Langseth

J Reinhardsen (appointed 1st April 2008)

S Rennemo (resigned 1st April 2008)

Policy on the payment of creditors

In the UK, wherever possible, the company agrees payment terms with its external suppliers when it enters into binding contracts. It seeks to abide by the terms agreed whenever it is satisfied that the supplier has performed under the terms agreed. In the absence of any specified credit terms it is the company's practice to settle outstanding debts within 45 days of satisfactory receipt of the goods or services in question. Trade creditor days as at 31 December 2008 were 77.7 days (2007: 34.8 days).

PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT *(continued)*

Employee involvement, disabled persons, health & safety

The company has developed a network for communicating with employees, including those in remote locations or at sea. Pertinent and topical information is distributed on a regular basis and channels for feedback are clearly established. Financial information is available from the parent company's web site and industry and technical news items are distributed and discussed at regular intervals.

The company will always give due consideration for job vacancies to disabled persons and, should an employee working in a harsh environment become disabled, full consideration will be given to retaining that person in alternative work wherever possible.

The company aspires to the highest standards of health, safety and regard for the environment. It participates in industry forums and maintains an active information and reporting system for areas of operation with particular risks.

Disclosure of information to auditors

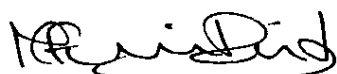
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Appointment of auditors

Ernst & Young LLP resigned as auditors on 23 December 2008 and KPMG LLP were appointed to fill the casual vacancy.

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Signed by order of the board



M C Pinto
Company Secretary

10 September 2009

PGS EXPLORATION (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

PGS EXPLORATION (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGS
EXPLORATION (UK) LIMITED

We have audited the financial statements of PGS Exploration (UK) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

PGS EXPLORATION (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PGS
EXPLORATION (UK) LIMITED *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

10 September 2009

PGS EXPLORATION (UK) LIMITED

PROFIT AND LOSS ACCOUNT

31 DECEMBER 2008

	Notes	2008 \$000	2007 \$000
Turnover	2	220,587	393,459
Cost of sales		<u>(167,715)</u>	<u>(322,867)</u>
Gross profit		52,872	70,592
Administrative expenses		<u>(16,793)</u>	<u>(17,851)</u>
Operating profit	3	36,079	52,741
Interest receivable	5	3,543	1,664
Interest payable and similar charges	6	<u>-</u>	<u>(1,700)</u>
Profit on ordinary activities before taxation		39,622	52,705
Tax on profit on ordinary activities	7	<u>(17,863)</u>	<u>(22,793)</u>
Profit for the financial year		<u><u>21,759</u></u>	<u><u>29,912</u></u>

The company's results are derived from continuing activities. There are no recognised gains and losses other than the results for the current and preceding year as set out above.

The notes on pages 10 to 20 form part of these financial statements.


PGS EXPLORATION (UK) LIMITED

BALANCE SHEET

31 DECEMBER 2008

	Note	2008 \$000	\$000	2007 \$000	\$000
Fixed assets					
Tangible assets	8		25,272		8,731
Investments	9		-		2,613
			<u>25,272</u>		<u>11,344</u>
Current assets					
Investments	9	1,156		-	
Stocks	10	11,041		3,939	
Debtors	11	142,997		181,385	
Cash at bank		3,798		5,888	
		<u>158,992</u>		<u>191,212</u>	
Creditors: amounts falling due within one year	12	(72,794)		(115,838)	
Net current assets			<u>86,198</u>		<u>75,374</u>
Total assets less current liabilities			<u>111,470</u>		<u>86,718</u>
Creditors: amounts falling due after more than one year	13		(5,253)		(4,416)
Provisions for liabilities and charges	14		(2,156)		-
Net Assets			<u>104,061</u>		<u>82,302</u>
Capital and reserves					
Called up equity share capital	16		41,214		41,214
Profit and loss account	17		41,312		19,553
Special Reserve	17		21,535		21,535
Shareholder's funds	18		<u>104,061</u>		<u>82,302</u>

These financial statements were approved by the directors on the 10 September 2009 and are signed on their behalf by:


C Steen-Nilsen
Director

The notes on pages 10 to 20 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

The following accounting policies have been consistently applied in deciding the items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

Under FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Petroleum Geo-Services ASA includes the Company in its own published consolidated financial statements.

