



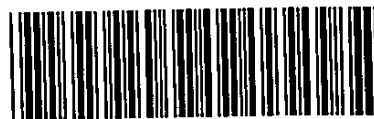
COMPANY REGISTRATION NUMBER 05646810

PGS SEISMIC (UK) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

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PGS SEISMIC (UK) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

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PGS SEISMIC (UK) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
OFFICERS AND OTHER INFORMATION

Directors	G Langseth C Steen-Nilsen J Reinhardsen
Secretary	M C Pinto
Auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands, B4 6GH United Kingdom
Registered office	4, The Heights Brooklands Weybridge Surrey, KT13 0NY United Kingdom
Registered number	05646810

PGS SEISMIC (UK) LTD

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 December 2011

Principal activities

The company has contracted to provide seismic surveys and may receive licence interests as part of its remuneration

The company is a member of the Petroleum Geo-Services Group ("the group"), a Norwegian registered oil services group with operations worldwide. The group offers a wide range of seismic and reservoir services, including acquisition, processing, interpretation and field evaluation. It also possesses the world's most extensive MultiClient data library.

Results and dividends

The loss for the year after taxation is \$3,094,000 (2010: \$nil)

The directors do not recommend a dividend (2010: \$nil)

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 a period of at least 12 months from the signing of the accounts in order to meet its obligations as they fall due.

Business review and future developments

The company was dormant throughout 2010 and until August 2011, when the company entered into contracts to provide seismic data acquired in Namibia to third party customers.

No significant change in the business activities is expected in the immediate foreseeable future.

Principal risks and uncertainties of the company

The management of the business and the execution of the company's strategy are subject to a number of risks, all of which are closely integrated with those of the group.

The key business risks and uncertainties affecting the company are considered to relate to competition from other international oil and gas industry consultants and to the price of oil, which is the key driver of demand for the company's services and future profitability.

From the perspective of the company, the principal risks and uncertainties are so integrated with the principal risks of the group that they are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed below.

Principal risks and uncertainties of the group

The group is exposed to adverse changes in interest rates, which is managed through financial instruments such as interest rate swaps.

A portion of the group's foreign currency exchange risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the US dollar are hedged through forward currency exchange contracts.

Credit risk relating to the group's trade receivables is relatively limited due to the nature of the customer base and the historic low level of losses on trade receivables. Ongoing credit evaluations of customers are used to manage exposure to this type of risk.

PGS SEISMIC (UK) LTD
DIRECTORS' REPORT *(continued)*

Finally, as a result of the global economic and financial crisis, capital markets are generally less predictable and available than historically experienced. This represents an increased risk for all companies with respect to meeting possible future funding needs. The Petroleum Geo-Services Group continuously monitors its banks and has no reason to believe that they will not meet the group's funding commitments if called upon.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 61 to 63 of the group's annual report.

Key performance indicators ("KPIs")

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 Seismic (UK) Limited. The development, performance and position of the group, which includes the company, is discussed on pages 56 to 65 of the group's annual report which does not form part of this report.

Research and development

The company contributes to the Petroleum Geo-Services 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 and to the date of this report were as follows:

G Langseth
C Steen-Nilsen
J Reinhardsen

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.

Disclosure of information to auditor

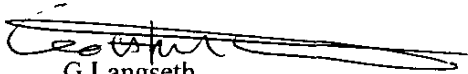
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

PGS SEISMIC (UK) LTD
DIRECTORS' REPORT *(continued)*

Appointment of auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office

Signed on behalf of the board



G Langseth
Director

12 September 2012

PGS SEISMIC (UK) LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGS SEISMIC (UK) LTD

We have audited the financial statements of PGS Seismic (UK) Limited for the year ended 31 December 2011 set out on pages 8 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

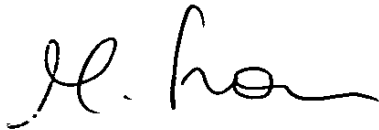
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PGS SEISMIC (UK) LTD *(continued)***

