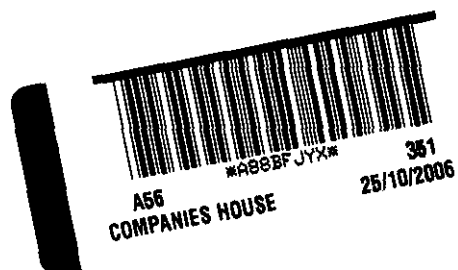


COMPANY REGISTRATION NUMBER 2904391



PGS EXPLORATION (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31ST DECEMBER 2005



PGS EXPLORATION (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

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PGS EXPLORATION (UK) LIMITED
OFFICERS AND OTHER INFORMATION

The board of directors	S Rennemo C Steen-Nilsen G Langseth
Company secretary	S Wagner
Registered office	PGS Court Halfway Green Walton on Thames Surrey KT12 1RS
Company registration number	2904391
Auditor	Ernst & Young LLP Registered Auditors London

PGS EXPLORATION (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2005

The directors present their report and financial statements of the company for the year ended 31st December 2005.

Principal activities and business review

The principal activity of the company is the acquisition and processing of marine seismic surveys. It is a member of the Petroleum-Geo Services Group, a Norwegian registered oil services group with operations worldwide.

Seismic market conditions have improved markedly in 2006. Turnover has increased by 49.7% to \$363,649,000 and operating profits have increased to \$32,937,000 compared to an operating loss in 2004 of \$26,312,000. The directors anticipate that current market conditions can be maintained for at least the foreseeable future and that the company will continue to trade profitably.

Change in reporting currency

With effect from 1 January 2005 the reporting currency of the company was changed from British Pounds to US Dollars as the main trading activities of the company are conducted in US Dollars. Comparative figures have been translated at an appropriate average rate and at the year-end closing rate in the profit and loss account and the balance sheet respectively.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Research and development

The company contributes to the PGS Group's worldwide research and development programmes, the aims of which are the practical application and early introduction of relevant new technologies.

Directors

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

S Rennemo
C Steen-Nilsen
G Langseth

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

PGS EXPLORATION (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2005

Policy on the payment of creditors

In the UK, wherever possible, the company agrees payment terms with its external suppliers when it enters into binding contracts. It seeks to abide by the terms agreed whenever it is satisfied that the supplier has performed under the terms agreed. In the absence of any specified credit terms it is the company's practice to settle outstanding debts within 30 days of satisfactory receipt of the goods or services in question. 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.

Employee involvement, disabled persons, health & safety

The company has developed a network for communicating with employees, including those in remote locations or at sea. Pertinent and topical information is distributed on a regular basis and channels for feedback are clearly established. Financial information is available from the parent company's web site and industry and technical news items are distributed and discussed at regular intervals.

The company will always give due consideration for job vacancies to disabled persons and should an employee working in a harsh environment become disabled full consideration will be given to retaining that person in alternative work wherever possible.

The company aspires to the highest standards of health, safety and regard for the environment. It participates in industry forums and maintains an active information and reporting system for areas of operation with particular risks.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 10 to 11, 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 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. 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 EXPLORATION (UK) LIMITED

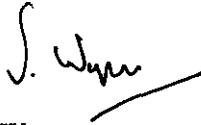
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2005

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



S Wagner
Company Secretary

11th October 2006

Registered office:
PGS Court
Halfway Green
Walton on Thames
Surrey
KT12 1RS

PGS EXPLORATION (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PGS
EXPLORATION (UK) LIMITED

YEAR ENDED 31ST DECEMBER 2005

We have audited the financial statements for the year ended 31st December 2005 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 (United Kingdom Generally Accepted Accounting Practice).

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 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 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 EXPLORATION (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PGS
EXPLORATION (UK) LIMITED *(continued)***

YEAR ENDED 31ST DECEMBER 2005

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 31st December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditors
London

18/10/06

PGS EXPLORATION (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2005

	Note	2005 \$000	2004 \$000 As restated
Turnover	2	363,649	242,824
Cost of sales		(319,472)	(260,054)
Gross profit/(loss)		<u>44,177</u>	<u>(17,230)</u>
Administrative expenses		(11,240)	(9,082)
Operating profit/(loss)	3	32,937	(26,312)
Income from fixed asset investments	5	(4)	1,522
Interest receivable	6	2,953	1,453
Interest payable and similar charges	7	(3,154)	(5,012)
Profit/(loss) on ordinary activities before taxation		<u>32,732</u>	<u>(28,349)</u>
Tax on profit/(loss) on ordinary activities	8	7,710	(7,885)
Profit/(loss) on ordinary activities after taxation, being profit/(loss) for the financial year		<u>40,442</u>	<u>(36,234)</u>