Revenue recognition

The company recognises revenue when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collection is reasonably assured. The company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have a stand-alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognised over the period services are provided. Principal estimation techniques applied are forecasts for revenue and costs in respect of multi-client library sales. The company's revenue recognition policy is described in more detail below.

(a) Sales of MultiClient library data

Late sales – The company grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The customer's license payment is fixed and determinable and typically is required at the time that the license is granted. The company recognises revenue for late sales when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data and collection is reasonably assured.

Volume sales agreements – The company grants licenses to the customer for access to a specified number of blocks of MultiClient library within a defined geographical area. These licenses typically enable the customer to select and access the specific blocks over a period of time. Although the license fee is fixed and determinable in all cases, the payment terms of individual volume sales agreements vary, ranging from payment of the entire fee at the commencement of the agreement, to instalment payments over a multi-year period, to payment of the license fee as the specific blocks are selected.

Revenue recognition for volume sales agreements is based on a proportion of the total volume sales agreement revenue, measured as the customer executes a license for specific blocks and the customer has received the data or has been granted access to the data and collection is reasonably assured.

Pre-funding arrangements – The company obtains funding from a limited number of customers before a seismic project is completed. In return for prefunding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices.

The company recognises pre-funding revenue as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognised based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1. Accounting policies *(continued)*

(b) Proprietary sales/contract sales

The company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The company recognises proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognised based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

(c) Other services

Revenue from other services is recognised as the services are performed, provided all other recognition criteria are satisfied.

Interest income

Income is recognised as interest accrues using the effective interest method.

Research and development

Research and development expenditure is expensed in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided to all tangible fixed assets and is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- 15 years
Seismic equipment & vehicles	- 3 years
Computer equipment & software	- 3-5 years
Furniture & office equipment	- 4-6 years

Investments

Investments are held at cost less provision for permanent diminution in value. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Own seismic data is valued at the lower of amortised cost and net realisable value. Costs are amortised in proportion to the sales recorded in each year for each survey as a percentage of the total estimated sales over the life of the survey. Furthermore, should there be any impairment in the value of any survey, additional amortisation is charged so as to reduce the amortised cost to net realisable value.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1. Accounting policies *(continued)*

Pension costs

The group operates a defined benefit pension scheme for the majority of the group's employees. Due to the nature of the scheme individual group companies are unable to identify their share of the underlying assets and liabilities. Therefore, in the accounts of the subsidiaries, the scheme is treated as a defined contribution scheme.

The company also contributes to a defined contribution scheme. Payments to this scheme are charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

The company's primary activities are in US Dollars. As a result, the financial statements are prepared in US Dollars, this being the functional currency of the company.

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange differences on the carrying amount of related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. The company operates within geographical markets; UK, America, Other European countries, rest of the world. An analysis of turnover is given below:

	2008 \$000	2007 \$000
United Kingdom	51,135	74,248
Other European countries	27,095	1,940
Americas	72,352	44,419
Africa	45,252	219,325
Rest of the World	24,753	53,527
	<u>220,587</u>	<u>393,459</u>

3. Operating profit

Operating profit is stated after charging/(crediting):

	2008 \$000	2007 \$000
Research and development expenditure	1,336	906
Depreciation of owned fixed assets	4,895	4,469
Auditor's remuneration in respect of these financial statements:		
Payable to KPMG LLP	139	-
Payable to Ernst & Young LLP	(115)	217
Operating lease costs:		
Other	1,650	1,864
Plant and machinery	17,650	50,107
Loss on foreign currency translation	3,029	572
(Gain)/Loss on disposal of tangible fixed assets	<u>(160)</u>	<u>5</u>

4. Staff costs

(a) Staff costs

	2008 \$000	2007 \$000
Wages and salaries	16,388	15,935
Social security costs	1,698	1,556
Other pension costs	5,353	1,821
	<u>23,439</u>	<u>19,312</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

4. Staff costs (continued)

The average number of staff, excluding directors, employed by the company during the financial year amounted to:

	2008	2007
	No	No
Geophysical management	5	1
Data processing & technology	108	97
Accounting and administration	28	26
Other	24	20
	<u>165</u>	<u>144</u>

(b) Directors' emoluments

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2007: Nil)

