Arrow Seismic Invest VI Limited

Report and Financial Statements

Year ended 31 December 2008

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Company information

Directors

G. M. Hiscox	(appointed 13 May 2008)
D. I. Humphries	(appointed 13 May 2008)
M. C. Ferreira Pinto	(appointed 13 May 2008)
C. Steen-Nilsen	(appointed 13 May 2008)
H. S. Sundby	(appointed 13 May 2008)
M. A. Taylor	(resigned 13 May 2008)
P. B. Buchan	(resigned 13 May 2008)
I. W. Basili	(resigned 13 May 2008)

Secretary

M. C. Ferreira Pinto	(appointed 15 August 2008)
M. A. Caines	(appointed 13 May 2008, resigned 15 August 2008)
M. A. Taylor	(resigned 13 May 2008)

Auditors

KPMG LLP
One Snow Hill
Snowhill Queensway
Birmingham B4 6GH

Bankers

DnB Nor Bank ASA
20 St Dunstan's Hill
London EC3R 8HY

Solicitors

Thomas Cooper & Stibbard
Ibex House
42-47 Minories
London EC3N 1HA

Registered office

4, The Heights
Brooklands
Weybridge
Surrey KT13 0NY

Registered number

06020168

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Results and dividends

The results for the year are set out in the profit and loss account on page 7.

The directors consider the result for the year to be satisfactory and expect the construction of the vessel to continue during 2009.

No dividend was paid in the period and none is proposed on the ordinary shares (2007: none).

Principal activity and review of the business

The principal activity of the company is that of a vessel owner and operator.

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

On 10 July 2007 the company entered into an arrangement to build and lease a new seismic survey vessel. The vessel is expected to be delivered during the first quarter of 2011.

Principal risks and uncertainties

The directors of the Petroleum Geo-Services group manage the group's operations on a divisional basis. For this reason the group seeks to ensure that it has good internal systems and controls for risk management and reporting that are pertinent to its subsidiary companies' activities. The principal risks and uncertainties are therefore managed on a divisional and group wide basis.

The company has considered a number of risks and has determined that it is well placed against competitors in that its new-build vessel is fitted with state-of-the-art technology. The company has access to funding from within the group and does not need to seek external financing.

The principal risks of the group are market and financial risks.

Market

The company operates in a global market that relates in the main to oil and offshore activities; the parent group aims to reduce the exposure to market fluctuations by obtaining an appropriate balance of long and short term contracts across its subsidiaries.

Financial

Financial risk is divided into credit, interest and currency exchange risk.

The company's credit risk is managed by ongoing credit evaluation of its customers and is considered to relatively low due to the nature of its customer base.

The group on behalf of the company enters into financial instruments such as interest rate swaps to manage any impact of possible changes in interest rates.

The company has contracted commitments in respect of its vessel under construction which are denominated in Euros, whereas its sources of finance are denominated in US dollars and Norwegian kroner. The company is therefore exposed to exchange risk. Forward rate agreements are used to hedge this risk.

Directors' report (continued)

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 Arrow Seismic Invest VI Limited. The development, performance and position of the group, which includes the company, is discussed on pages 4 to 12 of the group's annual report which does not form part of this report. The annual report can be found on the Petroleum Geo-Services group website at www.pgs.com.

Directors

The directors who held office during the year and to the date of this report are set out on page 1.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Appointment of auditors

Ernst & Young LLP resigned as auditors on 19 January 2009 and KPMG LLP were appointed to fill the casual vacancy.

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

Signed by order of the Board

C Steen-Nilsen
Director

4 December 2009

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 United Kingdom 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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a 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 auditors' report to the members of Arrow Seismic Invest VI Limited

We have audited the financial statements of Arrow Seismic Invest VI Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 members, 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 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 information given in 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 misstatement therein.

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.

Independent auditors' report to the members of Arrow Seismic Invest VI Limited (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 2008 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors
One Snow Hill
Snowhill Queensway
Birmingham B4 6GH

4 December 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$'000	Period from 6 December 2006 to 31 December 2007 US$'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(33)	(33)
Operating loss	2	(33)	(33)
Interest receivable	4	82	9
Interest payable and similar charges	5	(2,433)	(1,468)
Loss before taxation on ordinary activities		(2,384)	(1,492)
Taxation	6	1	(2)
Loss for the financial year	11,12	(2,383)	(1,494)

The company's results are derived from continuing activities.

There are no recognised gains or losses other than as shown in the profit and loss account above.

Balance sheet
as at 31 December 2008

	Notes	2008 US$'000	2007 US$'000
Fixed assets			
Tangible assets	7	28,510	13,000
Current assets			
Debtors	8	16,079	7,433
Cash at bank		8,598	-
		24,677	7,433
Current liabilities			
Creditors: amounts falling due within one year	9	(47,064)	(21,927)
Net current liabilities		(22,387)	(14,494)
Total assets less current liabilities		6,123	(1,494)
Net assets/(liabilities)		6,123	(1,494)
Capital and reserves			
Called up share capital	10	10,000	-
Profit and loss account	11	(3,877)	(1,494)
Shareholder's funds/(deficit)	12	6,123	(1,494)

These financial statements were approved by the Board on 4 December 2009 and signed on its behalf by:

C. Steen-Nilsen
Director

Company number: 06020168

Notes to the financial statements

as at 31 December 2008

1. Accounting policies

The following accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules. They have been presented in US$ as this is the functional currency in which the company operates.

Going concern

The company is financing its vessel construction with funding from its immediate parent undertaking. The ultimate parent company has provided an undertaking it will continue to provide financial support to the company to the extent that it is required for the foreseeable future. On this basis it is the opinion of the directors that the going concern concept is an appropriate basis on which to prepare the company's financial statements.

Cash flow statement

The financial statements do not include a cash flow statement as the company is a subsidiary undertaking of Petroleum Geo-Services ASA, a company incorporated in Norway, which prepares consolidated financial statements which include the company and are available to the public.

Related party transactions

The company has taken advantage of the exemption 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.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments on a straight line basis over their estimated useful economic lives as follows:

Vessels	-	25 years from date of being brought into use
Plant and equipment	-	3-4 years

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

Assets under construction are depreciated from the date the asset is brought into use.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gain or losses on translation are included in the profit and loss account.

Notes to the financial statements

as at 31 December 2008

1. Accounting policies (continued)

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with the following exception:

- 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.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The company has not adopted the fair value hedging requirements of FRS 26 and as such the company accounts for forward rate agreements when they mature and are settled. When the forward rate agreement is effectively hedging a firm commitment (such as the company's contracted payments to the yard in respect of its vessel under construction) and when the following criteria are met:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the company's operations,

the company recognises the payment to the yard at the rate specified in the applicable forward rate agreement when it is made and not at the spot rate ruling at the date of the transaction.

2. Operating loss

This is stated after charging/(crediting):

	Year ended 31 December 2008 US$'000	*Period from 6 December 2006 to 31 December 2007 US$'000*
Auditors' remuneration payable to KPMG LLP – audit services	11	-
Auditors' remuneration payable to KPMG LLP – taxation services	3	-
Auditors' remuneration payable to Ernst & Young LLP– audit services	-	23
Total auditors' remuneration	14	23

3. Staff costs

There were no directors who were remunerated by the company during the year and no staff costs as all staff are employees of other group companies (2007: none).

Notes to the financial statements

as at 31 December 2008

4. Interest receivable

	Year ended 31 December 2008 US$'000	*Period from 6 December 2006 to 31 December 2007 US$'000*
Bank interest receivable	82	9

5. Interest payable and similar charges

	Year ended 31 December 2008 US$'000	*Period from 6 December 2006 to 31 December 2007 US$'000*
Bank interest on loans and overdrafts	838	688
Interest on amounts owed to group undertakings	1,231	-
Net currency loss	364	780
	2,433	1,468

6. Taxation

	Year ended 31 December 2008 US$'000	*Period from 6 December 2006 to 31 December 2007 US$'000*
(a) Tax on loss on ordinary activities		
The tax charge is made up as follows:		
Current tax:		
UK corporation tax for the period	-	2
Adjustment in respect of prior period	(1)	-
Total current tax (note 6(b))	(1)	2
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax (credit)/charge for the period	(1)	2

Notes to the financial statements

as at 31 December 2008

6. Taxation (continued)

(b) Factors affecting current tax charge:

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

The differences are explained below:

	Year ended 31 December 2008 US$'000	*Period from 6 December 2006 to 31 December 2007 US$'000*
Loss on ordinary activities before tax	(2,384)	(1,492)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(679)	(448)
Effects of:		
Expenses not deductible for tax purposes	701	450
Group relief receivable	(23)	-
Current tax for the period (note 6(a))	(1)	2

A deferred tax asset of $763,083 (2007: $417,510) has not been recognised in respect of pre-trading expenses due to uncertainty as to its recoverability.

