

PGS Production Group Limited

Financial statements for the year ended 31 December 2001
together with directors' and auditors' reports

Registered number: SC109608



Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activity and business review

The principal activity of the group during the year was the supply of engineering services to the oil and gas industry. The group companies and their principal activities are listed in note 10 to the financial statements.

2001 represented a further year of consolidation with the termination of certain non-profitable contracts and the acquisition in May 2001 of the remaining 40% of Joint Venture International Limited, formerly a joint venture. The effect of these changes have resulted in an increase in the underlying profitability to show a profit after tax of £652,000, compared with a loss after tax last year of £1,523,000.

The directors look forward with confidence to delivering a further improvement in profitability in 2002.

Results and dividends

The profit and loss account for the year is set out in page 6. The directors do not propose to pay a dividend for the year ended 31 December 2001 (2000 - £Nil).

Post balance sheet event

On 27 May 2002, PGS Production Group Limited acquired the remaining 40% minority shareholding in Atlantic Resourcing Limited, resulting in 100% ownership by the group.

Directors and their interests

K Gisvoid

J Caven-Atack

L J Howarth

B Bruheim (Resigned 8 February 2001)

No director had an interest in the shares of the company.

Under Section 2 of Schedule 7 of the Companies Act 1985, the interests of directors in the shares of Petroleum Geo-Services ASA are not required to be notified to the company and, accordingly, are not disclosed in these financial statements.

Directors' report (continued)

Employees

The group's policy is to consult and discuss with employees matters likely to affect employees' interests. During the year the group has maintained its obligation to develop and improve arrangements aimed at involving employees in all of its affairs in so far as they affect employees.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The group's current policy concerning the payment of the majority of its trade creditors is to:-

- (a) agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment where possible; and
- (c) pay in accordance with its contractual and other legal obligations where possible.

At the balance sheet date, the company's trade creditors were paid after an average of 46 days (2000 – 47 days).

Directors' responsibilities

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 and group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group 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 group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to appoint auditors for the ensuing year.

Bridge View
1 North Esplanade West
Aberdeen
AB11 5QF

By order of the Board,



L J Howarth
Secretary

18 July 2002

To the Shareholders of PGS Production Group Limited:

We have audited the financial statements of PGS Production Group Limited for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, and the related notes numbered 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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, and other members of the group, 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 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 circumstances of the company, 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 and of the group at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

191 West George Street
Glasgow
G2 2LB

18 July 2002

Consolidated profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover			
Group and share of joint ventures		145,596	163,566
Less: share of joint ventures' turnover		(12,397)	(18,928)
Group turnover	2	133,199	144,638
Cost of sales		(120,628)	(133,839)
Gross profit		12,571	10,799
Net operating expenses		(11,903)	(12,798)
Group operating profit/(loss)	3	668	(1,999)
Share of operating profit from interest in joint ventures	10	294	843
Total operating profit: group and share of joint ventures		962	(1,156)
Profit/(loss) on ordinary activities before interest and taxation		962	(1,156)
Finance charges (net)	6	119	115
Profit/(loss) on ordinary activities before taxation		1,081	(1,041)
Tax on profit/(loss) on ordinary activities	7	(429)	(482)
Profit/(loss) on ordinary activities after taxation		652	(1,523)
Minority interest	19	(426)	(320)
Retained profit/(loss) for the financial year	17	226	(1,843)

The current and prior year results have been derived wholly from continuing operations.

The accompanying notes are an integral part of this consolidated profit and loss account.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years stated above, and their historical cost equivalents.

