



PGS GEOPHYSICAL (ANGOLA) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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PGS GEOPHYSICAL (ANGOLA) LTD
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

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PGS GEOPHYSICAL (ANGOLA) LTD
COMPANY REGISTRATION NO. 1956990
OFFICERS AND OTHER INFORMATION

Directors

R Eng
S Cather (appointed on 6 May 2008)
D Whealing (resigned on 6 May 2008)

Secretary

C Pinto (appointed on 15 August 2008)
M Caines (resigned on 15 August 2008)

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered office

PGS Court
Halfway Green
Walton on Thames
Surrey
KT12 1RS

PGS GEOPHYSICAL (ANGOLA) LTD

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 December 2007.

Results and dividends

The loss for the year after taxation is \$82,810 (2006 \$505,509)

The directors have not recommended a dividend

In view of the net liabilities on its balance sheet, 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 activities and review of the business and future developments

The principal activity of the company is the provision of geophysical services to the African market

The company is a member of the Petroleum Geo-Services Group, a Norwegian registered oil services group with operations worldwide

The company has continued to operate in a similar way to previous years. The operating climate for the company and the group has been good during the year. The company has acquired new contracts for its core business which has increased turnover. No significant change in the business activities is expected in the immediate foreseeable future.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from other international oil and gas industry consultants

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed on page 8 of the group's annual report which does not form part of this report.

Key performance indicators ("KPI's")

The directors of the Petroleum Geo-Services Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of PGS Geophysical (Angola) Limited. The development, performance and position of the group, which includes the company, is discussed on pages 4 to 13 of the group's annual report which does not form part of this report.

Policy on the payment of creditors

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

Due to the significant volume of transactions with other PGS group companies, which are subject to specific settlement agreements, it is not practical to calculate the number of external creditor days.

PGS GEOPHYSICAL (ANGOLA) LTD

DIRECTORS' REPORT *(Continued)*

Directors and their interests

The directors who served the company during the year were as follows

R Eng

S Cather (appointed on 6 May 2008)

D Whealing (resigned on 6 May 2008)

None of the above directors had or has any interests in the shares of the company

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditors

A resolution to appoint KPMG as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Signed by order of the board



C Pinto
Company Secretary

27 October 2008

PGS GEOPHYSICAL (ANGOLA) LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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, as described on pages 9 to 10, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 will continue in business.

The directors are responsible for keeping proper accounting records that 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. The directors 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.

The directors confirm that they have complied with these requirements, and having reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

PGS GEOPHYSICAL (ANGOLA) LTD
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PGS GEOPHYSICAL (ANGOLA) LTD

We have audited the financial statements of PGS Geophysical (Angola) Ltd for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

PGS GEOPHYSICAL (ANGOLA) LTD
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PGS GEOPHYSICAL (ANGOLA) LTD *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
London

28/10/08

PGS GEOPHYSICAL (ANGOLA) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|-------------|-------------|
| Turnover | 2 | 8,064,690 | 1,515,555 |
| Cost of sales | | (7,716,801) | (1,765,486) |
| Gross profit/(loss) | | 347,889 | (249,931) |
| Administrative expenses | | (168,788) | (68,499) |
| Operating profit/(loss) | 3 | 179,101 | (318,430) |
| Interest payable and similar charges | 5 | (207,420) | (187,079) |
| Loss on ordinary activities before taxation | | (28,319) | (505,509) |
| Tax on loss on ordinary activities | 6 | (54,491) | — |
| Loss for the financial year | | (82,810) | (505,509) |

The company's results are derived from continuing activities. There are no recognised gains and losses other than the results for the year as set out above.

The notes on pages 9 to 14 form part of these financial statements.

PGS GEOPHYSICAL (ANGOLA) LTD

BALANCE SHEET

31 DECEMBER 2007

| | Note | \$ | 2007 | \$ | \$ | 2006 | \$ |
|--|------|--------------------|------|---------------------|-----------------|------|---------------------|
| Fixed assets | | | | | | | |
| Tangible assets | 7 | | | 129,535 | | | 209,343 |
| Current assets | | | | | | | |
| Debtors | | | | | | | |
| Amounts falling due within one year | 8 | 6,330,661 | | | 182,173 | | |
| Cash at bank | | 156,023 | | | 101,044 | | |
| | | <u>6,486,684</u> | | | <u>283,217</u> | | |
| Creditors: amounts falling due within one year | 9 | <u>(6,125,758)</u> | | | <u>(78,241)</u> | | |
| Net current assets | | | | 360,926 | | | 204,976 |
| Total assets less current liabilities | | | | 490,461 | | | 414,319 |
| Creditors: amounts falling due after more than one year | 10 | | | <u>(2,338,535)</u> | | | <u>(2,179,583)</u> |
| Net liabilities | | | | <u>(1,848,074)</u> | | | <u>(1,765,264)</u> |
| Capital and reserves | | | | | | | |
| Called-up equity share capital | 11 | | | 9,822,299 | | | 9,822,299 |
| Profit and loss account | 12 | | | <u>(11,670,373)</u> | | | <u>(11,587,563)</u> |
| Shareholder's deficit | 13 | | | <u>(1,848,074)</u> | | | <u>(1,765,264)</u> |

These financial statements were approved by the directors on the ²⁷October 2008 and are signed on their behalf by



S Cather
Director

The notes on pages 9 to 14 form part of these financial statements

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards and include the results of the company's operations which are described in the directors' report and all of which are continuing

As at 31 December 2007 the company had net liabilities on its balance sheet. The directors consider it appropriate to prepare the financial statements on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries, to enable the company to meet its liabilities as they fall due for the foreseeable future

Cash flow statement

The company is a subsidiary of Petroleum Geo Services ASA and its results are included in that 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

Revenue Recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended

Depreciation is provided to all tangible fixed assets and is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

| | |
|-----------|---------|
| Equipment | - 33 3% |
|-----------|---------|

The carrying values of the tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

1. Accounting policies *(continued)*

Foreign currencies

The company's primary activities are in US Dollars. As a result, the financial statements are prepared in US Dollars, this being the functional currency of the company.

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange differences on the carrying amount of related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

| | 2007 \$ | 2006 \$ |
|--------|------------------|------------------|
| Africa | <u>8,064,690</u> | <u>1,515,555</u> |

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

| | 2007 \$ | 2006 \$ |
|---|---------------|--------------|
| Depreciation of owned fixed assets (see note 7) | 152,680 | 171,548 |
| Auditor's remuneration | 18,595 | 24,577 |
| Net loss on foreign currency translation | <u>19,185</u> | <u>5,550</u> |

4. Staff costs

(a) Staff costs

The aggregate payroll costs of the above were:

| | 2007 \$ | 2006 \$ |
|-----------------------|----------------|----------------|
| Wages and salaries | 311,109 | 332,641 |
| Social security costs | 18,895 | - |
| | <u>330,004</u> | <u>332,641</u> |

The average number of persons employed during the year (including executive directors) was 11 (2006: 3). The 2006 'Wages and salaries' expense includes the cost of 10 contractors, many of whom became permanent employees of the company during the year.

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

4. Staff costs (continued)

(b) Directors' emoluments

The directors did not receive or waive any emoluments in respect of their services to the company during the year ended 31 December 2007

5. Interest payable and similar charges

| | 2007 | 2006 |
|---------------------------------|----------------|----------------|
| | \$ | \$ |
| Interest payable on group loans | 207,420 | 187,079 |
| | <u>207,420</u> | <u>187,079</u> |

6. Tax

(a) Analysis of charge in the year

| | 2007 | 2006 |
|--|---------------|-------------|
| | \$ | \$ |
| Current tax | | |
| - UK Corporation tax for the year | 37,775 | - |
| - Foreign tax | 16,716 | - |
| Total current tax (see note 6(b)) | <u>54,491</u> | <u>-</u> |
| Deferred tax | - | - |
| Total tax on loss on ordinary activities | <u>54,491</u> | <u>-</u> |

