

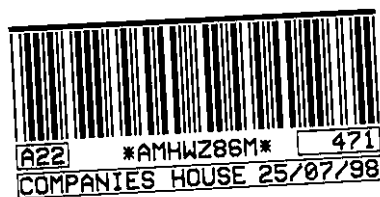


**PGS EXPLORATION (UK) LTD**

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

**COMPANY NUMBER 2904391**



## **PGS EXPLORATION (UK) LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996**

The directors have pleasure in presenting their report and accounts for the year ended 31 December 1996.

#### **DIRECTORS**

The directors who have served during the year are as follows:

M Scott	(Chairman)
AR Mackewn	(appointed 2 <sup>nd</sup> January 1998)
E Hokholt	(Norwegian)
C Walker	

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation was £1,747,764 (1995: loss £439,822).

This amount has been transferred to reserves.

The directors do not recommend the payment of a dividend.

#### **PRINCIPAL ACTIVITY AND COMPANY DEVELOPMENTS**

The principal activity of the company is the acquisition of marine seismic surveys. The most exciting and significant development during the year was the chartering of the new seismic vessel MV Ramform Challenger. The revenue of the company has increased dramatically due to its activity and accounted for over 70% turnover.

The company is a member of the Petroleum-Geo Services Group, a Norwegian registered oil exploration and services group with operations worldwide. Along with other technologies applied throughout Group, the Ramform technology represents the leading edge in oil and gas exploration.

#### **BUSINESS REVIEW**

The appetite for technological innovation in the oil industry remains healthy and so the launching of the Ramform Challenger was well received. Operations have started well and the company expects further significant increases in revenues to be generated by the vessel.

#### **POST BALANCE SHEET EVENTS**

With effect from 1<sup>st</sup> January 1997, the company acquired certain assets, liabilities and the trade of its sister company PGS Nopec (UK) Ltd. The activities of the companies were complimentary and by combining the two operations it is hoped that the geological, geophysical and marketing strengths of the old business will enable the enlarged company to prosper.

#### **FIXED ASSETS**

The changes in fixed assets during the year are summarised in note 8 to the accounts.

## **PGS EXPLORATION (UK) LTD**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)**

#### **AUDITORS**

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts 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 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.

By Order of the Board



H Nevile  
Secretary

1 July 1998

## AUDITORS REPORT TO THE MEMBERS OF PGS EXPLORATION (UK) LTD

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

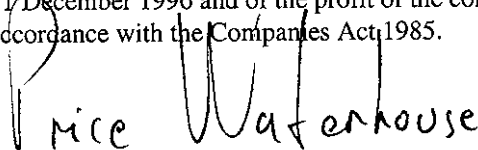
### Basis of opinion

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 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1996 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse

Chartered Accountants and Registered Auditors  
32 London Bridge Street  
London SE1 9SY

1 July 1998

# PGS EXPLORATION (UK) LTD

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		<u>£</u>	<u>£</u>
<b>TURNOVER</b>	2	18,588,676	2,965,526
Cost of sales		<u>(16,094,771)</u>	<u>(2,875,496)</u>
<b>GROSS PROFIT</b>		2,493,905	90,030
Administrative expenses		<u>(745,720)</u>	<u>(609,750)</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	1,748,185	(519,720)
Interest receivable	5	-	572
Interest payable	6	<u>(421)</u>	<u>(674)</u>
		<u>(421)</u>	<u>(102)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,747,764	(519,822)
Tax on profit/(loss) on ordinary activities	7	<u>-</u>	<u>80,000</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>1,747,764</u>	<u>(439,822)</u>

All amounts relate to continuing operations.

### TOTAL RECOGNISED GAINS AND LOSSES

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

The notes on pages 7 to 11 form part of these accounts.

