

COMPANY REGISTRATION NUMBER 02904391



PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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PGS EXPLORATION (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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

Directors	G Langseth C Steen-Nilsen J Reinhardsen
Company secretary	M C Pinto (resigned 13 September 2013) C Richards (appointed 13 September 2013)
Auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands, B4 6GH 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, 2013 was a challenging year for the seismic industry, with slower market growth and weaker than expected earnings development, particularly in the latter half of the year. Revenues reduced by 19%; however gross and operating margins improved in 2013 compared to 2012, reflecting higher prices on contract services and the increasing effects of a cost efficiency program initiated in 2012. Additionally, a quality improvement program was launched in 2013 aimed at improving profitability through capturing lost revenues by preventing quality shortcomings. For the second year, Multi-Client revenues exceeded marine contract revenues, driven by pre-funded customer surveys in the North Sea. 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. In the first half of 2014, the seismic industry has seen less predictable customer spending and low bidding activity, and these challenging conditions are expected to continue into the following year. The long-term prospects for the seismic industry remain favourable, however, as energy companies continue their search for new hydrocarbon resources 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.

PGS EXPLORATION (UK) LIMITED

STRATEGIC 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.

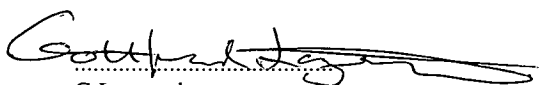
Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Petroleum Geo-Services Group continuously monitors its banks and has no reason to believe that they will not meet the group's funding commitments if called upon.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 51 to 52 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 46 to 54 of the group's annual report which does not form part of this report.

Signed on behalf of the Board



G Langseth
Director

11 September 2014

PGS EXPLORATION (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 December 2013.

Results and dividends

The profit for the year after taxation is \$14,480,000 (2012: \$7,581,000).

The directors do not recommend payment of a dividend (2012: 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 \$107,000 during 2013 (2012: Nil). The company did not incur any political expenditure during the year (2012: Nil).

Disclosure of information to the auditor

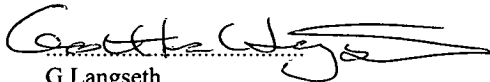
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make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

A resolution to appoint Ernst & Young as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'G Langseth', written over a dotted line.

G Langseth
Director

11 September 2014

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 2013, set out on pages 9 to 22. 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 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 and of its profit 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.



.....
Michael Froom (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

Date:.....18/9/14

PGS EXPLORATION (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$ 000	2012 \$ 000
Turnover	2	270,295	333,984
Cost of sales		<u>(237,980)</u>	<u>(307,565)</u>
Gross profit		32,315	26,419
Administrative expenses		<u>(9,622)</u>	<u>(13,514)</u>
Operating profit	3	22,693	12,905
Interest receivable	5	1,295	-
Interest payable and similar charges	6	<u>(1,270)</u>	<u>(963)</u>
Profit on ordinary activities before taxation		22,718	11,942
Tax on profit on ordinary activities	7	<u>(8,238)</u>	<u>(4,361)</u>
Profit for the financial year	15	<u><u>14,480</u></u>	<u><u>7,581</u></u>

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 2013

	Note	2013 \$ 000	2012 \$ 000
Fixed assets			
Tangible assets	8	20,680	19,037
Current assets			
Stocks	9	147,800	83,036
Debtors (including amounts receivable after more than one year of \$2,572,000 (2012: \$4,493,000))	10	92,634	54,142
Cash at bank and in hand		3,585	27
		<u>244,019</u>	<u>137,205</u>
Creditors: Amounts falling due within one year	11	<u>(151,938)</u>	<u>(57,919)</u>
Net current assets		<u>92,081</u>	<u>79,286</u>
Total assets less current liabilities		112,761	98,323
Creditors: Amounts falling due after more than one year	12	<u>(2,853)</u>	<u>(2,895)</u>
Net assets		<u>109,908</u>	<u>95,428</u>
Capital and reserves			
Called up share capital	14	41,214	41,214
Profit and loss account	15	47,159	32,679
Special reserve	15	<u>21,535</u>	<u>21,535</u>
Shareholders' funds	16	<u>109,908</u>	<u>95,428</u>

These financial statements were approved by the Board on 11 September 2014 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 2013

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.

