

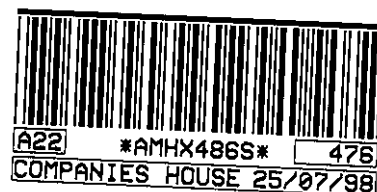


PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT AND ACCOUNTS

FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996

COMPANY NUMBER 3077211



PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996

The directors have pleasure in presenting their report and accounts for the five months ended 31 December 1996. The company has changed its accounting reference date to a 31 December year end in line with other group companies.

DIRECTORS

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

T Rigsby (Chairman, American)
L Quinn

RESULTS AND DIVIDENDS

The profit for the period, after taxation was £957, up from £527 in the period to 31 July 1996. This amount has been transferred to 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 the acquisition of ocean bottom cable marine seismic surveys.

The appetite for technological innovation in the oil industry remains healthy and so we are confident that the use of ocean bottom cable seismic acquisition will become more widespread. Operations have started well and the company continues to expand its team of skilled employees.

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 the UK to broaden the range of PGS technologies available to the oil industry.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

DIRECTORS' REPORT FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, 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 accounts,
- prepare the accounts 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 accounts 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.

By Order of the Board



H Nevile
Secretary

10 June 1998

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

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


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 affairs of the company as at 31 December 1996 and of the profit of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink that reads "Price Waterhouse". The signature is written in a cursive, flowing style, with the first letters of "Price" and "Waterhouse" being capitalized and prominent.

Price Waterhouse

Chartered Accountants and Registered Auditors
32 London Bridge Street
London SE1 9SY

10 June 1998

PGS OCEAN BOTTOM SEISMIC (UK) LTD

PROFIT AND LOSS ACCOUNT FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>Five months to December '96</u>	<u>Twelve months to July '96</u>
			£
TURNOVER	2	682,801	1,003,741
Cost of sales		(649,198)	(968,002)
GROSS PROFIT		33,603	35,739
Administrative expenses		(32,425)	(34,952)
OPERATING PROFIT	3	1,178	787
Interest payable - Bank overdraft		(221)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		957	787
Tax on profit on ordinary activities	5	—	(260)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		957	527
		==	==

All amounts relate to continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

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

The notes on pages 7 to 9 form part of these accounts.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

BALANCE SHEET AS AT 31 DECEMBER 1996

	<u>Note</u>	<u>December '96</u>	<u>July '96</u>
		<u>£</u>	<u>£</u>
CURRENT ASSETS			
Cash at bank and in hand		-	779
Debtors			
Amounts owed by group companies	1,000	1,000	1,000
Prepayments and accrued income	<u>30,136</u>	<u>6,589</u>	<u>6,589</u>
		<u>31,136</u>	<u>7,859</u>
		31,136	8,368
CREDITORS; amounts falling due within one year			
Bank loans and overdrafts	3,916	-	-
Amounts owed to group companies	3,631	3,631	3,631
Taxation and social security	260	260	260
Accruals and deferred income	<u>20,845</u>	<u>2,950</u>	<u>2,950</u>
		<u>(28,652)</u>	<u>(6,841)</u>
NET CURRENT ASSETS		<u>2,484</u>	<u>1,527</u>
		<u>2,484</u>	<u>1,527</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	6	1,000	1,000
Profit and loss account	7	<u>1,484</u>	<u>527</u>
		<u>2,484</u>	<u>1,527</u>
		<u>2,484</u>	<u>1,527</u>

APPROVED BY THE BOARD
10 JUNE 1998



L. QUINN

DIRECTOR

The notes on pages 7 to 9 form part of these accounts.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

NOTES TO THE ACCOUNTS FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

The accounts 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 accounts.

Accounting reference date

The company's year end has been changed to 31 December in order to correspond with other PGS group companies.

Foreign currencies

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.

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.

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 Norway.

3 OPERATING PROFIT

This is stated after charging:	<u>December</u>	<u>July</u>
Auditors' remuneration	500	1,000
	==	==

Neither director received any remuneration from the company.

4 STAFF COSTS

	<u>December</u>	<u>July</u>
Wages and salaries	610,967	893,488
Social security costs	2,100	4,950
Other pension costs	<u>23,434</u>	<u>16,407</u>
	<u>636,501</u>	<u>914,845</u>

The average number of employees was 60 (July: 34). All employees were involved in the principal activity of the company and were based offshore on PGS Group vessels.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

NOTES TO THE ACCOUNTS

FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996 (CONTINUED)

5	TAXATION	<u>December</u>	<u>July</u>
	Corporation tax @ 33% based on the results for the period	-	260
		<u> </u>	<u> </u>

No liability to Corporation tax arises at December 1996 due to the availability of losses of other group companies.
No potential deferred tax liability arises at 31 December or 31 July 1996.

6	EQUITY SHARE CAPITAL	<u>December</u>	<u>July</u>
	Ordinary shares of £1 each:		
	Authorised	1,000,000	1,000,000
	Issued, allotted and fully paid	1,000	1,000
		<u> </u>	<u> </u>

7	STATEMENT OF RESERVES	<u>December</u>	<u>July</u>
	Reserves at start of period	527	0
	Profit for the period	<u>957</u>	<u>527</u>
	Retained profit at end of period	1,484	527
		<u> </u>	<u> </u>

8	RECONCILIATION OF SHAREHOLDERS FUNDS	<u>December</u>	<u>July</u>
	Balance at start of period	1,527	-
	Issue of shares	-	1,000
	Profit for the period	<u>957</u>	<u>527</u>
	Balance at end of period	2,484	1,527
		<u> </u>	<u> </u>

9 CAPITAL COMMITMENTS

The company had no capital commitments at the period end.

PGS OCEAN BOTTOM SEISMIC (UK) LTD

NOTES TO THE ACCOUNTS FOR THE FIVE MONTHS ENDED 31 DECEMBER 1996 (CONTINUED)

10 PENSION COMMITMENTS

For certain employees, the company contributes to a defined benefit pension scheme. The assets of each scheme are held separately from those of the company.

The PGS UK Pension Fund, a defined benefit funded pension scheme was established in December 1994. Actuaries, Bacon & Woodrow and lawyers, Lovell White Durrant were instrumental in establishing the scheme. The principal assumptions adopted for the scheme are that over the long term, the annual rate of return on investments will be 9%, increases in pensionable pay 5%, and pensions in payment 4.5%. The first actuarial valuation is due before December 1997. Contributions have been made in line with independent actuarial advice and amounted to £23,434 (July '96: £16,407). This amount has been charged to the profit and loss account.

11 PARENT COMPANY

The ultimate parent company is Petroleum Geo-Services ASA, a company registered in Norway. Group accounts are available from; Petroleum Geo-Services ASA, Strandveien 50, 1324 Lysaker, Norway. Consolidated accounts are also prepared for the intermediate parent company Petroleum Geo-Services (UK) Ltd, accounts are available from PGS House, Mayfield Road, Walton-on-Thames, Surrey KT12 5PL.

12 RELATED PARTY DISCLOSURE

The company has taken advantage of the "90% owned subsidiary" exemption not to disclose related party transactions with other group members.

Material balances with other group companies include:

	<u>December</u>	<u>July</u>
Creditors		
PGS Ocean Bottom Seismic AS	3,000	3,000