The notes on pages 10 to 19 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
31ST DECEMBER 2005

	Note	2005 \$000	2004 \$000
Profit/(loss) for the financial year		40,442	(36,234)
Prior year adjustments:			
Inter-company interest receivable	9	1,349	—
Withholding tax on inter-company interest receivable	9	(135)	—
Total gains and (losses) recognised since last annual report		<u>41,656</u>	<u>(36,234)</u>

The notes on pages 10 to 19 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED

BALANCE SHEET

31ST DECEMBER 2005

	Note	2005		2004	
		\$000	\$000	\$000	\$000
				As restated	
Fixed assets					
Tangible assets	10		4,352		3,722
Investments	11		3,800		3,800
			<u>8,152</u>		<u>7,522</u>
Current assets					
Stocks	12	11,255		17,865	
Debtors due within one year	13	275,398		178,471	
Cash at bank		5,602		2,939	
		<u>292,255</u>		<u>199,275</u>	
Creditors: amounts falling due within one year	15	<u>(183,015)</u>		<u>(97,718)</u>	
Net current assets			109,240		101,557
Total assets less current liabilities			<u>117,392</u>		<u>109,079</u>
Creditors: amounts falling due after more than one year	16		-		(32,129)
			<u>117,392</u>		<u>76,950</u>
Capital and reserves					
Called-up equity share capital	18		288,750		288,750
Profit and loss account	19		<u>(171,358)</u>		<u>(211,800)</u>
Shareholder's funds	20		<u>117,392</u>		<u>76,950</u>

These financial statements were approved by the directors on the *11* October 2006 and are signed on their behalf by:


C Steen-Nilsen
Director

The notes on pages 10 to 19 form part of these financial statements.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

1. Accounting policies

Basis of preparation and change in 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.

The financial statements have been prepared on a going concern basis as the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The policy for the treatment of post balance sheet events has been updated to incorporate Financial Reporting Standard 21 "Events after the Balance Sheet Date" (FRS 21) which has been adopted in the year. In addition, the company adopted Financial Reporting Standard 28 "Corresponding Amounts" in the year. There is no impact on adopting these standards during the year

With effect from 1 January 2005 the reporting currency of the company was changed from British Pounds to US Dollars as the main trading activities of the company are conducted in US Dollars. Comparative figures have been translated at an appropriate average rate and at the year-end closing rate in the income statement and the balance sheet respectively.

Comparative figures

Certain prior year figures have been restated to conform with the 2005 presentation.

Prior year adjustment

As a result of an omission of certain inter-company interest transactions in the financial statements for the years ended 31st December 2003 and 31st December 2004, interest receivable in those years was understated by a total of \$1,348,712. Correction of this omission, and the related withholding tax, has resulted in a restatement of the prior year figures for 'interest receivable', 'tax on profit/(loss) on ordinary activities' and 'amounts owed by group undertakings'.

Cash flow statement

The company is a 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.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced net of value added tax for services rendered during the year.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Depreciation

Depreciation 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:

Office equipment	- 4 years
Furniture, fixtures and fittings	- 6 years
Computer equipment	- 3 years
Licences	- 5 years

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

1. Accounting policies *(continued)*

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments are tested for impairment when indicators of impairment exist. Where an impairment has arisen, a provision is raised to reduce the carrying value of the investment to its recoverable amount

Work in progress

Own seismic data is valued at the lower of amortised cost and net realisable value. Costs are amortised in proportion to the sales recorded in each year for each survey as a percentage of the total estimated sales over the life of the survey. Furthermore, should there be any impairment in the value of any survey, additional amortisation is charged so as to reduce the amortised cost to net realisable value.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The group operates a defined benefit pension scheme for the majority of the group's employees. Due to the nature of the scheme individual group companies are unable to identify their share of the underlying assets and liabilities. Therefore, in the accounts of the subsidiaries, the scheme is treated as a defined contribution scheme.

The company also contributes to a defined contribution scheme. Payments to this scheme are charged to the profit and loss account as incurred.

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.
- 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.

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.