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 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.

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.

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (continued)

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.

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

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (continued)

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.

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (*continued*)

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.

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (*continued*)

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:

	2013	2012
	\$ 000	\$ 000
United Kingdom	130,381	135,322
Other European countries	8,040	31,757
Americas	5,601	78,482
Middle East & Africa	110,258	67,424
Rest of the World	16,015	20,999
	<u>270,295</u>	<u>333,984</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

3 Operating profit

Operating profit is stated after charging / (crediting):

	2013 \$ 000	2012 \$ 000
Research and development	2,097	2,544
Depreciation of owned fixed assets (note 8)	6,278	4,638
Auditors remuneration:		
- Audit of these financial statements	100	61
Operating hire costs:		
- Other	3,235	3,259
- Plant and machinery	49,489	91,921
Impairment of MultiClient library	28,722	17,605
Loss on foreign currency translation	629	393
(Gain) on disposal of tangible fixed assets	(25)	(16)
Additional loss on disposal of business in 2010	-	332
	<u> </u>	<u> </u>

4 Staff costs and directors' remuneration

(a) Staff costs

	2013 \$ 000	2012 \$ 000
Wages and salaries	23,124	24,731
Social security costs	2,655	2,836
Other pension costs	6,064	5,799
	<u>31,843</u>	<u>33,366</u>

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

	2013 No.	2012 No.
Geophysical management	1	1
Data processing & technology	138	136
Accounting and administration	39	40
Other	42	38
	<u>220</u>	<u>215</u>

(b) Directors' remuneration

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2012: \$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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

5 Interest receivable and similar income

	2013 \$ 000	2012 \$ 000
Other interest receivable	1,295	-

6 Interest payable and similar charges

	2013 \$ 000	2012 \$ 000
Net interest payable on amounts due to group undertakings	1,116	463
Other interest payable	2	15
Unwinding of discount rate	152	485
	<u>1,270</u>	<u>963</u>

7 Taxation

(a) Analysis of charge in the year

	2013 \$ 000	2012 \$ 000
Current tax:		
UK corporation tax for the year	-	-
Foreign tax on income for the year	3,112	3,534
Foreign tax on income for prior periods	-	(2,137)
	<u>3,112</u>	<u>1,397</u>
Deferred tax		
Current year charge	5,154	3,161
Adjustments to the estimated recoverable amounts of deferred tax assets arising in prior years	(28)	(197)
	<u>5,126</u>	<u>2,964</u>
Total tax on profit on ordinary activities	<u>8,238</u>	<u>4,361</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

7 Taxation (continued)

(b) Factors affecting current tax charge

The tax on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (2012 - lower) of 23.25% (2012 - 24.5%).

The differences are reconciled below:

	2013 \$ 000	2012 \$ 000
Profit on ordinary activities before tax	22,718	11,943
Expected corporation tax at standard rate	5,282	2,926
Expenses not deductible for tax purposes	150	283
Depreciation in excess of capital allowances	175	(10)
Utilisation of brought forward losses	(5,036)	(2,320)
Other timing differences	153	(13)
Higher rate of foreign tax on income	2,388	2,668
Prior year foreign tax credit	-	(2,137)
Total current tax	3,112	1,397

(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 2013 \$000	Unrecognised 2013 \$000	Recognised 2012 \$000	Unrecognised 2012 \$000
Depreciation in advance of capital allowances	1,210	-	1,212	-
Other timing differences	1,362	6,186	1,211	6,186
Unrelieved tax losses	1,166	-	6,441	-
Total	3,738	6,186	8,864	6,186

The UK tax rate is in the process of being reduced from 28% to 20%. At 31 December 2013 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 2012 the equivalent rate was 23%. Accordingly, the tax rates used for the deferred tax asset calculations at the balance sheet date is either 21% or 20% (2012: 23%) dependent on when the timing differences are anticipated to reverse.