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

| | 2007 | 2006 |
|---|-----------------|------------------|
| | \$ | \$ |
| The differences are reconciled below | | |
| Loss on ordinary activities before taxation | <u>(28,319)</u> | <u>(505,509)</u> |
| Expected tax credit at standard tax rate | (8,496) | (151,653) |
| Expenses not deductible for tax relief | 79,900 | 55,426 |
| Timing differences not recognised | 9,161 | 36,771 |
| Revaluation of trade and financial losses carried forward | - | (8,131) |
| Higher rate of tax on foreign income | 11,701 | - |
| Benefit of group relief | (37,775) | - |
| Losses surrendered as group relief | - | 67,587 |
| Prior year expenses not deductible for tax relief | - | 32,590 |
| Prior year timing differences not recognised | - | (269,321) |
| Prior year revaluation of timing differences | - | 29,153 |
| Prior year losses surrendered as group relief | - | 207,578 |
| Total current tax (note 6(a)) | <u>54,491</u> | <u>-</u> |

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

6. Tax (continued)

(c) Deferred tax asset

The company has carried forward tax losses and other timing differences as shown below that are available indefinitely to be offset against future taxable profits

| | 2007 | 2006 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Depreciation in advance of capital allowances | 40,376 | 24,830 |
| Unrelieved trade and financial losses | 64,314 | 67,801 |
| Other timing differences | 114,763 | 132,707 |
| Total | <u><u>219,453</u></u> | <u><u>225,338</u></u> |

Deferred tax assets have not been recognised in relation to timing differences as they do not satisfy the recognition criteria for deferred tax assets in FRS 19 'Deferred Tax'. These assets would be realised if sufficient taxable profits are generated in the future against which the timing differences could be offset. The unrecognised deferred tax assets are calculated at a tax rate of 28% as this is the effective UK tax rate from 1 April 2008.

7. Tangible fixed assets

| | Equipment |
|------------------------------------|-----------------------|
| | \$ |
| Cost: | |
| At 1 January 2007 | 439,420 |
| Additions | 72,872 |
| At 31 December 2007 | <u><u>512,292</u></u> |
| Depreciation: | |
| At 1 January 2007 | 230,077 |
| Charge for the year | 152,680 |
| At 31 December 2007 | <u><u>382,757</u></u> |
| Net book value: | |
| Net book value at 31 December 2007 | <u><u>129,535</u></u> |
| Net book value at 1 January 2007 | <u><u>209,343</u></u> |

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

8. Debtors

| | 2007 \$ | 2006 \$ |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 6,123,896 | 121,637 |
| Prepayments and accrued income | 206,765 | 60,536 |
| | <u>6,330,661</u> | <u>182,173</u> |

9. Creditors: amounts falling due within one year

| | 2007 \$ | 2006 \$ |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | 5,949,984 | 25,418 |
| Accruals and deferred income | 175,774 | 52,823 |
| | <u>6,125,758</u> | <u>78,241</u> |

10. Creditors: amounts falling due after more than one year

| | 2007 \$ | 2006 \$ |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | <u>2,338,535</u> | <u>2,179,583</u> |

11. Authorised and issued share capital

Authorised share capital

| | 2007 £ | 2006 £ |
|---------------------------------------|-------------------|-------------------|
| 10,000,000 Ordinary shares of £1 each | <u>10,000,000</u> | <u>10,000,000</u> |
| Allotted, called up and fully paid | | |

| | 2007 | | 2006 | |
|----------------------------|-----------|-----------|-----------|-----------|
| | No | \$ | No | \$ |
| Ordinary shares of £1 each | 5,110,000 | 9,822,299 | 5,110,000 | 9,822,299 |

12. Profit and loss account

| | 2007 \$ | 2006 \$ |
|-----------------------------|---------------------|---------------------|
| Balance brought forward | (11,587,563) | (11,082,054) |
| Loss for the financial year | (82,810) | (505,509) |
| Balance carried forward | <u>(11,670,373)</u> | <u>(11,587,563)</u> |

PGS GEOPHYSICAL (ANGOLA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

13. Reconciliation of movements in shareholders' funds

| | 2007 \$ | 2006 \$ |
|-------------------------------|---------------------------|---------------------------|
| Loss for the financial year | (82,810) | (505,509) |
| Opening shareholders' deficit | <u>(1,765,264)</u> | <u>(1,259,755)</u> |
| Closing shareholders' deficit | <u><u>(1,848,074)</u></u> | <u><u>(1,765,264)</u></u> |

14. Related party transactions

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

15. Ultimate 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 smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.