There were no recognised gains and losses in either year other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated balance sheet

31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Goodwill	8	2,811	1,360
Tangible assets	9	461	752
Investments in joint ventures			
- share of gross assets	10	2,686	3,620
- share of gross liabilities	10	(2,232)	(1,665)
		<u>3,726</u>	<u>4,067</u>
Current assets			
Stocks	11	295	261
Debtors	12	18,837	32,927
Cash at bank and in hand		3,556	2,328
		<u>22,688</u>	<u>35,516</u>
Creditors: Amounts falling due within one year	13	<u>(15,378)</u>	<u>(29,279)</u>
Net current assets		<u>7,310</u>	<u>6,237</u>
Total assets less current liabilities		<u>11,036</u>	<u>10,304</u>
Creditors: Amounts falling due after more than one year	14	<u>(5,225)</u>	<u>(4,957)</u>
Provisions for liabilities and charges	15	<u>(9)</u>	<u>(9)</u>
Net assets		<u>5,802</u>	<u>5,338</u>
Capital and reserves			
Called-up share capital	16	73	73
Share premium account	17	690	690
Capital redemption reserve	17	224	224
Merger reserve	17	2,037	2,037
Profit and loss account	17	1,956	1,730
		<u>4,980</u>	<u>4,754</u>
Equity shareholders' funds	18	<u>4,980</u>	<u>4,754</u>
Minority interest – equity	19	822	584
Total capital and reserves		<u>5,802</u>	<u>5,338</u>

The financial statements on pages 6 to 24 were approved by the board of directors on 18 July 2002 and were signed on its behalf by:



L J Howarth
Director

18 July 2002

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	10	257	317
Current assets			
Debtors	12	1,416	3,256
Creditors: Amounts falling due within one year	13	(442)	(442)
Net current assets		974	2,814
Total assets less current liabilities		1,231	3,131
Net assets		1,231	3,131
Capital and reserves			
Called-up share capital	16	73	73
Share premium account	17	690	690
Capital redemption reserve	17	224	224
Profit and loss account	17	244	2,144
Equity shareholders' funds	18	1,231	3,131

The financial statements on pages 6 to 24 were approved by the board of directors on 18 July 2002 and were signed on its behalf by:



L J Howarth
Director

18 July 2002

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

31 December 2001

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Cash flow statements

No cash flow statement has been prepared for the group or company as they are exempt from the requirement of Financial Reporting Standard 1 (Revised) to include a cash flow statement in the financial statements, on the basis of being a wholly owned subsidiary of Petroleum Geo-Services ASA, whose group financial statements include a consolidated cash flow statement and are publicly available.

c) Basis of consolidation

The consolidated financial statements include the company and its subsidiaries. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

The directors of PGS Production Group Limited have taken advantage of the Section 230 of the Companies Act 1985 allowing it not to publish a separate profit and loss account. The company's loss for the financial year, determined in accordance with the Act, was £1,900,000 (2000 – profit of £835,000).

d) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Goodwill of £80,000 previously eliminated directly against reserves has not been reinstated. Goodwill had been eliminated as a matter of accounting policy and will be charged to the profit and loss account on subsequent disposal of the business to which it related.

e) Joint ventures

A joint venture is a long term interest in an entity which is jointly controlled by the group and other ventures.

Joint ventures are included in the consolidated financial statements using the gross equity method. The group's share of turnover and profit from the joint venture's is included in the consolidated profit and loss account and the group's share of the joint venture's gross assets and liabilities is included in the consolidated balance sheet.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) Investments

Fixed asset investments are shown at cost less provision for impairment.

g) Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment	10-33 $\frac{1}{3}$ %
Motor vehicles	20-33 $\frac{1}{3}$ %

h) Finance and operating leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

i) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

j) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

k) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to financial statements (continued)

1 Accounting policies (continued)

1) Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Turnover and profit/(loss) on ordinary activities before taxation

Turnover and profit/(loss) on ordinary activities before taxation were derived principally from the operations of the group in the United Kingdom.

3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	388	573
Impairment of fixed assets	-	22
Auditors' remuneration	32	36
Operating leases		
- plant and machinery	142	136
- other	724	661
(Profit)/loss on sale of fixed assets	(18)	32

Remuneration of the company's auditors for provision of non-audit services to the company and its UK subsidiary undertakings, was £Nil (2000 - £36,430).