# PGS EXPLORATION (UK) LTD

## BALANCE SHEET AS AT 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	8	34,662	36,265
<b>CURRENT ASSETS</b>			
Debtors	9	8,958,467	1,461,874
Cash at bank and in hand		<u>14,572</u>	<u>1,520</u>
		8,973,039	1,463,394
<b>CREDITORS</b> ; amounts falling due within one year	10	<u>(5,987,773)</u>	<u>(227,495)</u>
<b>NET CURRENT ASSETS</b>		<u>2,985,266</u>	<u>1,235,899</u>
		<u>3,019,928</u>	<u>1,272,164</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	11	10,000	10,000
Profit and loss account	12	<u>3,009,928</u>	<u>1,262,164</u>
		<u>3,019,928</u>	<u>1,272,164</u>

APPROVED BY THE BOARD  
1 JULY 1998



A.R. Mackewn

DIRECTOR

The notes on pages 7 to 11 form part of these accounts.

# PGS EXPLORATION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

### 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.

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

- Office equipment - 4 years
- Furniture, fixtures and fittings - 6 years

#### Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that a liability or asset is expected to crystallise in the foreseeable future.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange differences are taken to the Profit and Loss Account.

#### Leasing and hire purchase commitments

Assets acquired under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income as incurred.

#### 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 invoiced value of goods and services provided, net of value added tax. The turnover and profit/(loss) before tax is derived solely from the company's principal activity.

An analysis of turnover by geographical area is given below:

	<u>1996</u>	<u>1995</u>
United Kingdom	4,393,264	-
Other European countries	14,143,572	2,822,546
America	<u>51,840</u>	<u>142,980</u>
	<u>18,588,676</u>	<u>2,965,526</u>

# PGS EXPLORATION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

### 3 OPERATING PROFIT

This is stated after charging:	<u>1996</u>	<u>1995</u>
Directors' remuneration (see below)	91,625	84,772
Auditors' remuneration	4,500	5,000
Auditors' remuneration for non audit work	2,250	1,100
Depreciation	14,182	11,339
Operating lease charges	5,770,833	-
	<u>          </u>	<u>          </u>
Directors' remuneration:		
Emoluments (including pension contributions)	91,625	84,772
	<u>          </u>	<u>          </u>
Directors' emoluments, excluding pension contributions:		
Chairman	Nil	Nil
Highest paid director	73,863	66,784
The remuneration of all directors fell within the following ranges:	<u>No</u>	<u>No</u>
£Nil - £5,000	1	2
£5,001 - £10,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-

### 4 STAFF COSTS

	<u>1996</u>	<u>1995</u>
Wages and salaries	3,746,600	2,997,901
Social security costs	42,291	27,797
Other pension costs	<u>295,323</u>	<u>219,878</u>
	<u>4,084,214</u>	<u>3,245,576</u>

The average number of employees was 86 (1995:63). All employees were involved in the principal activity of the company.  
78 (1995: 60) employees were based offshore on PGS Group vessels, 8 (1995: 3) were based at the principal office of the company.

### 5 INTEREST RECEIVABLE

	<u>1996</u>	<u>1995</u>
Bank deposits	-	572
	<u>          </u>	<u>          </u>



# PGS EXPLORATION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

<b>6</b>	<b>INTEREST PAYABLE</b>	<u>1996</u>	<u>1995</u>
	Bank overdrafts	10	674
	Other	<u>411</u>	<u>-</u>
		421	674
		<u>      </u>	<u>      </u>

<b>7</b>	<b>TAXATION</b>	<u>1996</u>	<u>1995</u>
	Corporation tax @ 33% based on the results for the year	-	(80,000)
		<u>      </u>	<u>      </u>

No liability to Corporation tax arises due to the availability of taxable losses of other group companies. No potential deferred tax liability arises at 31 December 1996 (1995: Nil)

<b>8</b>	<b>TANGIBLE FIXED ASSETS</b>			
		<u>Office equipment</u>	<u>Fixtures &amp; fittings</u>	<u>Total</u>
	<u>Cost</u>			
	At 1 January 1996	22,676	34,015	56,691
	Additions	<u>9,570</u>	<u>3,009</u>	<u>12,579</u>
	At 31 December 1996	32,246	37,024	69,270
		<u>      </u>	<u>      </u>	<u>      </u>
	<u>Depreciation</u>			
	At 1 January 1996	9,262	11,164	20,426
	Charge for the year	<u>8,011</u>	<u>6,171</u>	<u>14,182</u>
	At 31 December 1996	17,273	17,335	34,608
		<u>      </u>	<u>      </u>	<u>      </u>
	<u>Net book value</u>			
	At 31 December 1996	<u>14,973</u>	<u>19,689</u>	<u>34,662</u>
	At 31 December 1995	<u>13,414</u>	<u>22,851</u>	<u>36,265</u>