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



M Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date **21** September 2012

PGS SEISMIC (UK) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$000	2010 \$000
Turnover	2	13,588	-
Cost of sales		(17,720)	-
Gross loss		<u>(4,132)</u>	<u>-</u>
Administrative expenses		-	-
Operating loss	3	<u>(4,132)</u>	<u>-</u>
Interest receivable	4	6	-
Loss on ordinary activities before taxation		<u>(4,126)</u>	<u>-</u>
Tax on loss on ordinary activities	5	1,032	-
Loss for the financial year		<u><u>(3,094)</u></u>	<u><u>-</u></u>

The company's results in 2011 are derived from continuing activities. The company was dormant throughout 2010. There are no recognised gains and losses other than the results as set out above.

The notes on pages 10 to 15 form part of these financial statements.

PGS SEISMIC (UK) LTD

BALANCE SHEET

31 DECEMBER 2011

	Note	2011 \$000	2010 \$000
Current assets			
Intangible assets	6	17,064	-
Debtors	7	5,071	2
Creditors: amounts falling due within one year	8	<u>(25,227)</u>	<u>-</u>
Net current (liabilities) / assets		(3,092)	2
Net (liabilities) / assets		<u>(3,092)</u>	<u>2</u>
Capital and reserves			
Called-up equity share capital	9	2	2
Profit and loss account	10	<u>(3,094)</u>	<u>-</u>
Shareholder's (deficit) / funds	11	<u>(3,092)</u>	<u>2</u>

These financial statements were approved by the directors on the **12** September 2012 and are signed on their behalf by



C Steen-Nilsen
Director

Company number 05646810

The notes on pages 10 to 15 form part of these financial statements.

PGS SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. Accounting policies

The following accounting policies have been applied consistently in deciding the items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. They have been presented in US\$ as this is the currency in which the company operates. The 2010 dormant accounts were in GBP.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of \$3,092,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Petroleum Geo-Services ASA, the company's ultimate parent undertaking. Petroleum Geo-Services ASA has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent, Petroleum Geo-Services ASA, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Petroleum Geo-Services group to continue as a going concern or its ability to continue with the current banking arrangements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

Cash flow statement

Under FRS 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Petroleum Geo-Services ASA includes the company in its own published consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

PGS SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. Accounting policies *(continued)*

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

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered and the customer has accepted the product or service,
- The price to the buyer is fixed and determinable, and
- Collectability is reasonably assured

Revenue is recognised as services are performed, provided all other recognition criteria are satisfied

The company defers the unearned component of payments received from customers for which the revenue recognition criteria have not been met

Intangible assets and amortisation

Licences are stated at cost less accumulated amortisation and accumulated impairment losses. Licences are designated as current assets when their carrying value is expected to be recovered principally through sale rather than continuing use. Such assets are measured at the lower of carrying amount and fair value less costs to sell, and are not amortised.

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 SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

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

	2011 \$000	2010 \$000
Africa	<u>13,588</u>	<u>-</u>

3. Operating loss

There were no employees other than the directors employed during the year. None of the directors received any fees or remuneration for services as a director of the company during the financial year (2010 nil)

The remuneration of the directors is paid by the parent company, which makes no recharges to the company. The directors act in a group capacity only and do not allocate specific time to the company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the company.

4. Interest receivable

	2011 \$000	2010 \$000
Interest receivable on group loans	<u>6</u>	<u>-</u>

5. Tax on loss on ordinary activities

(a) Analysis of credit in the year

	2011 \$000	2010 \$000
Current tax		
UK Corporation tax		
– current year	<u>-</u>	<u>-</u>
Deferred taxation		
Current year credit	<u>(1,032)</u>	<u>-</u>
Total tax credit on loss on ordinary activities	<u>(1,032)</u>	<u>-</u>

PGS SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

5. Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 26.5%

The differences are explained below	2011 \$000	2010 \$000
Loss on ordinary activities before taxation	(4,126)	-
Expected tax charge at standard tax rate	(1,094)	-
Timing differences	1,094	-
Total current tax charge (note 5(a))	-	-

(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. Deferred tax assets have been recognised in relation to these losses and other timing differences to the extent that the recognition criteria for deferred tax assets in FRS 19 'Deferred Tax' are satisfied.