Notes to financial statements (continued)

4 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments including benefits in kind	305	467
Compensation for loss of office	-	439
Company contributions to money purchase pension scheme	33	52
	<u>338</u>	<u>958</u>

Emoluments payable to the highest paid director are as follows:

	2001 £'000	2000 £'000
Aggregate emoluments including benefits in kind	191	117
Compensation for loss of office	-	180
Company contributions to money purchase pension scheme	21	18
	<u>212</u>	<u>315</u>

Retirement benefits are accruing to 2 directors (2000 – four directors) under the group's money purchase pension scheme.

5 Employee information

The average monthly number of persons employed by the group (including executive directors) during the year is analysed below:

	2001 Number	2000 Number
Administration	215	135
Operations	1,702	1,636
	<u>1,917</u>	<u>1,771</u>

	2001 £'000	2000 £'000
Wages and salaries	75,459	68,263
Social security costs	6,833	6,389
Other pension costs	2,788	2,671
	<u>85,080</u>	<u>77,323</u>

Notes to financial statements (continued)

6 Finance charges (net)

	2001 £'000	2000 £'000
<i>Interest payable and similar charges</i>		
Finance leases and hire purchase contracts	-	(13)
Other interest payable	-	(15)
	<u>-</u>	<u>(28)</u>
<i>Investment income</i>		
Bank interest receivable	119	111
Net interest receivable from joint ventures	<u>-</u>	<u>32</u>
	<u>119</u>	<u>115</u>

7 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
Current tax		
UK corporation tax	420	286
Foreign tax	7	-
Consortium relief	10	(240)
Adjustment in respect of prior years:		
UK corporation tax	<u>(8)</u>	<u>(3)</u>
Total current tax	<u>429</u>	<u>43</u>
Deferred tax	<u>-</u>	<u>117</u>
Share of joint ventures tax	<u>-</u>	<u>322</u>
Total tax on profit on ordinary activities	<u>429</u>	<u>482</u>

Notes to financial statements (continued)

8 Goodwill

	£'000
Cost	
At 1 January 2001	1,776
Additions (Note 10)	1,745
At 31 December 2001	3,521
Amortisation	
At 1 January 2001	416
Charge for the year	294
At 31 December 2001	710
Net book value	
At 31 December 2001	2,811
At 31 December 2000	1,360

The company has no goodwill (2000 - £Nil).

9 Tangible fixed assets

	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2001	2,354	324	2,678
Additions	101	53	154
Disposals	(196)	(201)	(397)
At 31 December 2001	2,259	176	2,435
Depreciation			
At 1 January 2001	1,672	254	1,926
Charge for year	355	33	388
Disposals	(187)	(153)	(340)
At 31 December 2001	1,840	134	1,974
Net book value			
At 31 December 2001	419	42	461
At 31 December 2000	682	70	752

The net book value of fixed assets held under finance leases and hire purchase contracts was £Nil (2000 - £21,072). Depreciation of £21,072 (2000 - £45,497) has been charged during the year in respect of these assets.

The company has no tangible fixed assets (2000 - £Nil).

Notes to financial statements (continued)

10 Investments

a) *Subsidiary undertakings and joint ventures*

The company has investments in the following subsidiary undertakings and joint ventures:

	Interests in subsidiary undertakings £'000	Joint ventures £'000	Total £'000
Cost			
At 1 January 2001	282	60	342
Acquisition of remaining share capital of Joint Venture International Limited	2,688	(60)	2,628
Disposals	(2,688)	-	(2,688)
At 31 December 2001	<u>282</u>	<u>-</u>	<u>282</u>
Provision			
At 1 January 2001 and 31 December 2001	<u>25</u>	<u>-</u>	<u>25</u>
Net book value			
At 31 December 2001	<u>257</u>	<u>-</u>	<u>257</u>
At 31 December 2000	<u>257</u>	<u>60</u>	<u>317</u>

On 3 May 2001, the company acquired the remaining 40% minority interest stake in Joint Venture International Limited for a potential consideration of £2,628,000, including acquisition costs. £1,028,000 was paid in cash immediately, £250,000 was paid on each of 29 June 2001 and 29 September 2001, and £500,000 is due during 2002. £600,000 is dependent on the future performance of a joint venture of Joint Venture International Limited, and is shown in creditors falling due after more than one year.

Notes to financial statements (continued)

10 Investments (continued)

a) *Subsidiary undertakings and joint ventures (continued)*

The following table sets out the book value of the identifiable assets and liabilities acquired by the company at the date of acquisition. There was no difference between the book value and the fair value of the assets and liabilities acquired.

	Book value and fair value to group £'000
Fixed assets	
Tangible fixed assets	140
Investments	432
Current assets	5,609
Total assets	<u>6,181</u>
Creditors: amounts falling due within one year	(3,876)
Creditors: amounts falling due after one year	(97)
Net assets	<u>2,208</u>

Goodwill on consolidation is calculated as the difference between the consideration and the value of the 40% of the shares in Joint Venture International Limited at the date of the acquisition, adjusted for any fair value adjustments. The consideration of £2,628,000 is described above. The fair value of the remaining 40% interest in Joint Venture International Limited at the date of the acquisition was £883,000. Accordingly, the excess of the fair value of the assets acquired over consideration was £1,745,000.

The whole of the investment in Joint Venture International Limited was subsequently sold to PGS Production Limited, a subsidiary undertaking, on 31 December 2001 at cost.

Notes to financial statements (continued)

10 Investments (continued)

b) Joint ventures

The group has interests in the following joint ventures:

	£'000
At 1 January 2001	1,955
Share of retained profit for the year	294
Share of dividends distributed from joint venture	(900)
Elimination of carrying value of net assets of Joint Venture International Limited on acquisition	(895)
At 31 December 2001	<u>454</u>

Until 3 May 2001, the company's investment in Joint Venture International Limited was treated as a joint venture as both shareholders had joint control over decisions on financial and operating policy.

Details of the joint ventures are as follows:

Name of company	Description of shares held	Proportion of nominal value of issued shares held by		Principal activity
		Group	Company	
MJVI Sendirian Berhad	A ordinary BNDI shares	50%	-	Engineering services
J V O'Hare Limited	Ordinary £1 shares	50%	-	Engineering services

MJVI Sendirian Berhad is a company incorporated in Brunei.

The group's share of the joint ventures' results, in aggregate, is set out as below.

	2001 £'000	2000 £'000
Profit before tax	294	875
Taxation	-	(322)
Profit after tax	<u>294</u>	<u>553</u>
Fixed assets	-	303
Current assets	2,686	3,317
Creditors: amounts falling due within one year	(2,232)	(1,650)
Creditors: amounts falling due after one year	-	(15)
	<u>454</u>	<u>1,955</u>

Notes to financial statements (continued)

10 Investments (continued)

c) Principal group investments

The group has investments in the following subsidiary undertakings:

Name of company	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by	Principal activity
PGS Production Limited*	Great Britain	Ordinary £1 shares	100%	Engineering services
		Deferred £1 shares	100%	
Atlantic Power & Gas Engineering Limited*	Great Britain	Ordinary £1 each	100%	Electrical and instrument contractors
PGS Production (Jersey) Limited	Jersey, Channel Islands	Ordinary £1 each	100%	International engineering services
Atlantic Resourcing Limited*	Great Britain	Ordinary £1 each	60%	Supply of skilled personnel to the oil and gas industry
Monsoon Shipmanagement Limited	Cyprus	Ordinary £1 each	60%	International drilling services
Joint Venture International Limited	Great Britain	Ordinary £1 shares	100%	Engineering services
Atlantic Power International Limited	Great Britain	Ordinary £1 each	100%	International parent company
Atlantic Power de Venezuela S.A	Venezuela	Ordinary BIs 1,000 shares	85%	Engineering services
Atlantic Floating Production Limited	Great Britain	Ordinary £1 shares	100%	Dormant
International Maintenance Management Limited	Great Britain	Ordinary £1 shares	100%	Dormant
Atlantic Environmental Limited*	Great Britain	Ordinary £1 shares	100%	Dormant

* held directly by the PGS Production Group Limited

Notes to financial statements (continued)

11 Stocks

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	295	261	-	-

The company holds no stocks (2000 - £Nil).

12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	9,393	10,535	-	-
Amounts owed by group undertakings	4,784	16,470	1,416	2,971
Amounts owed by joint ventures	-	49	-	-
Inter company dividends receivable	-	-	-	283
Other debtors	-	11	-	-
Prepayments and accrued income	4,660	5,404	-	-
Group relief	-	240	-	-
Advance corporation tax recoverable	-	218	-	2
	18,837	32,927	1,416	3,256

13 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade creditors	3,860	5,276	-	-
Amounts owed to group undertakings	1,756	2,323	-	-
Other creditors including taxation and social security	4,107	4,307	-	-
Obligations under finance leases and hire purchase contracts	2	8	-	-
Accruals and deferred income	5,153	17,365	442	442
Deferred consideration (Note 10)	500	-	-	-
	15,378	29,279	442	442

Notes to financial statements (continued)

13 Creditors: amounts falling due within one year

a) Other creditors including taxation and social security is made up as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
United Kingdom corporation tax payable	373	143	-	-
Overseas corporation tax payable	1	14	-	-
PAYE and social security	1,852	2,148	-	-
Other creditors	1,881	2,002	-	-
	<u>4,107</u>	<u>4,307</u>	<u>-</u>	<u>-</u>

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	4,625	4,957	-	-
Deferred contingent consideration (Note 10)	600	-	-	-
	<u>5,225</u>	<u>4,957</u>	<u>-</u>	<u>-</u>

Amounts owed to group undertakings are non interest bearing and there is no fixed repayment date, although confirmation has been received that repayment will not be sought for a least one year.

15 Deferred taxation

Deferred taxation provided in the financial statements and the amount unprovided is as follows:

	Amount provided		Amount unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Group				
Accelerated capital allowances	9	9	(517)	(150)
Other timing differences	-	-	(450)	-
	<u>9</u>	<u>9</u>	<u>(967)</u>	<u>(150)</u>

The company has no amounts provided or unprovided in respect of deferred taxation (2000 - £Nil).

Notes to financial statements (continued)

16 Called-up share capital

	2001 £'000	2000 £'000
Authorised		
58,145 A ordinary shares of £1 each	58	58
32,754 B ordinary shares of £1 each	33	33
10,000 C ordinary shares of £1 each	10	10
9,101 D ordinary shares of £1 each	9	9
	<hr/> 110	<hr/> 110
Allotted, called-up and fully-paid		
58,145 A ordinary shares of £1 each	54	54
10,000 C ordinary shares of £1 each	10	10
9,101 D ordinary shares of £1 each	9	9
	<hr/> 73	<hr/> 73

The rights attaching to the different classes of shares are as follows:

(a) As to dividends:

- (i) a fixed dividend of £28.84 per 'D' ordinary share per annum on a cumulative basis;
- (ii) a participating dividend amongst the 'D' ordinary shares which when added to the aggregate fixed dividend amounts to 6.5% of net profit (as defined in the Articles of Association) on a cumulative basis;
- (iii) a compensatory dividend amongst the 'D' ordinary shares if directors emoluments exceed a certain amount on a cumulative basis;
- (iv) an aggregate dividend amongst the 'A' and 'C' ordinary shares of up to 29% of net profit;
- (v) any remaining profits may be distributed equally amongst the 'A', 'C' and 'D' ordinary shares

(b) On a winding up:

Net assets on a winding up will be distributed in the following order:

- (i) £303.55 per 'D' ordinary share, together with arrears of dividend on such shares;
- (ii) £303.55 per 'A' and 'C' ordinary share together with arrears of dividend on such shares;
- (iii) any remaining assets to be distributed equally to 'A', 'C' and 'D' ordinary shares.

Notes to financial statements (continued)

16 Called up share capital (continued)

(c) the 'D' ordinary shares may be converted to 'A' ordinary shares at any time.

The company's parent company, Petroleum Geo-Services ASA, determined that no dividends would be paid on the Company's profit for the year.

17 Share premium account and reserves

	Merger reserve account £'000	Capital redemption reserve £'000	Group Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2001	2,037	224	690	1,730	4,681
Retained profit for the financial year	-	-	-	226	226
At 31 December 2001	<u>2,037</u>	<u>224</u>	<u>690</u>	<u>1,956</u>	<u>4,907</u>

The group merger reserve arose from the buy-out of minority shareholders of Atlantic Floating Production Limited, a group subsidiary, immediately prior to the acquisition of the company by Petroleum Geo-Services ASA in August 1998.

	Capital redemption reserve £'000	Company Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2001	224	690	2,144	3,058
Retained (loss) for the financial year	-	-	(1,900)	(1,900)
At 31 December 2001	<u>224</u>	<u>690</u>	<u>244</u>	<u>1,158</u>

18 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Profit/(loss) for the financial year	226	(1,843)	(1,900)	835
Opening equity shareholders' funds	<u>4,754</u>	<u>6,597</u>	<u>3,131</u>	<u>2,296</u>
Closing equity shareholders' funds	<u>4,980</u>	<u>4,754</u>	<u>1,231</u>	<u>3,131</u>

Notes to financial statements (continued)

19 Minority interest

	Group	
	2001	2000
	£'000	£'000
Opening equity minority interest	584	322
Dividends paid to minority shareholders	(188)	(58)
Profit and loss account	426	320
Closing equity minority interest	<u>822</u>	<u>584</u>

20 Guarantees and other financial commitments

a) Capital commitments

The group and the company has no capital commitments as at 31 December (2000 - £Nil).

b) Contingent liabilities

The company has extended guarantees in the normal course of business amounting to £Nil (2000 - £230,000).

c) Lease commitments

The group has financial commitments in respect of non-cancellable operating leases of plant and machinery. The annual commitments under these leases are as follows:

	2001	2000
	£'000	£'000
Expiry date:		
- within one year	17	22
- between two and five years	65	81
	<u>82</u>	<u>103</u>

In addition the group leases certain land and buildings on short and long term leases. The annual commitments under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the company pays all insurance, maintenance and repairs of these properties, are as follows:

	2001	2000
	£'000	£'000
Expiry date:		
- within one year	17	21
- after five years	605	605
	<u>622</u>	<u>626</u>

Notes to financial statements (continued)

20 Guarantees and other financial commitments (continued)

d) Pension arrangements

The pension cost charge of £2,788,000 (2000 - £2,671,000) represents contributions payable by the group to the fund and employees personal pension arrangements. Contributions totalling £Nil (2000 - £263,945) were payable to the fund at the year end.

21 Related party transactions

As a subsidiary the group has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Petroleum Geo Services ASA.

Included in the profit and loss account are sales, costs and expenses which arise from transactions with associated companies for which the group controls less than 90% of the voting rights, and joint ventures. Such transactions mainly comprise sales and purchase of goods in the ordinary course of business and in total amounted to:

	2001 £'000	2000 £'000
Charges to joint ventures	878	140
Charges from joint ventures	2,276	5,153

Details of amounts due by and to joint ventures are set out in notes 12 and 13 of the accounts.

22 Ultimate parent company

The ultimate parent company is Petroleum Geo-Services ASA, a Norwegian company listed on the Oslo and US Stock Exchanges. Consolidated financial statements can be obtained from corporate headquarters in Oslo or Houston.

23 Prior year comparatives

The prior year comparatives were audited by a firm other than Arthur Andersen.

24 Post balance sheet events

On 27 May 2002, PGS Production Group Limited acquired the remaining 40% shareholding in Atlantic Resourcing Limited, resulting in 100% ownership by the group.