COMPANY REGISTRATION NUMBER 02904391

PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

PGS EXPLORATION (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

Contents	**Pages**

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

Directors	G Langseth C Steen-Nilsen J Reinhardsen
Company secretary	C Richards
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Registered office	4, The Heights Brooklands Weybridge Surrey, KT13 0NY United Kingdom
Registered number	02904391

PGS EXPLORATION (UK) LIMITED
STRATEGIC REPORT

Principal activities
The principal activity of the company is the provision of geophysical services to the oil and gas industry.

The company is a member of the Petroleum Geo-Services Group ("the group"), a Norwegian registered oil services group providing geophysical services worldwide. The group provides a broad range of geophysical and reservoir services, including seismic data acquisition, processing, interpretation and field evaluation. It also possesses a substantial international MultiClient seismic data library.

Business review
The main segments within the company are related to marine activities, i.e. seismic data acquisition, marine MultiClient library, imaging, and technology. The main revenue contributors are contract seismic where data is acquired under exclusive contractual agreements with a customer, and MultiClient where the company invests in seismic surveys which are then marketed to multiple customers on a non-exclusive basis. MultiClient revenues are further split into pre-funding revenues relating to ongoing surveys and late sales from the MultiClient library.

Profit margins are variable from project to project and therefore fluctuate from one year to another. The level of activity carried out by the company will vary significantly depending upon utilization of the fleet of vessels within the group. Net earnings in any year will also vary depending upon the market and pricing for the specific projects and also productivity in carrying them out.

Overall, 2014 was a challenging year for the seismic industry. The oil price decline of approximately 50 percent in the second half of the year resulted in a more muted investment level and a less predictable spending level throughout the industry. This impacted the company's financial performance and revenues reduced by 16%, with Marine Contract margins and MultiClient pre-funding levels most affected. For the third consecutive year, Multi-Client revenues exceeded marine contract revenues, driven by pre-funded customer surveys in the North Sea and offshore of Africa. In addition, the company achieved a greater level of late sales.

In all other respects the company has continued to operate in a similar way to previous years and no significant change in the type of business activities is expected in the immediate foreseeable future. The first half of 2015 has continued to be a challenging period for the seismic industry, with the lower oil price negatively impacting bidding activity, pricing and utilization; these weak market conditions are expected to continue throughout the year. The long-term prospects for the seismic industry remain promising, as energy companies continue exploring for oil and gas resources to meet energy demand in regions featuring deeper waters, harsher environments, extreme reservoir depths and complex geologies. The company retains a competitive advantage in its unique technologies, excellent reputation and solid position in the high-end market segment, which makes the company an attractive contractor for oil companies worldwide 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 seismic service providers 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.

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.

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. 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.

By operating seismic vessels, the group is exposed to commodity risk in the form of fuel price fluctuations. The group seeks to pass fuel price risk to customers on a majority of contract work.

Demand for the group's products and services are heavily influenced by oil and gas prices and the focus areas of oil and gas companies' spending. The profitability of the group is subject to a number of operational risks, including increased competition, attractiveness of technology, changes in governmental regulations, licences and permits and adverse weather conditions.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 41 to 42 of the group's annual report.

Key performance indicators ("KPIs")

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 36 to 44 of the group's annual report which does not form part of this report.

Signed on behalf of the Board

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G Langseth
Director

25 January 2016

PGS EXPLORATION (UK) LIMITED
DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 December 2014.

Results and dividends
The loss for the year after taxation is $32,925,000 (2013: profit of $14,480,000).

The directors do not recommend payment of a dividend (2013: nil).

Directors of the company
The directors who held office during the year were as follows:

G Langseth

C Steen-Nilsen

J Reinhardsen

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

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.

Charitable and political donations
The company made charitable donations of $24,000 during 2014 (2013: $107,000). The company did not incur any political expenditure during the year (2013: Nil).

Disclosure of information to the auditor
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 auditor is 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 auditor is aware of that information.

PGS EXPLORATION (UK) LIMITED
DIRECTORS' REPORT *(continued)*

Auditor
KPMG LLP resigned as auditors on 3 November 2014 and a resolution to appoint Ernst & Young as auditor for the ensuing year was passed in accordance with section 485 of the Companies Act 2006.

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

Signed on behalf of the Board

G Langseth
Director

25 January 2016

PGS EXPLORATION (UK) LIMITED

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

The directors are responsible for preparing the Strategic Report, 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

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 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

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William Binns (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Chartered Accountants
1 More London Place
London
SE1 2AF

Date: 25 January 2016

PGS EXPLORATION (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

	Note	2014 $ 000	2013 $ 000
Turnover	2	226,177	270,295
Cost of sales		(244,313)	(237,980)
Gross (loss)/profit		(18,136)	32,315
Administrative expenses		(14,470)	(9,622)
Operating (loss)/profit	3	(32,606)	22,693
Interest receivable	5	-	1,295
Interest payable and similar charges	6	(2,955)	(1,270)
(Loss)/profit on ordinary activities before taxation		(35,561)	22,718
Tax on (loss)/profit on ordinary activities	7	2,636	(8,238)
(Loss)/profit for the financial year	15	(32,925)	14,480

The company's results are derived from continuing activities.

There are no recognised gains or losses other than the results for the current and preceding year as set out above.

The notes on pages 11 to 22 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED
BALANCE SHEET
31 DECEMBER 2014

	Note	2014 $ 000	2013 $ 000
Fixed assets			
Tangible assets	8	20,163	20,680
Current assets			
Stocks	9	96,784	147,800
Debtors (including amounts receivable after more than one year of $4,040,000 (2013: $2,572,000)	10	89,248	92,634
Cash at bank and in hand		7,002	3,585
		193,034	244,019
Creditors: Amounts falling due within one year	11	(132,364)	(151,938)
Net current assets		60,670	92,081
Total assets less current liabilities		80,833	112,761
Creditors: Amounts falling due after more than one year	12	(3,850)	(2,853)
Net assets		76,983	109,908
Capital and reserves			
Called up share capital	14	41,214	41,214
Profit and loss account	15	14,234	47,159
Special reserve	15	21,535	21,535
Shareholders' funds	16	76,983	109,908

These financial statements were approved by the Board on 25 January 2016 and are signed on their behalf by:

C Steen-Nilsen
Director

Registered number 02904391

The notes on pages 11 to 22 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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.

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They have been presented in US$ as this is the currency in which the company operates.

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.

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Petroleum Geo-Services ASA, the company's ultimate parent undertaking. Petroleum Geo-Services ASA has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Petroleum Geo-Services ASA to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Petroleum Geo-Services ASA group to continue as a going concern or its ability to continue with the current banking arrangements. In October 2015 Petroleum Geo-Services ASA received consent from the required lenders to its combined Revolving Credit and Term Loan B facility to amend the leverage ratio maintenance covenant and certain other amendments, creating significantly more headroom and preserving a strong liquidity reserve.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Petroleum Geo-Services ASA, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1 **Accounting policies *(continued)***

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.

(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.

1 **Accounting policies *(continued)***

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 on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are expensed as normal.

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.

Impairment of fixed assets
The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits.
Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

1 **Accounting policies *(continued)***

Calculation of recoverable amount
The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Stocks
The MultiClient library consists of seismic data surveys to be licensed to one or more customers on a nonexclusive basis. Costs, including depreciation and operating lease costs, incurred in acquiring, processing and otherwise completing seismic surveys are capitalised into the MultiClient library.

The MultiClient library is recorded at cost net of accumulated amortisation and impairments. Amortisation of the multi-client library is recorded in proportion to revenue recognized to date as a percentage of the total expected revenue. At year-end, each project is evaluated for impairment and valued at the lower of cost and fair value (based upon the discounted value of future estimated revenues less selling costs). Each project is also subject to a minimum amortisation which reduces its net book value to nil over a maximum period of five years from the year of completion

Steaming costs
Steaming costs relate to relocating or 'steaming' a vessel or crew from one location to another. The company includes such costs in the cost of the MultiClient survey or exclusive contract with which the costs are associated. The steaming costs related to MultiClient survey are capitalised as a part of the MultiClient library. Steaming costs on exclusive surveys are deferred and charged to expense based upon the percentage of completion of the project.

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

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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

1 Accounting policies *(continued)*

Pension costs
The group operates a defined benefit pension scheme in the UK. The scheme was closed to new entrants in 2006. 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.

2 Turnover

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

	2014 $ 000	2013 $ 000
United Kingdom	134,008	130,381
Other European countries	7,370	8,040
Americas	3,388	5,601
Middle East & Africa	78,062	110,258
Rest of the World	3,349	16,015
	226,177	270,295

3 Operating (loss)/ profit

Operating (loss)/ profit is stated after charging / (crediting):

	2014 $ 000	2013 $ 000
Research and development	2,203	2,097
Depreciation of owned fixed assets (note 8)	6,968	6,278
Auditors remuneration:		
- Audit of these financial statements	50	100
Operating hire costs:		
- Other	3,447	3,235
- Plant and machinery	19,898	49,489
Impairment of MultiClient library	47,499	28,722
(Gain) / loss on foreign currency translation	(150)	629
Gain on disposal of tangible fixed assets	(91)	(25)

4 Staff costs and directors' remuneration

(a) Staff costs

	2014 $ 000	2013 $ 000
Wages and salaries	27,252	23,124
Social security costs	3,667	2,655
Other pension costs	7,306	6,064
	38,225	31,843

The average number of persons employed by the company (excluding directors) during the year, analysed by category was as follows:

	2014 No.	2013 No.
Geophysical management	-	1
Data processing & technology	148	138
Accounting and administration	36	39
Other	45	42
	229	220

(b) Directors' remuneration

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2013: $Nil).

The remuneration of the directors is paid by the parent company, which makes no recharges to the company. The directors act in a group capacity only and do not allocate specific time to the company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the company.

5 Interest receivable

	2014 $ 000	2013 $ 000
Other interest receivable	-	1,295

6 Interest payable and similar charges

	2014 $ 000	2013 $ 000
Net interest payable on amounts due to group undertakings	2,490	1,116
Other interest payable	3	2
Unwinding of discount rate	462	152
	2,955	1,270

7 Taxation

(a) Analysis of charge in the year

	2014 $ 000	2013 $ 000
Current tax:		
UK corporation tax for the year	-	-
Foreign tax on income for the year	682	3,112
	682	3,112
Deferred tax:		
Current year charge	(3,004)	5,154
Adjustments to the estimated recoverable amounts of deferred tax assets arising in prior years	(314)	(28)
	(3,318)	5,126
Total tax on (loss)/profit on ordinary activities	(2,636)	8,238

7 **Taxation** ***(continued)***

(b) Factors affecting current tax charge

The tax on the (loss)/profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2013 - lower) of 21.5% (2013 - 23.25%).

The differences are reconciled below:

	2014 $ 000	2013 $ 000
(Loss)/profit on ordinary activities before tax	(35,561)	22,718
Expected corporation tax at standard rate	(7,646)	5,282
Expenses not deductible for tax purposes	859	150
Depreciation in excess of capital allowances	1,136	175
Utilisation of brought forward losses	-	(5,036)
Other timing differences	600	153
Higher rate of foreign tax on income	535	2,388
Losses carried forward for offset against future profits	5,198	-
Total current tax	682	3,112

(c) Deferred tax asset

The company has carried forward timing differences as shown below that are available indefinitely to be offset against certain future taxable profits. Deferred tax assets have been recognised in relation to those losses and other timing differences as they satisfy the recognition criteria for deferred tax assets in FRS 19 'Deferred Tax'.

	Recognised 2014 $000	Unrecognised 2014 $000	Recognised 2013 $000	Unrecognised 2013 $000
Depreciation in advance of capital allowances	2,255	-	1,210	-
Other timing differences	1,939	6,186	1,362	6,186
Unrelieved tax losses	2,862	3,376	1,166	-
Total	7,056	9,562	3,738	6,186

The UK tax rate is in the process of being reduced from 28% to 20%. At 31 December 2014 the rates that had been substantively enacted, effective from 1 April 2014, was 21% and effective from 1 April 2015 was 20%. At 31 December 2013 the equivalent rate was 21% / 20%. Accordingly, the tax rates used for the deferred tax asset calculations at the balance sheet date is 20% (2013: either 21% or 20% dependent on when the timing differences are anticipated to reverse).

7 Taxation *(continued)*

(d) Movement on recognised deferred tax balances

	2014 $ 000	2013 $000
At 1 January 2014	3,738	8,864
Credited/(charged) to the profit and loss account	3,318	(5,126)
At 31 December 2014	7,056	3,738

8 Tangible fixed assets

	Leasehold improvements $ 000	Computer equipment & software $ 000	Seismic equipment & vehicles $ 000	Furniture & office equipment $ 000	Assets under construction $ 000	Total $ 000
Cost						
At 1 January 2014	12,071	20,009	197	7,956	3,410	43,643
Additions	-	5,492	-	-	1,175	6,667
Reclassification	4,465	120	-	-	(4,585)	-
Disposals	-	(2,735)	-	(11)	-	(2,746)
At 31 December 2014	16,536	22,886	197	7,945	-	47,564
Depreciation						
At 1 January 2014	5,016	13,661	195	4,091	-	22,963
Charge for the year	1,382	5,208	1	377	-	6,968
Disposals	-	(2,519)	-	(11)	-	(2,530)
At 31 December 2014	6,398	16,350	196	4,457	-	27,401
Net book value						
At 31 December 2014	10,138	6,536	1	3,488	-	20,163
At 31 December 2013	7,055	6,348	2	3,865	3,410	20,680

9 Stocks

	2014 $ 000	2013 $ 000
Seismic data library		
Work in progress	21,843	97,397
Completed data	74,941	50,403
	96,784	147,800

In 2014, an impairment charge of $47,499,000 was recognised to reflect the discounted cash flow of future sales on certain individual surveys.

10 Debtors

	2014 $ 000	2013 $ 000
Trade debtors	63,370	20,264
Amounts owed by immediate parent undertaking	889	58
Amounts owed by other group undertakings	4,463	37,443
Other debtors	2,202	1,978
Prepayments and accrued income	11,268	29,153
Deferred tax assets (notes 7(c) and 7 (d))	7,056	3,738
	89,248	92,634

Amounts owed between the company and the immediate parent undertaking or other group undertakings are treated as trading balances and do not bear any interest.

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

	2014 $000	2013 $000
Deferred tax asset	4,040	2,572

11 Creditors: amounts falling due within one year

	2014 $ 000	2013 $ 000
Trade creditors	6,678	6,485
Amounts owed by ultimate parent undertaking	80,157	110,155
Amounts owed to group undertakings	16,276	6,504
Other taxes and social security	820	820
Taxation	1,964	1,623
Accruals and deferred income	26,469	26,351
	132,364	151,938

Amounts owed between the company and the ultimate parent undertaking are covered by a mutual credit agreement in which the amounts are unsecured, repayable on demand and bear interest at 3-month LIBOR plus 3% per annum. Amounts owed between the company and other group undertakings are treated as trading balances and do not bear any interest.

12 Creditors: Amounts falling due after more than one year

	2014 $ 000	2013 $ 000
Other creditors	3,850	2,853

13 Commitments under operating leases

As at 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings $ 000	Other $ 000	Land and buildings $ 000	Other $ 000
Operating leases which expire:				
Within one year	65	184	41	991
In two and five years	3,388	113	3,423	917
	3,453	297	3,464	1,908

Other items comprise office equipment. In addition to the items above the company chartered a vessel from another group company, which could be terminated by either party at any time. The lease was terminated in March 2014.

14 Share capital

Allotted, called up and fully paid shares:

	2014		2013	
	No.	$ 000	No.	$ 000
Ordinary shares of £1 each	28,898,952	41,214	28,898,952	41,214

15 Reserves

	Special reserve $ 000	Profit and loss account $ 000
At 1 January 2014	21,535	47,159
Loss for the year	-	(32,925)
At 31 December 2014	21,535	14,234

16 Reconciliation of movement in shareholders' funds

	2014 $ 000	2013 $ 000
(Loss)/profit for the financial year	(32,925)	14,480
Shareholders' funds at 1 January	109,908	95,428
Shareholders' funds at 31 December	76,983	109,908

17 Related party transactions

As a wholly owned subsidiary of Petroleum Geo-Services ASA the company has taken advantage of the exemptions provided by FRS 8 (Related Party Transactions) in not disclosing transactions with other wholly owned group companies.

18 Immediate and 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 ultimate controlling party is Petroleum Geo-Services ASA, a company registered in Norway. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.

Group financial statements are available from Petroleum Geo-Services ASA, Lilleakerveien 4C, P.O. Box 251 Lilleaker, 0216 Oslo, Norway.