	2011 \$000 Recognised	2011 \$000 Unrecognised	2010 \$000 Recognised	2010 \$000 Unrecognised
Unrelieved tax losses	1,032	-	-	-

The UK tax rate is in the process of being reduced from 28% to 22%. At 31 December 2011 the rate that had been substantively enacted, effective from 1 April 2012, was 25%. At 31 December 2010 the equivalent rate was 27%. Accordingly, the tax rate used for the deferred tax asset calculations at the balance sheet date is 25%.

(d) Movement on recognised deferred tax balances

	2011 \$000	2010 \$000
At beginning of year	-	-
Credit to profit and loss account	1,032	-
At end of year	1,032	-

PGS SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

6. Current intangible assets

	\$000
Cost:	
At 1 January 2011	-
Additions	17,064
At 31 December 2011	<u>17,064</u>
Amortisation:	
At 1 January 2011	-
Charge for the year	-
At 31 December 2011	<u>-</u>
Net book value:	
Net book value at 31 December 2011	<u>17,064</u>
Net book value at 31 December 2010	<u>-</u>

During the year, the company acquired a 48% share of licences held by Maurel and Prom for \$5,064,000. The company also acquired a 10% share of licences held by Chariot Namibia for a consideration of \$12,000,000. The company intends to dispose of these in a short timeframe, therefore the licences are held at cost and are not amortised.

7. Debtors: amounts falling due within one year

	2011 \$000	2010 \$000
Amounts owed by ultimate parent undertaking	4,039	2
Deferred tax asset	1,032	-
	<u>5,071</u>	<u>2</u>

Amounts owed between the company and the ultimate parent undertaking are covered by a mutual credit agreement in which the amounts are unsecured, repayable on demand and bear interest at 3-month LIBOR plus 3% per annum.

8. Creditors: amounts falling due within one year

	2011 \$000	2010 \$000
Deferred revenue	7,270	-
Amounts owed to other group undertakings	17,957	-
	<u>25,227</u>	<u>-</u>

Amounts owed between the company and other group undertakings are treated as trading balances and do not bear any interest.

PGS SEISMIC (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

9. Share capital

Allotted, called up and fully paid

	2011		2010	
	No	\$000	No	\$000
Ordinary shares of £1 each	<u>1,000</u>	<u>2</u>	<u>1,000</u>	<u>2</u>

10. Profit and loss account

	2011	2010
	\$000	\$000
Balance brought forward	-	-
Loss for the financial year	<u>(3,094)</u>	<u>-</u>
Balance carried forward	<u>(3,094)</u>	<u>-</u>

11. Reconciliation of movements in shareholders' (deficit) / funds

	2011	2010
	\$000	\$000
Loss for the financial year	(3,094)	-
Opening shareholders' funds	<u>2</u>	<u>2</u>
Closing shareholders' (deficit) / funds	<u>(3,092)</u>	<u>2</u>

12. Related party transactions

As the company is a wholly owned subsidiary of Petroleum Geo-Services ASA it has taken advantage of the exemptions provided by FRS 8 (Related Party Transactions) in not disclosing transactions with other wholly owned group companies

13. Ultimate parent company

The immediate parent company is Petroleum Geo-Services (UK) Limited, a company registered in the United Kingdom. The ultimate parent company and the ultimate controlling party is Petroleum Geo-Services ASA, a company registered in Norway. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.

Group financial statements are available from Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway