



SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

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SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
OFFICERS AND OTHER INFORMATION

Directors	G Langseth C Steen-Nilsen J Reinhardsen
Secretary	M C Pinto (appointed 15 th August 2008) M Caines (resigned 15 th August 2008)
Auditor	KPMG LLP 2 Cornwall Street Birmingham West Midlands, B3 2DL
Registered office	4, The Heights Brooklands Weybridge Surrey KT13 0NY
Registered number	3077211

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT

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

Principal activities

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

The principal activity of the company is the provision of seismic services to the oil and gas industry.

Results and dividend

The profit for the year after taxation is \$3,259,992 (2007: \$30,335,011).

An interim dividend of \$25.28 per share amounting to \$20,000,000 was paid on 30 April 2008 (2007: \$12.64 per share amounting to \$10,000,000).

The directors do not recommend the payment of a final dividend (2007: Nil).

Business review

The operating climate for the company and the Group has been good during the year, however strategic planning within the Group has resulted in fewer projects being carried out by the company compared with the prior year. This has resulted in significantly reduced turnover and profits for the year. Profit margins are variable from project to project and therefore fluctuate from one year to another.

In all other respects the company has continued to operate in a similar way to previous years. No significant change in the type of business activities is expected in the immediate foreseeable future.

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, primarily competition from within the seismic market and commodity risk related to the price of oil. The price of oil is a primary driver of demand for the services provided by Seismic Exploration (Canada) Ltd and its future profitability. The same is true of the wider Petroleum Geo-Services Group ("the Group") within which the company operates. The Group has an efficient and technologically advanced fleet of vessels that has enabled it to position itself competitively within the marine 3D market, a market which experienced further growth in 2008 driven by increased demand for seismic from oil and gas companies.

From the perspective of the company, the principal risks and uncertainties are integrated with those of the Group and are not managed separately.

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.

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT *(continued)*

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 Seismic Exploration (Canada) 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.

Policy on the payment of creditors

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Settlement commonly occurs within a 45 day period.

The number of days' purchases represented by the trade creditors at the prior year-end was 0.9 days. As at 31 December 2008 the trade creditors balance was nil.

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

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

7 September 2009

SEISMIC EXPLORATION (CANADA) LTD

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEISMIC EXPLORATION (CANADA) LTD

We have audited the financial statements of Seismic Exploration (Canada) Ltd 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SEISMIC EXPLORATION (CANADA) LTD *(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

2 Cornwall Street

Birmingham B3 2DL

7 September 2009

SEISMIC EXPLORATION (CANADA) LTD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Notes	2008 \$000	2007 \$000
Turnover	2	51,649	237,109
Cost of sales		(48,797)	(189,208)
Gross profit		<u>2,852</u>	<u>47,901</u>
Administrative expenses		(101)	(2,325)
Operating profit	3	<u>2,751</u>	<u>45,576</u>
Interest receivable	5	1,804	1,294
Interest payable and similar charges	6	(3)	(22)
Profit on ordinary activities before taxation		<u>4,552</u>	<u>46,848</u>
Tax on profit on ordinary activities	7	(1,292)	(16,513)
Profit for the financial year		<u><u>3,260</u></u>	<u><u>30,335</u></u>

The company's results are derived from continuing activities.

The company has no recognised gains or losses other than the results for the current and preceding year as set out above.

The notes on pages 9 to 16 form part of these financial statements.


SEISMIC EXPLORATION (CANADA) LTD

BALANCE SHEET

31 DECEMBER 2008

	Notes	2008 \$000	\$000	2007 \$000	\$000
Current assets					
Debtors	8	20,497		64,146	
Cash at bank		55		259	
		<u>20,552</u>		<u>64,405</u>	
Creditors: amounts falling due within one year	9	<u>(7,807)</u>		<u>(34,920)</u>	
Net current assets			<u>12,745</u>		<u>29,485</u>
Creditors: amounts falling due after more than one year	10		<u>(1,900)</u>		<u>(1,900)</u>
Net assets			<u><u>10,845</u></u>		<u><u>27,585</u></u>
Capital and reserves					
Called-up equity share capital	12		1,137		1,137
Profit and loss account	13		9,708		26,448
Shareholders' funds	14		<u><u>10,845</u></u>		<u><u>27,585</u></u>

These financial statements were approved by the directors on 7 September 2009 and are signed on their behalf by:

..... 
C Steen-Nilsen

The notes on pages 9 to 16 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LTD
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 and include the results of the company's operations which are described in the directors' report and all of which are continuing.

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

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered and the customer has accepted the product or service,
- The price to the buyer is fixed and determinable, and
- Collectability is reasonably assured

The company's revenue recognition policy is described in more detail below.

(a) 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.

(b) Other services

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

The company defers the unearned component of payments received from customers for which the revenue recognition criteria have not been met.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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.

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 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.

2. Turnover

The turnover is predominantly attributable to fees charged for marine seismic surveying in the Gulf of Mexico, Russia and Africa (Rest of the World).

An analysis of turnover is given below:

	2008 \$000	2007 \$000
Gulf of Mexico	50,535	131,720
Rest of the World	1,114	105,389
	<u>51,649</u>	<u>237,109</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

3. Operating profit

Operating profit is stated after charging:

	2008 \$000	2007 \$000
Auditor's remuneration for the audit of these financial statements:		
Payable to KPMG LLP	13	-
Payable to Ernst & Young LLP	(6)	27
Net loss on foreign currency translation	<u>18</u>	<u>291</u>

4. Staff costs and Directors' remuneration

There were no employees other than the executive directors employed during the year. The directors did not receive any emoluments for the services they provided to the company during the year (2007: Nil).

5. Interest receivable

	2008 \$000	2007 \$000
Bank interest receivable	3	272
Interest receivable on group loans	<u>1,801</u>	<u>1,022</u>
	<u>1,804</u>	<u>1,294</u>

6. Interest payable and similar charges

	2008 \$000	2007 \$000
Bank interest payable	<u>3</u>	<u>22</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	\$000	\$000
Current tax:		
UK Corporation tax on profit for the year	782	11,647
Double tax relief	(782)	(11,537)
	<u>-</u>	<u>110</u>
Foreign tax	1,292	14,312
	<u>1,292</u>	<u>14,422</u>
Deferred taxation adjustments to the estimated recoverable amounts of deferred tax assets:		
- current year	-	2,091
Total tax on profits on ordinary activities	<u>1,292</u>	<u>16,513</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	4,552	46,848
Expected tax charge at standard tax rate	1,297	14,054
Expenses not deductible for tax purposes	-	3
Losses claimed as group relief	(514)	(279)
Tax losses utilised not recognised	-	(2,131)
Higher rate of foreign tax on income	3	1,900
Revaluation of tax credit	-	3
Prior year reduction in tax credits carried forward	163	-
Exchange rate movements on tax credits carried forward	315	-
Timing differences not recognised	28	872
Total current tax (Note 7a)	<u>1,292</u>	<u>14,422</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

7. Taxation 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 UK tax liabilities.

	2008 Not Recognised \$000	2007 Not Recognised \$000
Foreign tax credits	900	872
Total	<u>900</u>	<u>872</u>

The deferred tax asset is not recognised in the balance sheet as forecasts do not indicate it will reverse in the foreseeable future.

(d) Movement on recognised deferred tax balances

	2008 \$000	2007 \$000
Opening balance	-	2,091
Charge to profit and loss account	-	(2,091)
Closing balance	<u>-</u>	<u>-</u>

8. Debtors

	2008 \$000	2007 \$000
Trade debtors	1,114	-
Amounts owed by ultimate parent undertaking	18,056	50,278
Amounts owed by other group undertakings	1,247	13,011
Foreign tax recoverable	42	51
Prepayments and accrued income	-	747
Other debtors	38	59
	<u>20,497</u>	<u>64,146</u>

Amounts owed by the ultimate parent undertaking, Petroleum Geo-Services ASA, and other group undertakings are repayable on demand and unsecured. Amounts owed by the ultimate parent undertaking bear interest at 3-month LIBOR plus 3% per annum.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

9. Creditors: amounts falling due within one year

	2008 \$000	2007 \$000
Trade creditors	-	451
Amounts owed to group undertakings	1,849	19,267
UK Corporation tax	-	68
Foreign tax	217	4,717
Accruals and deferred income	5,576	10,417
Other creditors	165	-
	<u>7,807</u>	<u>34,920</u>

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

	2008 \$000	2007 \$000
Foreign tax payable	1,900	1,900
	<u>1,900</u>	<u>1,900</u>

The above creditor represents a provision for taxes payable in Russia as a result of potential challenges regarding documentation of expenses deductible in calculating tax liabilities for a project in 2007.

11. Commitments under operating leases

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

	2008 \$000	2007 \$000
Expiring within one year	<u>-</u>	<u>8,995</u>

The lease commitments in the prior year related to the charter hire of a vessel from PGS Shipping AS which expired in April 2008.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

12. Authorised and issued share capital

Authorised share capital:

	2008 £000	2007 £000
3,090,239 Ordinary shares of £1 shares	<u>3,090</u>	<u>3,090</u>

Allotted, called up and fully paid:

	2008		2007
	No	\$000	No
		\$000	
Ordinary shares of £1 each	<u>791,239</u>	<u>1,137</u>	<u>791,239</u>
		<u>1,137</u>	

13. Profit and loss account

	2008 \$000	2007 \$000
Balance brought forward	26,448	6,113
Profit for the financial year	3,260	30,335
Interim dividend paid	(20,000)	(10,000)
Balance carried forward	<u>9,708</u>	<u>26,448</u>

14. Reconciliation of movements in shareholders' funds

	2008 \$000	2007 \$000
Profit for the financial year	3,260	30,335
Interim dividend paid	(20,000)	(10,000)
Net (decrease)/increase in shareholders' funds	<u>(16,740)</u>	<u>20,335</u>
Opening shareholders' funds	27,585	7,250
Closing shareholders' funds	<u>10,845</u>	<u>27,585</u>

15. Related party transactions

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

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

16. 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.