Assets and liabilities in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2005	2004
	\$000	\$000
United Kingdom	58,685	34,570
Other European countries	94,629	25,847
America	74,957	33,770
Rest of the world	135,378	148,637
	<u>363,649</u>	<u>242,824</u>

3. Operating profit/(loss)

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

	2005	2004
	\$000	\$000
Directors' emoluments	—	—
Research and development expenditure written off	221	305
Depreciation of owned fixed assets	2,383	2,584
Depreciation of assets held under finance lease agreements	9	9
Auditor's remuneration		
- as auditor	45	38
Operating lease costs:		
Other	1,086	2,044
Hire of plant and machinery	80,100	76,153
Loss on foreign currency translation	1,503	736
(Gain)/loss on disposal of tangible fixed assets	<u>(20)</u>	<u>239</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Number of administrative staff	<u>128</u>	<u>111</u>

The aggregate payroll costs of the above were:

	2005	2004
	\$000	\$000
Wages and salaries	12,986	12,230
Social security costs	1,220	1,195
Other pension costs	<u>1,119</u>	<u>702</u>
	<u>15,325</u>	<u>14,127</u>

All employees were involved in the principal activity of the company and were based at the principal office of the company.

5. Income from fixed asset investments

	2005	2004
	\$000	\$000
Income from other fixed asset investments	<u>(4)</u>	<u>1,522</u>

PGS Exploration (UK) Limited has a 100% subsidiary registered in the Bahamas. Investment income has arisen from this source.

6. Interest receivable

	2005	2004
	\$000	\$000
		As restated
Bank interest receivable	412	104
Interest receivable on amounts due from group undertakings	<u>2,541</u>	<u>1,349</u>
	<u>2,953</u>	<u>1,453</u>

7. Interest payable and similar charges

	2005	2004
	\$000	\$000
Interest payable on bank borrowing	1,284	47
Interest payable on group loans	<u>1,870</u>	<u>4,965</u>
	<u>3,154</u>	<u>5,012</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

8. Taxation on ordinary activities

(a) Analysis of charge/(credit) in the year

	2005 \$000	2004 \$000 As restated
Current tax:		
Foreign tax	9,627	7,885
Deferred taxation:		
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(17,337)	-
Total tax on profit/(loss) on ordinary activities	<u>(7,710)</u>	<u>7,885</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower as the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are reconciled below:

	2005 \$000	2004 \$000 As restated
Profit/(loss) on ordinary activities before taxation	<u>32,732</u>	<u>(28,349)</u>
Profit/(loss) on ordinary activities by rate of tax	9,820	(8,504)
Tax losses and other timing differences not recognised	(14,406)	8,968
Higher rate of tax on foreign withholding tax	7,595	5,518
Prior period tax losses and other timing differences not recognised	(4,013)	2,842
Prior period expenses and foreign tax deductible for tax purposes	-	(2,842)
Taxable imputed interest	1,371	621
Expenses not deductible for tax purposes	134	1,282
Revaluation of losses carried forward	5,113	-
Prior year timing differences	4,013	-
Total current tax (note 8(a))	<u>9,627</u>	<u>7,885</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

(c) Deferred tax asset

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

	Recognised 2005 \$000	Recognised 2004 \$000	Total 2005 \$000	Total 2004 \$000
Depreciation in advance of capital allowances	-	-	1,755	4,081
Other timing differences	-	-	(1,452)	13,792
Unrelieved tax losses	17,337	-	45,776	46,626
Total	<u>17,337</u>	<u>-</u>	<u>46,079</u>	<u>64,499</u>

Deferred tax assets have not been recognised in relation to these losses and other timing differences to the extent that they do not satisfy the recognition criteria for deferred tax assets in FRS 19 'Deferred Tax'. \$17,337,000 of these assets have been recognised at 31st December 2005 because sufficient trading profits are forecast to arise in 2006 to offset against these trade losses.

(d) Movement on recognised deferred tax balances

	2005 \$000	2004 \$000
Opening balance	-	-
Credit/(charge) to profit and loss account	17,337	-
Closing balance	<u>17,337</u>	<u>-</u>

9. Prior year adjustment

As a result of an error of omission, inter-company interest receivable in the financial statements for the years ended 31st December 2004 and 31st December 2003 was understated by a total of \$1,348,712. Withholding tax on this interest, also omitted from the financial statements for those years totalled \$134,871. Correction of this error has resulted in a restatement of the prior year figures for 'interest receivable', 'tax on profit/ (loss) on ordinary activities' and 'amounts owed by group undertakings'.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