<b>9</b>	<b>DEBTORS</b>	<u>1996</u>	<u>1995</u>
	Amounts owed by group companies	8,860,185	1,302,329
	Prepayments and accrued income	57,594	139,452
	Sundry debtors	<u>40,688</u>	<u>20,093</u>
		8,958,467	1,461,874
		<u>      </u>	<u>      </u>

# PGS EXPLORATION (UK) LTD

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

<b>10</b>	<b>CREDITORS; amounts falling due within one year</b>	<u>1996</u>	<u>1995</u>
	Bank loans and overdrafts	-	56,485
	Trade creditors	24,080	59,438
	Amounts owed to group companies	5,770,833	16,427
	Other taxes and social security costs	27,595	1,259
	Accruals and deferred income	<u>165,265</u>	<u>93,886</u>
		<u>5,987,773</u>	<u>227,495</u>
<b>11</b>	<b>EQUITY SHARE CAPITAL</b>	<u>1996</u>	<u>1995</u>
	Ordinary shares of £1 each:		
	Authorised, issued and fully paid	<u>10,000</u>	<u>10,000</u>
<b>12</b>	<b>STATEMENT OF RESERVES</b>	<u>1996</u>	<u>1995</u>
	Reserves at start of year	1,262,164	1,701,986
	Profit/(Loss) for the year	<u>1,747,764</u>	<u>(439,822)</u>
	Retained profit at end of year	<u>3,009,928</u>	<u>1,262,164</u>
<b>13</b>	<b>RECONCILIATION OF SHAREHOLDERS FUNDS</b>	<u>1996</u>	<u>1995</u>
	Balance at start of year	1,272,164	1,711,986
	Profit/(Loss) for the year	<u>1,747,764</u>	<u>(439,822)</u>
	Balance at end of year	<u>3,019,928</u>	<u>1,272,164</u>
<b>14</b>	<b>CAPITAL COMMITMENTS</b>	<u>1996</u>	<u>1995</u>
	Contracted	<u>Nil</u>	<u>Nil</u>
<b>15</b>	<b>OPERATING LEASE COMMITMENTS</b>	<u>1996</u>	<u>1995</u>
	Committed annual payments on vessel lease agreement where agreement is due to expire after more than five years	<u>7,604,167</u>	<u>Nil</u>

## **PGS EXPLORATION (UK) LTD**

### **NOTES TO THE ACCOUNTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)**

##### **16 PENSION COMMITMENTS**

For certain employees, the company contributes to either a defined contribution or a defined benefit pension scheme. The assets of each scheme are held separately from those of the company.

Contributions to defined contribution schemes amounted to £18,500 (1995:£6,455).

The PGS UK Pension Fund, a defined benefit funded pension scheme was established in December 1994. Actuaries, Bacon & Woodrow and lawyers, Lovell White Durrant were instrumental in establishing the scheme. The principal assumptions adopted for the scheme are that over the long term, the annual rate of return on investments will be 9%, increases in pensionable pay 5%, and pensions in payment 4.5%. The first actuarial valuation is due before December 1997. Contributions have been made in line with independent actuarial advice and amounted to £276,823 (1995: £200,447). This amount has been charged to the profit and loss account.

Of the above amounts £7,762 (1995: £20,861) related to directors of the company.

##### **17 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 House, Mayfield Road, Walton-on-Thames, Surrey KT12 5PL.

##### **18 RELATED PARTY DISCLOSURE**

The company has taken advantage of the "90% owned subsidiary" exemption not to disclose related party transactions with other group members.

Material balances with other group companies include:

	<u>1996</u>	<u>1995</u>
Debtors		
PGS Exploration AS	3,916,116	1,118,481
PGS Nopec (UK) Ltd	4,243,474	-
Multi Klient Invest AS	501,682	-
Creditors		
Petroleum Geo-Services ASA	5,770,833	-