



Company Registration No. 3077211

Seismic Exploration (Canada) Ltd

Report and Financial Statements

31 December 2001



Seismic Exploration (Canada) Ltd

Report and financial statements 2001

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Seismic Exploration (Canada) Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001. The company is a member of the Petroleum Geo-Services Group, a Norwegian registered oil services group with operations worldwide.

Directors

The directors who have served since the beginning of the year are as follows:

S Rennemo	(appointed 14 February 2003)
C Steen-Nilsen	(appointed 14 February 2003)
G Langseth	(appointed 23 March 2004)
K Oversjoen	(appointed 14 February 2003, resigned 23 March 2004)
L Quinn	(resigned 20 February 2001)
A Holst	(appointed 13 February 2001, resigned 14 February 2003)

The directors hold no beneficial interest in the shares of the company or of any other group company that require disclosure under the Companies Act 1985.

Results and dividends

The loss for the year after tax was £3,515,639 (2000: profit, £9,512). This amount has been transferred from reserves. The directors do not recommend payment of a dividend.

In view of the deficit in Net Assets, the company has received assurance from its ultimate parent company that it will continue to receive financial support for the foreseeable future in order to meet its obligations as they fall due.

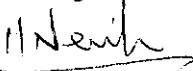
Principal activity, business review and company developments

In May 2001 the company changed its name from PGS Ocean Bottom Seismic (UK) Ltd in order to reflect its current activities. Having formerly provided personnel for the acquisition of ocean bottom cable marine seismic surveys, the principle activity of the company is now marine seismic surveying for the Canadian market. Future prospects will depend on market conditions.

Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to appoint Ernst & Young as auditors for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


H Nevile
Secretary

PGS Court
Halfway Green
Walton-on-Thames
Surrey KT12 1RS

30 June 2004

Seismic Exploration (Canada) Ltd

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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; 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 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' 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 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures in note 1 of the financial statements concerning the uncertainty as to the financial position of the company's ultimate parent company, Petroleum Geo-Services ASA. In view of the significance of this matter, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 June 2004

Seismic Exploration (Canada) Ltd

Profit and loss account Year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	2	15,801,557	1,755,609
Cost of sales		(17,428,325)	(1,676,759)
Gross (loss)/profit		<u>(1,626,768)</u>	<u>78,850</u>
Administrative expenses		(1,737,575)	(69,338)
Operating (loss)/profit		<u>(3,364,343)</u>	<u>9,512</u>
Interest payable and similar charges		(151,296)	-
(Loss)/profit on ordinary activities before taxation	3	(3,515,639)	9,512
Tax on (loss)/profit on ordinary activities	5	-	-
Retained (loss)/profit carried forward		<u>(3,515,639)</u>	<u>9,512</u>

The company has no recognised gains or losses other than as shown above and therefore no separate statement of total recognised gains and losses has been presented.

All of the 2001 results represent continuing operations, following the award of contracts for marine seismic surveys in Canada. All of the 2000 results represent discontinued operations, following the cessation of its activities in the market for ocean bottom cable marine surveys.

Seismic Exploration (Canada) Ltd

Balance sheet 31 December 2001

	Note	2001 £	2000 £
Current assets			
Trade debtors		5,825,817	-
Prepayments and accrued income		<u>77,068</u>	<u>572,947</u>
		5,902,885	572,947
Creditors: amounts falling due within one year	6	<u>(6,257,492)</u>	<u>(358,879)</u>
Net current (liabilities)/assets		(354,607)	214,068
Total assets less current liabilities		(354,607)	214,068
Creditors: amounts falling due after more than one year			
Amounts owed to group companies	7	<u>(2,946,964)</u>	<u>-</u>
Net (liabilities)/assets		<u>(3,301,571)</u>	<u>214,068</u>
Equity capital and reserves			
Called up share capital	8	1,000	1,000
Profit and loss account	9	<u>(3,302,571)</u>	<u>213,068</u>
Total shareholders' (deficit)/funds	10	<u>(3,301,571)</u>	<u>214,068</u>

These financial statements were approved by the Board of Directors on 30 June 2004.

Signed on behalf of the Board of Directors


C Steen-Nilsen

Director

Seismic Exploration (Canada) Ltd

Notes to the accounts

Year ended 31 December 2001

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. The following accounting policies have been applied in dealing with all items that are considered material in relation to these financial statements, consistently throughout both the current and prior year.

Going concern

The company is funded on a day to day basis by an inter-company loan from its ultimate parent company, Petroleum Geo-Services ASA ("PGS ASA"). During 2003 the group was subject to a major reorganisation under Chapter 11 of the United States bankruptcy code during which the total debt of the group headed by PGS ASA was restructured to a more sustainable level. This process was completed and approved by both creditors and shareholders in November 2003, at which time PGS ASA emerged from Chapter 11.

However, PGS ASA is continuing its efforts to have an audit of its 2002 financial statements and a re-audit of its 2001 financial statements completed under U.S. GAAP. It is also continuing its efforts to prepare audited financial statements for 2003 under both Norwegian GAAP and U.S. GAAP and to address material weaknesses in its internal controls over financial reporting that were disclosed in November 2003. At this time, these material weaknesses have not been eliminated. PGS ASA does not expect to release any U.S. GAAP figures related to periods prior to November 2003 until these audits and re-audit are completed. PGS ASA has established an objective of completing such work during the third quarter 2004 to permit filing its Annual Report on Form 20-F by. However, there can be no assurance as to whether or when these audits and re-audits can be completed.

Until the audits and re-audit of financial statements under U.S. GAAP are completed, PGS ASA will be unable to file with the U.S. Securities and Exchange Commission an Annual Report on Form 20-F that contains audited financial statements for three full fiscal years. For so long as this condition exists, it will be precluded from, among other things, listing its American Depositary Shares ("ADSs") on a U.S. national securities exchange or on the NASDAQ Stock Market. A delay in listing of PGS ASA's ADSs in the U.S. may have a negative impact on their liquidity.

Furthermore, certain of PGS ASA loan and lease agreements contain requirements to provide audited U.S. GAAP financial statements by 30 June of each year. Such requirements were waived for financial statements due 30 June 2003 and PGS ASA intends to seek further waivers of such reporting requirements. However, there can be no assurance that such waivers will be obtained. If PGS ASA is unable to obtain these waivers, it could become in default under various deals and lease obligations, which eventually could lead to action by creditors and other parties seeking acceleration of repayment of various obligations. If such a default were to occur, PGS ASA might not be in a position to pay the defaulted obligations.

The restructuring of group debt was at the parent company level only, with all subsidiaries able to continue trading as usual. The company continues to obtain such funding as it requires for its day to day operations from PGS ASA and, based on communications between the directors of the company and the directors of PGS ASA as to the current status of the matter referred to above, believes that it will continue to do so for the foreseeable future. Due to the net liability position of the company, the directors have also received assurance from PGS ASA that it will continue to receive financial support for the foreseeable future in order to meet its obligations as they fall due.

On that basis, the directors have a reasonable expectation that the company will be able to meet its obligations for the foreseeable future and for this reason the going concern basis has been adopted in preparing these financial statements.

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.

Seismic Exploration (Canada) Ltd

Notes to the accounts

Year ended 31 December 2001

1. Accounting policies (continued)

Pension costs

Contributions to defined benefit schemes, determined by a qualified actuary, are charged to the profit and loss accounts of participating group companies in accordance with SSAP 24. Any excess of the accumulated pension cost over the amount funded is charged to the profit and loss account over employees working lives.

Taxation

Current tax is provided on taxable profit at the current rate. Deferred tax is provided using the liability method on all timing differences, to the extent that a liability or asset is expected to crystallise in the foreseeable future.

2. Turnover

Turnover represents the value of goods and services provided, invoiced or accrued, net of sales tax. The turnover and profit before tax are derived solely from the company's principal activity in each year, and arise solely in Canada.

3. (Loss)/profit on ordinary activities before taxation

	2001 £	2000 £
This is stated after charging:		
Auditors' remuneration for audit services	-	3,000
Auditors' remuneration for non audit work	2,000	-
	<u>2,000</u>	<u>-</u>

The audit fee for 2001 was borne by another group company.

4. Staff costs

	2001 £	2000 £
Wages and salaries	-	1,577,002
Social security costs	-	11,935
Other pension costs	-	66,251
	<u>-</u>	<u>1,655,188</u>

The average number of employees was nil (2000: 74). All employees during 2000 were involved in the previous principal activity of the company. The staff costs associated with the company's current year activities, marine seismic surveying in Canada, were paid for by another group company and charged to the company as part of cost of sales.

The directors did not receive any remuneration during either year in respect of their services to the company.

5. Tax on (loss)/profit on ordinary activities

The company is subject to UK corporation tax at 30% (2000: 30%). However no provision has been made due to the losses made. There is no material unprovided deferred taxation.

Seismic Exploration (Canada) Ltd

Notes to the accounts

Year ended 31 December 2001

6. Creditors: amounts falling due within one year

	2001 £	2000 £
Amounts owed to group companies	5,577,891	353,879
Foreign withholding taxes	650,018	-
Accruals	29,583	5,000
	<u>6,257,492</u>	<u>358,879</u>

7. Creditors: amounts falling due after one year

	2001 £	2000 £
Amounts owed to group companies	<u>(2,946,964)</u>	<u>-</u>

Inter-company debt is repayable on demand, however the Directors have been informed that any such demand will not be made in the foreseeable future. Interest is charged at LIBOR plus 2%.

8. Equity share capital

	2001 £	2000 £
Authorised:		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued, allotted and fully paid	<u>1,000</u>	<u>1,000</u>

9. Reserves

	2001 £	2000 £
Retained profit at start of year	213,068	203,556
(Loss)/profit for the year	<u>(3,515,639)</u>	<u>9,512</u>
Retained (loss)/profit at end of year	<u>(3,302,571)</u>	<u>213,068</u>

10. Reconciliation of shareholders' funds

	2001 £	2000 £
Balance at start of year	214,068	204,556
(Loss)/profit for the year	<u>(3,515,639)</u>	<u>9,512</u>
Balance at end of year	<u>(3,301,571)</u>	<u>214,068</u>

Seismic Exploration (Canada) Ltd

Notes to the accounts

Year ended 31 December 2001

11. Pension commitments

Contributions have been made in line with actuarial advice and for 2001 amounted to £nil (2000: £66,251). No transitional FRS17 disclosures have been made as the Company had no employees, and no pension fund obligations at 31 December 2001.

12. Parent company

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 intermediate parent company is Petroleum Geo-Services (UK) Ltd, a company registered in England. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.

13. 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.

14. Cash flow statement

The company is a wholly owned subsidiary of Petroleum Geo-Services (UK) Ltd which in turn is a wholly owned subsidiary of Petroleum Geo-Services ASA and its results are included in the latter company's financial statements which are publicly available. Consequently the company is exempt under the terms of FRS 1 (revised) from presenting a cash flow statement.