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7 Taxation (continued)

(d) Movement on recognised deferred tax balances

	2013 \$ 000	2012 \$000
At 1 January 2013	8,864	11,828
Charged to the profit and loss account	<u>(5,126)</u>	<u>(2,964)</u>
At 31 December 2013	<u><u>3,738</u></u>	<u><u>8,864</u></u>

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 2013	12,083	21,534	197	9,980	-	43,794
Additions	20	4,491	-	-	3,410	7,921
Disposals	<u>(32)</u>	<u>(6,016)</u>	<u>-</u>	<u>(2,024)</u>	<u>-</u>	<u>(8,072)</u>
At 31 December 2013	<u><u>12,071</u></u>	<u><u>20,009</u></u>	<u><u>197</u></u>	<u><u>7,956</u></u>	<u><u>3,410</u></u>	<u><u>43,643</u></u>
Depreciation						
At 1 January 2013	4,035	15,051	194	5,477	-	24,757
Charge for the year	1,013	4,626	1	638	-	6,278
Disposals	<u>(32)</u>	<u>(6,016)</u>	<u>-</u>	<u>(2,024)</u>	<u>-</u>	<u>(8,072)</u>
At 31 December 2013	<u><u>5,016</u></u>	<u><u>13,661</u></u>	<u><u>195</u></u>	<u><u>4,091</u></u>	<u><u>-</u></u>	<u><u>22,963</u></u>
Net book value						
At 31 December 2013	<u><u>7,055</u></u>	<u><u>6,348</u></u>	<u><u>2</u></u>	<u><u>3,865</u></u>	<u><u>3,410</u></u>	<u><u>20,680</u></u>
At 31 December 2012	<u><u>8,048</u></u>	<u><u>6,483</u></u>	<u><u>3</u></u>	<u><u>4,503</u></u>	<u><u>-</u></u>	<u><u>19,037</u></u>

9 Stocks

	2013 \$ 000	2012 \$ 000
Seismic data library		
Work in progress	97,397	50,083
Completed data	<u>50,403</u>	<u>32,953</u>
	<u><u>147,800</u></u>	<u><u>83,036</u></u>

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10 Debtors

	2013 \$ 000	2012 \$ 000
Trade debtors	20,264	20,708
Amounts owed by immediate parent undertaking	58	109
Amounts owed by other group undertakings	37,443	5,718
Other debtors	1,978	425
Prepayments and accrued income	29,153	18,318
Deferred tax assets (notes 7(c) and 7 (d))	3,738	8,864
	<u>92,634</u>	<u>54,142</u>

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:

	2013 \$000	2012 \$000
Deferred tax asset	<u>2,572</u>	<u>4,493</u>

11 Creditors: amounts falling due within one year

	2013 \$ 000	2012 \$ 000
Trade creditors	6,485	3,456
Amounts owed by ultimate parent undertaking	110,155	13,267
Amounts owed to group undertakings	6,504	16,617
Other taxes and social security	820	746
Taxation	1,623	2,799
Accruals and deferred income	26,351	21,034
	<u>151,938</u>	<u>57,919</u>

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.

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12 Creditors: Amounts falling due after more than one year

	2013 \$ 000	2012 \$ 000
Other creditors	<u>2,853</u>	<u>2,895</u>

13 Commitments under operating leases

As at 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013		2012	
	Land and buildings \$ 000	Other \$ 000	Land and buildings \$ 000	Other \$ 000
Operating leases which expire:				
Within one year	41	991	-	17
In two and five years	3,423	917	324	2,912
In over five years	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>-</u>
	<u>3,464</u>	<u>1,908</u>	<u>3,424</u>	<u>2,929</u>

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 share capital:

	2013		2012	
	No.	\$ 000	No.	\$ 000
Ordinary shares of £1 each	<u>28,898,952</u>	<u>41,214</u>	<u>28,898,952</u>	<u>41,214</u>

15 Reserves

	Special reserve \$ 000	Profit and loss account \$ 000
At 1 January 2013	21,535	32,679
Profit for the year	<u>-</u>	<u>14,480</u>
At 31 December 2013	<u>21,535</u>	<u>47,159</u>

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16 Reconciliation of movement in shareholders' funds

	2013 \$ 000	2012 \$ 000
Profit for the financial year	14,480	7,581
Shareholders' funds at 1 January	<u>95,428</u>	<u>87,847</u>
Shareholders' funds at 31 December	<u>109,908</u>	<u>95,428</u>

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.