5. Interest receivable and similar income

	2008	2007
	\$000	\$000
Bank interest receivable	788	1,664
Interest receivable on amounts due from group undertakings	2,755	-
	<u>3,543</u>	<u>1,664</u>

6. Interest payable and similar charges

	2008	2007
	\$000	\$000
Interest payable on bank borrowing	-	133
Interest payable on group loans	-	1,567
	<u>-</u>	<u>1,700</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

7. Taxation on profit on ordinary activities

(a) Analysis of charge in the year	2008	2007
	\$000	\$000
Current tax:		
UK corporation tax for the year	-	204
Adjustment in respect of prior period	-	88
Foreign tax	4,029	12,992
	<u>4,029</u>	<u>13,284</u>
Deferred taxation:		
Current year charge	14,333	13,800
Effect of change in rate from 30% to 28%	-	1,915
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(499)	(6,206)
	<u>17,863</u>	<u>22,793</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are reconciled below:

	2008	2007
	\$000	\$000
Profit on ordinary activities before taxation	<u>39,622</u>	<u>52,705</u>
Expected tax charge at standard tax rate	11,292	15,812
Expenses not deductible for tax purposes	67	97
Benefit of group relief	(1,013)	(295)
Tax losses and other timing differences	(14,333)	(13,800)
Higher rate of foreign tax on income	2,881	10,581
Revaluation of losses carried forward	4,889	(706)
Impairment of assets not allowable	415	1,507
Change in tax rate relating to timing differences	(169)	-
Prior year tax charge	-	88
Prior year research and development claims	(499)	(2,791)
Prior period tax losses and other timing differences not recognised	499	2,791
	<u>4,029</u>	<u>13,284</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

7. Taxation on profit on ordinary activities *(continued)*

(c) Deferred tax asset

The company has carried forward timing differences as shown below that are available indefinitely to be offset against future taxable profits. The tax effect is shown at 28%, being the rate in force with effect from 1 April 2008.

	Recognised 2008 \$000	Unrecognised 2008 \$000	Recognised 2007 \$000	Unrecognised 2007 \$000
Depreciation in advance of capital allowances	912	-	1,488	-
Other timing differences	4,036	3,972	3,783	3,972
Unrelieved tax losses	11,288	-	24,799	-
Total	<u>16,236</u>	<u>3,972</u>	<u>30,070</u>	<u>3,972</u>

Deferred tax assets have been recognised in relation to these losses and other timing differences to the extent that they satisfy the recognition criteria for deferred tax assets in FRS 19 'Deferred Tax'.

(d) Movement on recognised deferred tax balances

	2008 \$000	2007 \$000
Opening balance	30,070	39,579
Charge to profit and loss account	(13,834)	(9,509)
Closing balance	<u>16,236</u>	<u>30,070</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

8. Tangible fixed assets

	Leasehold improvements \$000	Seismic equipment & vehicles \$000	Computer equipment & software \$000	Furniture & office equipment \$000	Total \$000
Cost:					
At 1 January 2008	-	-	14,377	15,994	30,371
Reclassifications	1,754	5,305	3,750	(10,809)	-
Additions	11,669	141	3,592	7,496	22,898
Disposals	(1,155)	(2,683)	(148)	(928)	(4,914)
At 31 December 2008	<u>12,268</u>	<u>2,763</u>	<u>21,571</u>	<u>11,753</u>	<u>48,355</u>
Depreciation:					
At 1 January 2008	-	-	10,704	10,936	21,640
Reclassifications	1,348	2,013	3,215	(6,576)	-
Charge for the year	216	1,065	3,011	603	4,895
On disposals	(1,155)	(1,232)	(148)	(917)	(3,452)
At 31 December 2008	<u>409</u>	<u>1,846</u>	<u>16,782</u>	<u>4,046</u>	<u>23,083</u>
Net book value:					
At 31 December 2008	<u>11,859</u>	<u>918</u>	<u>4,789</u>	<u>7,707</u>	<u>25,272</u>
At 31 December 2007	<u>-</u>	<u>-</u>	<u>3,673</u>	<u>5,058</u>	<u>8,731</u>

The fixed asset category "Computer equipment & software" corresponds to the prior year categories "Computer equipment" and "Licenses". The fixed asset category "Furniture and office equipment" corresponds to the prior year categories "Furniture, fixtures & fittings" and "Office equipment".