7. Tangible fixed assets

	Assets under construction US$'000
Cost:	
At 1 January 2008	13,000
Additions	15,510
At 31 December 2008	28,510
Depreciation:	
At 1 January 2008	-
Charge for the year	-
At 31 December 2008	-
Net book value:	
At 31 December 2008	28,510
At 31 December 2007	13,000

Notes to the financial statements

as at 31 December 2008

8. Debtors

	2008 *US$'000*	*2007* *US$'000*
Other debtors	8.736	-
Prepayments and accrued income	7.265	7,433
Amounts due from group undertakings	78	-
	16.079	7,433

9. Creditors: amounts falling due within one year

	2008 *US$'000*	*2007* *US$'000*
Bank loans and overdrafts	2	21,830
Trade creditors	-	14
Corporation tax	1	2
Amounts owed to immediate parent undertaking	37.098	-
Amounts owed to group undertakings	802	58
Accruals and deferred income	9.161	23
	47.064	21,927

Bank loans and overdrafts in the prior year related to a group wide facility arranged by the immediate parent company Arrow Seismic ASA. This loan facility was repaid in June 2008. The facility and similar borrowings in fellow subsidiaries of Arrow Seismic Invest VI Limited were secured via fixed and floating charges over the company's assets and those of its parent, Arrow Seismic ASA, and fellow subsidiaries Arrow Seismic Invest I Limited, Arrow Seismic Invest II Limited, Arrow Seismic Invest III Limited and Arrow Seismic Invest V Limited under joint and several facilities not exceeding US$224.7m.

Amounts owed to immediate parent undertaking bear interest at the three month LIBOR rate plus a margin of 3.0% per annum, are unsecured and repayable on demand. However the ultimate parent company, Petroleum Geo-Services ASA, has provided an undertaking that it will continue to provide financial support to the company to the extent that it is required for the foreseeable future.

10. Authorised and issued share capital

Authorised	*2008* *US$'000*	*2007* *US$'000*
1,000 ordinary shares of £1 each	2	2
50,000,000 ordinary shares of $1 each	50,000	50.000
	50,002	50.002

Notes to the financial statements

as at 31 December 2008

10. Authorised and issued share capital (continued)

Allotted, called up and fully paid	*2008 No.*	*2007 No.*	*2008 US$'000*	*2007 US$'000*
Ordinary shares of £1 each	1	1	–	–
Ordinary shares of $1 each	10,000,000	–	10,000	–
			10,000	–

The authorised and issued share capital that is denominated in pounds sterling has been translated into US$ at the historic rate ruling on the date the share was issued.

The ordinary shares of £1 each and $1 each rank pari passu in all respects.

On 19 December 2008 the company converted part of its unsecured credit facility with its parent undertaking, Arrow Seismic ASA, into shares by the issue at par of 10,000,000 ordinary shares of $1 each in order to increase the capital base of the company.

11. Profit and loss account

	2008 US$'000	*2007 US$'000*
At start of the year/on incorporation	(1,494)	-
Loss for the year/period	(2,383)	(1,494)
At end of the year	(3,877)	(1,494)

12. Reconciliation of movements in shareholder's funds/(deficit)

	2008 US$'000	*2007 US$'000*
At start of the year/on incorporation	(1,494)	-
Issue of share capital	10,000	-
Loss for the year/period	(2,383)	(1,494)
At end of the year	6,123	(1,494)

13. Capital commitments

At 31 December 2008 the company had capital commitments of $94m (2007: $91.8m) in respect of the vessel under construction.

Notes to the financial statements

as at 31 December 2008

14. Derivatives

The company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. At 31 December 2008 the company held forward currency contracts in Euro (EUR)/US dollars (USD) as hedges of future contractual payments in Euros regarding the contracts with the yard. The gross contracted values of the derivatives held at the balance sheet date were:

	Nominal Amount €000	*Maturity*	*Average forward rate*
Forward currency forward contract to buy EUR/USD	3,500	Feb 2009	1.3511
Forward currency forward contract to buy EUR/USD	6,047	Feb 2009	1.3513
Forward currency forward contract to buy EUR/USD	2,700	Feb 2009	1.3513
Forward currency forward contract to buy EUR/USD	6,047	Nov 2009	1.3601
Forward currency swap contract to sell EUR/USD	(6,047)	Nov 2009	1.4502
Forward currency swap contract to buy EUR/USD	6,047	Mar 2010	1.4500

The fair value of the above contracts at 31 December 2008 amounted to $913.948, representing an unrecognised gain on the forward rate agreements.

15. Controlling party and parent undertakings

The immediate parent undertaking throughout the year was Arrow Seismic ASA, a company incorporated in Norway.

The ultimate parent undertaking and controlling party became 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.

The financial statements of Petroleum Geo-Services ASA may be obtained from:

PO BOX 89
NO - 1325 Lysaker
Norway.