

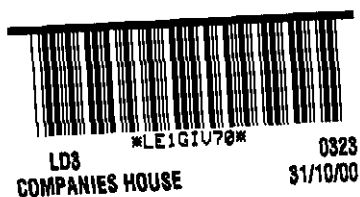


PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

COMPANY NUMBER 3077211



PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 1999.

DIRECTORS

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

T Rigsby

L Quinn

The directors hold no beneficial interest in the shares of the company.

RESULTS AND DIVIDENDS

The profit for the year after tax was £213,506 (1998: loss £14,002). This amount has been transferred from reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND COMPANY DEVELOPMENTS

The principal activity of the company is providing personnel for the acquisition of ocean bottom cable marine seismic surveys. The company expects to continue pursuing its principal activity for the foreseeable future.

The company is a member of the Petroleum-Geo Services Group, a Norwegian registered oil exploration and services group with operations worldwide. PGS Ocean Bottom Seismic (UK) Ltd was established in order to broaden the range of PGS technologies available to the oil industry.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they will be reappointed will be proposed at the Annual General Meeting.

By Order of the Board



H Nevile
Secretary

27 October 2000

Auditors' report to the members of PGS Ocean Bottom Seismic (UK) Ltd

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers,

27 October 2000

Chartered Accountants & Registered Auditors
London

PGS OCEAN BOTTOM SEISMIC (UK) LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>Note</u>	<u>1999</u>	<u>1998</u>
		<u>£</u>	<u>£</u>
TURNOVER	2	2,519,074	2,311,257
Cost of sales		(2,203,955)	(2,203,831)
GROSS PROFIT		315,119	107,426
Administrative expenses		(101,613)	(122,842)
OPERATING PROFIT/(LOSS)	3	<u>213,506</u>	<u>(15,416)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		213,506	(15,416)
Tax on profit/(loss) on ordinary activities	5	—	<u>1,414</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>213,506</u>	<u>(14,002)</u>

All the above results are generated from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

PGS OCEAN BOTTOM SEISMIC (UK) LTD

**BALANCE SHEET
AS AT 31 DECEMBER 1999**

	<u>Note</u>	<u>1999</u>	<u>1998</u>
		<u>£</u>	<u>£</u>
CURRENT ASSETS			
Prepayments and accrued income	494,669	196,160	
Cash at bank and in hand	<u>-</u>	<u>1,862</u>	
	494,669		198,022
CREDITORS: amounts falling due within one year			
Amounts owed to group companies	287,613	199,806	
Accruals and deferred income	<u>2,500</u>	<u>7,166</u>	
	(290,113)		(206,972)
NET CURRENT ASSETS/(LIABILITIES)		204,556	(8,950)
		<u><u> </u></u>	<u><u> </u></u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	6	1,000	1,000
Profit and loss account	7	<u>203,556</u>	<u>(9,950)</u>
Total shareholders' funds	8	204,556	(8,950)
		<u><u> </u></u>	<u><u> </u></u>

APPROVED BY THE BOARD

27 October 2000


E. QUINN

DIRECTOR

PGS OCEAN BOTTOM SEISMIC (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1 ACCOUNTING POLICIES

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

Pensions

Contributions to defined benefit schemes are charged to the profit and loss account over employees working lives with the company and have been determined by a qualified actuary. Payments to defined contribution schemes are charged to the profit and loss account as incurred.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

2 TURNOVER

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

The turnover and profit before tax is derived solely from the company's principal activity and arises solely from transactions with other PGS Group companies in Norway.

3 OPERATING PROFIT/(LOSS)

	<u>1999</u>	<u>1998</u>
This is stated after charging:	£	£
Auditors' remuneration	2,000	2,600
Auditors' remuneration for non audit work	1,800	400
	<u> </u>	<u> </u>
The directors did not receive any remuneration during the year		

4 STAFF COSTS

	<u>1999</u>	<u>1998</u>
	£	£
Wages and salaries	2,100,794	2,148,528
Social security costs	14,727	11,755
Other pension costs	<u>85,982</u>	<u>99,561</u>
	<u>2,201,503</u>	<u>2,259,844</u>

The average number of employees was 78 (1998: 77). All employees were involved in the principal activity of the company.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)**

5	TAXATION	<u>1999</u> £	<u>1998</u> £
	Corporation tax at 30.25% (1998: 31%):		
	Refund based on the results for the year	-	(1,414)
		<u> </u>	<u> </u>
	No potential deferred tax liability arises at 31 December 1999 (1998: Nil).		
6	EQUITY SHARE CAPITAL	<u>1999</u> £	<u>1998</u> £
	Ordinary shares of £1 each:		
	1,000,000 authorised shares	1,000,000	1,000,000
	1,000 issued, allotted and fully paid	1,000	1,000
		<u> </u>	<u> </u>
7	RESERVES	<u>1999</u> £	<u>1998</u> £
	Reserves at start of year	(9,950)	4,052
	Profit/(Loss) for the year	<u>213,506</u>	<u>(14,002)</u>
	Retained (loss)/profit at end of year	203,556	(9,950)
		<u> </u>	<u> </u>
8	RECONCILIATION OF SHAREHOLDERS' FUNDS	<u>1999</u> £	<u>1998</u> £
	Balance at start of year	(8,950)	5,052
	Profit/(loss) for the year	<u>213,506</u>	<u>(14,002)</u>
	Balance at end of year	204,556	(8,950)
		<u> </u>	<u> </u>

PGS OCEAN BOTTOM SEISMIC (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

9 PENSION COMMITMENTS

The company participates in the PGS UK Pension Fund, the assets of which are held separately from those of the company.

The PGS UK Pension Fund is a funded, defined benefit pension scheme. It was established in 1994; the first, and most recent, actuarial valuation was at 31 December 1997. Full details of the valuation are included in the financial statements of Petroleum Geo-Services (UK) Ltd. Contributions have been made in line with actuarial advice and for 1999 amounted to £85,982 (1998: £99,561). This amount has been charged to the profit and loss account.

10 PARENT COMPANY

The ultimate parent company is Petroleum Geo-Services ASA, a company registered in Norway. Group financial statements are available from Petroleum Geo-Services ASA, Strandveien 50, 1324 Lysaker, Norway. The intermediate parent company is Petroleum Geo-Services (UK) Ltd, a company registered in the United Kingdom.

11 RELATED PARTY DISCLOSURE

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.

12 CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Petroleum Geo-Services (UK) Limited and its cash flows are included in that company's consolidated group cash flow statement. Consequently the company is exempt under the terms of Financial Reporting Standard 1 (revised) from presenting a cash flow statement.