



**PGS OCEAN BOTTOM SEISMIC (UK) LTD**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**  
**COMPANY NUMBER 3077211**



## **PGS OCEAN BOTTOM SEISMIC (UK) LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors have pleasure in presenting their report and accounts for the year ended 31 December 1998.

#### **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 loss for the year after tax was £14,002 (1997: profit £2,568). This amount has been transferred from reserves. The directors do not recommend the payment of a dividend.

In view of the deficit in Net Assets, the company has received assurance from its 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**

The principal activity of the company is providing personnel for the acquisition of ocean bottom cable marine seismic surveys.

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.

#### **YEAR 2000 COMPLIANCE**

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the business depends not only on the group's own computer systems, but also to some degree on those of suppliers and customers. This could expose the company to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A group wide programme, designed to address the impact of the Year 2000 on the group's business, has been commissioned by the Board and is under way. A cross-functional task force has been formed with the objective of ensuring that there is no adverse impact on business operations or systems.

A significant risk analysis has been performed to determine the impact of the issue on all activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant safety, environmental, financial or legal impact on the group's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact of Year 2000 related failures by significant suppliers and customers. In appropriate cases formal communication has been initiated with these other parties.

## **PGS OCEAN BOTTOM SEISMIC (UK) LTD**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, it is considered that an acceptable state of readiness will be achieved and resources will be provided to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of this effort has been borne by other group companies.

#### **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

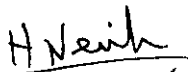
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts 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.

#### **AUDITORS**

Following the merger of Coopers & Lybrand and Price Waterhouse on 1 July 1998, the new firm, PricewaterhouseCoopers, has indicated its willingness to be appointed as auditors. A resolution appointing PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By Order of the Board



H Neville  
Secretary

October 1999

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

We have audited the accounts 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 accounts as noted on page 3. 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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.

### **Basis of audit 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

29 October 1999

**PGS OCEAN BOTTOM SEISMIC (UK) LTD**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1998**

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
<b>TURNOVER</b>	2	2,311,257	2,004,327
Cost of sales		(2,203,831)	(1,911,317)
<b>GROSS PROFIT</b>		107,426	93,010
Administrative expenses		(122,842)	(89,192)
<b>OPERATING (LOSS)/PROFIT</b>	3	(15,416)	3,818
Interest payable - Bank overdraft		—	(96)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(15,416)	3,722
Tax on (loss)/profit on ordinary activities	5	<u>1,414</u>	<u>(1,154)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(14,002)</u>	<u>2,568</u>

All the above results are generated from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

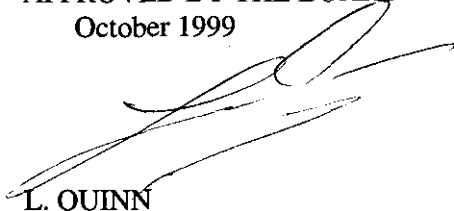
The company has no recognised gains or losses other than the loss for the year.

**PGS OCEAN BOTTOM SEISMIC (UK) LTD**

**BALANCE SHEET  
AS AT 31 DECEMBER 1998**

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
<b>CURRENT ASSETS</b>			
Prepayments and accrued income	196,160	105,933	
Cash at bank and in hand	<u>1,862</u>	<u>3,778</u>	
		198,022	109,711
<b>CREDITORS: amounts falling due within one year</b>			
Amounts owed to group companies	199,806	100,245	
Taxation and social security	-	1,414	
Accruals and deferred income	<u>7,166</u>	<u>3,000</u>	
		(206,972)	(104,659)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(8,950)	5,052
		<u>=====</u>	<u>=====</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	6	1,000	1,000
Profit and loss account	7	(9,950)	4,052
Total shareholders' funds	8	(8,950)	5,052
		<u>=====</u>	<u>=====</u>

APPROVED BY THE BOARD  
October 1999



L. QUINN

DIRECTOR

# PGS OCEAN BOTTOM SEISMIC (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

### 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.

The accounts are drawn up on a going concern basis as the company's parent has confirmed that it will provide support to enable the company to meet its obligations as they fall due for at least the next twelve months.

#### 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.

### 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 (LOSS)/PROFIT

	<u>1998</u>	<u>1997</u>
This is stated after charging:		
Auditors' remuneration	2,600	1,764
Auditors' remuneration for non audit work	400	400
	<hr/>	<hr/>
The directors did not receive any remuneration during the year		

### 4 STAFF COSTS

	<u>1998</u>	<u>1997</u>
Wages and salaries	2,148,528	1,860,202
Social security costs	11,755	7,737
Other pension costs	<u>99,561</u>	<u>69,800</u>
	<hr/>	<hr/>
	2,259,844	1,937,739

The average number of employees was 130 (1997: 74). All employees were involved in the principal activity of the company.

# PGS OCEAN BOTTOM SEISMIC (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

<b>5</b>	<b>TAXATION</b>	<u>1998</u>	<u>1997</u>
	Corporation tax (refund)/charge based on the results for the year	(1,414)	1,154
		=====	=====

No potential deferred tax liability arises at 31 December 1998 (1997: Nil).

<b>6</b>	<b>EQUITY SHARE CAPITAL</b>	<u>1998</u>	<u>1997</u>
	Ordinary shares of £1 each:		
	Authorised	1,000,000	1,000,000
	Issued, allotted and fully paid	1,000	1,000
		=====	=====

<b>7</b>	<b>RESERVES</b>	<u>1998</u>	<u>1997</u>
	Reserves at start of year	4,052	1,484
	(Loss)/Profit for the year	(14,002)	2,568
	Retained (loss)/profit at end of year	(9,950)	4,052
		=====	=====

<b>8</b>	<b>RECONCILIATION OF SHAREHOLDERS' FUNDS</b>	<u>1997</u>	<u>1997</u>
	Balance at start of year	5,052	2,484
	(Loss)/Profit for the year	(14,002)	2,568
	Balance at end of year	(8,950)	5,052
		=====	=====

### **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 accounts of Petroleum Geo-Services (UK) Ltd. Contributions have been made in line with actuarial advice and for 1998 amounted to £99,561 (1997: £69,800). This amount has been charged to the profit and loss account.



## **PGS OCEAN BOTTOM SEISMIC (UK) LTD**

### **NOTES TO THE ACCOUNTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)**

##### **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 Court, Halfway Green, Walton-on-Thames, Surrey KT12 1RS.

##### **12 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.

##### **13 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.