Some reclassification of fixed assets has occurred during the year in order to more accurately reflect the nature of the assets held.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

9. Investments

	\$000
Cost	
At 1 January 2008	3,800
Impairment	
At 1 January 2008	1,187
Charge for the year	1,457
	<u>2,644</u>
Net book value	
31 December 2008	<u>1,156</u>
31 December 2007	<u>2,613</u>

In 2004, PGS Exploration (UK) Limited acquired shares in Endeavour International Corporation, a company listed on the American Stock and Options Exchange at a cost of \$3.8m. The investment has been impaired during the year as a result of a fall in the share price of Endeavour International Corporation from \$1.13 per share at the start of the year to \$0.50 per share as at 31 December 2008.

10. Stocks

	2008 \$000	2007 \$000
Seismic data library		
Work in progress	6,674	2,090
Completed data	4,367	1,849
	<u>11,041</u>	<u>3,939</u>

11. Debtors

	2008 \$000	2007 \$000
Trade debtors	26,590	60,744
Amounts owed by ultimate parent undertaking	44,151	41,782
Amounts owed by other group undertakings	45,099	34,380
Corporation tax recoverable	-	869
Other debtors	2,574	3,659
Prepayments and accrued income	8,347	9,881
Deferred tax assets (notes 7(c) and 7 (d))	16,236	30,070
	<u>142,997</u>	<u>181,385</u>

Amounts owed by the ultimate parent undertaking bear interest at 3-month LIBOR plus 3% per annum.

Included in debtors above are amounts falling due after more than one year, as follows:

	2008 \$000	2007 \$000
Deferred tax asset	<u>5,596</u>	<u>16,193</u>

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12. Creditors: amounts falling due within one year

	2008	2007
	\$000	\$000
Trade creditors	36,077	30,818
Amounts owed to group undertakings	11,441	45,435
Other taxes and social security	606	859
Taxation	13,539	14,647
Accruals and deferred income	11,131	24,079
	<u>72,794</u>	<u>115,838</u>

13. Creditors: amounts falling due after more than one year

	2008	2007
	\$000	\$000
Amounts owed to group undertakings	-	-
Tax payable	2,813	2,813
Other creditors	2,440	1,603
	<u>5,253</u>	<u>4,416</u>

14. Provisions for liabilities and charges

	2008	2007
	\$000	\$000
Onerous lease provision	<u>2,156</u>	<u>-</u>

15. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007
	Land & Buildings	Other Items	Land & Buildings
	\$000	\$000	\$000
Operating leases which expire:			
Within 1 year	141	48	-
Within 2 to 5 years	383	16	549
After more than 5 years	4,903	-	1,315
	<u>5,427</u>	<u>64</u>	<u>1,864</u>
			<u>1,308</u>

Other items comprise office equipment (2007: charter vessels).

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16. Authorised and issued share capital

Authorised share capital:	2008 £000	2007 £000
128,643,623 Ordinary shares of £1 each	<u>128,644</u>	<u>128,644</u>
Allotted, called up share capital:	2008 No	2007 No
	\$000	\$000
Ordinary shares of £1 each	<u>28,898,952</u>	<u>28,898,952</u>
	<u>41,214</u>	<u>41,214</u>

17. Reserves

	Special reserve \$000	Profit and loss account \$000
At the beginning of the year	21,535	19,553
Profit for the financial year	-	21,759
	<u> </u>	<u> </u>
Balance carried forward	<u>21,535</u>	<u>41,312</u>

Following the capital reduction process during 2006 a special reserve was created to protect certain outstanding creditors as at the capital reduction date. This reserve will be transferred back to the profit and loss account when the company no longer has any liability in respect of these creditors.

18. Reconciliation of movements in shareholder's funds

	2008 \$000	2007 \$000
Profit for the financial year	21,759	29,912
Share buy-back	-	(106,336)
Foreign exchange loss on repurchase of shares	-	(39,035)
Opening shareholder's funds	<u>82,302</u>	<u>197,761</u>
Closing shareholder's funds	<u>104,061</u>	<u>82,302</u>

19. Related party transactions

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.

20. Ultimate parent company

The immediate parent company is Petroleum Geo-Services (UK) Limited, a company registered in the United Kingdom. The ultimate parent company and the ultimate controlling party is Petroleum Geo-Services ASA, a company registered in Norway. Group financial statements are available from Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.