10. Tangible fixed assets

	Office Equipment \$000	Furniture, Fixtures & Fittings \$000	Computer Equipment \$000	Licences \$000	Total \$000
Cost					
At 1st January 2005	8,559	7,167	37	42	15,805
Additions	2,014	852	—	163	3,029
Disposals	—	(18)	—	—	(18)
At 31st December 2005	<u>10,573</u>	<u>8,001</u>	<u>37</u>	<u>205</u>	<u>18,816</u>
Depreciation					
At 1st January 2005	6,454	5,561	26	42	12,083
Charge for the year	1,483	868	9	32	2,392
On disposals	—	(11)	—	—	(11)
At 31st December 2005	<u>7,937</u>	<u>6,418</u>	<u>35</u>	<u>74</u>	<u>14,464</u>
Net book value					
At 31st December 2005	<u>2,636</u>	<u>1,583</u>	<u>2</u>	<u>131</u>	<u>4,352</u>
At 31st December 2004	<u>2,105</u>	<u>1,606</u>	<u>11</u>	<u>—</u>	<u>3,722</u>

11. Investments

	Investments
	\$000
Cost	
At 1st January 2005 and 31st December 2005	<u>3,800</u>
Net book value	
At 1st January 2005 and 31st December 2005	<u>3,800</u>

In 2004, PGS Exploration (UK) Limited acquired shares in Endeavour International Corporation, a company listed on Amex at a cost of \$3.8m. There is no impairment issue on this investment as at 31 December 2005.

12. Stocks

	2005	2004
	\$000	\$000
Seismic data library		
Work in progress	1,416	664
Completed data	9,839	17,201
	<u>11,255</u>	<u>17,865</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

13. Debtors

	2005 \$000	2004 \$000 As restated
Trade debtors	51,706	37,763
Amounts owed by group undertakings	187,041	125,562
Other debtors	2,817	895
Prepayments and accrued income	16,497	14,251
Deferred taxation	17,337	-
	<u>275,398</u>	<u>178,471</u>

14. Debtors: amounts falling due after more than one year

Included above are debtors falling due after more than one year, as follows:

	2005 \$000	2004 \$000 As restated
Amounts owed by group undertakings	<u>164,504</u>	<u>89,877</u>

15. Creditors: amounts falling due within one year

	2005 \$000	2004 \$000 As restated
Trade creditors	15,249	15,832
Amounts owed to group undertakings	141,024	68,092
PAYE and social security	424	402
Foreign withholding tax	10,044	2,815
Accruals and deferred income	16,274	10,577
	<u>183,015</u>	<u>97,718</u>

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

	2005 \$000	2004 \$000
Amounts owed to group undertakings	<u>-</u>	<u>32,129</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

17. Commitments under operating leases

At 31st December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings \$000	Other Items \$000	Land & Buildings \$000	Other Items \$000
Operating leases which expire:				
Within 1 year	-	107,355	-	53,882
Within 2 to 5 years	1,086	-	-	41,593
After more than 5 years	-	-	2,162	-
	<u>1,086</u>	<u>107,355</u>	<u>2,162</u>	<u>95,475</u>

Other items constitute charter vessels. Each lease is automatically renewed each 1 January unless terminated by two months written notice by either party prior to each anniversary of the charter.

18. Share capital

Authorised share capital:	2005 £000	2004 £000
200,000,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

Allotted and called up:	2005		2004	
	No	\$000	No	\$000
Ordinary shares of £1 each	<u>174,816,509</u>	<u>288,750</u>	<u>174,816,509</u>	<u>288,750</u>

19. Profit and loss account

	2005 \$000
At the beginning of the year, as previously stated	(213,014)
Prior year adjustments:	
Inter-company interest receivable	1,349
Withholding tax on inter-company interest receivable	(135)
At the beginning of the year, as restated	<u>(211,800)</u>
Profit for the financial year	<u>40,442</u>
Balance carried forward	<u>(171,358)</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2005

20. Reconciliation of movements in shareholder's funds

	2005 \$000	2004 \$000 As restated
Profit/(Loss) for the financial year	40,442	(36,234)
New ordinary share capital subscribed	—	72,676
Net addition to shareholder's funds	<u>40,442</u>	<u>36,442</u>
Opening shareholder's funds	<u>76,950</u>	<u>40,508</u>
Closing shareholder's funds	<u><u>117,392</u></u>	<u><u>76,950</u></u>

21. Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 (Related Party Transactions) in not disclosing transactions with other group companies where there is a common ownership interest of 90% or more.

22. 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.