(All amounts in USD thousands unless otherwise stated)

Consolidated income statement

	Note	IFRS Year ended 31 December 2006	IFRS 2005
Operating revenue and expenses			
Contract sales	18	117 748	44 045
Total revenues		117 748	44 045
Operating expenses			
Charter hire, fuel and crew expenses	25	62 744	34 625
Employee expense	19	18 154	7 977
Depreciation and amortisation	9, 10	7 510	4 137
Other operating expenses	20	16 162	10 499
Total operating expenses		104 570	57 238
Operating profit (loss)		13 178	(13 193)
Financial income and expenses			
Financial income	22	2 236	3 495
Change in fair value of conversion rights	13	(22 969)	(10 315)
Financial expenses	22	(12 074)	(3 052)
Net financial expenses		(32 807)	(9 872)
Loss before income tax		(19 629)	(23 065)
Income tax expense	23	5 642	195
Loss for the year		(25 271)	(23 260)
Basic loss per share (result for the year/shares) in USD	29	(0,62)	(0,57)
Diluted loss per share (EPS) in USD	29	(0,62)	(0,57)

The notes are an integral part of these consolidated financial statements.

(All amounts in USD thousands unless otherwise stated)

Consolidated balance sheet

	Note	IFRS 2006	IFRS 2005
		As at 31 December	
ASSETS			
Current assets			
Cash and cash equivalents	5	20 485	2 549
Trade receivables	6	31 910	7 522
Other receivables	7	3 142	3 045
Inventories	8	5 625	1 299
Total current assets		**61 162**	**14 415**
Non-current assets			
Intangible assets	9	2 430	1 218
Property, plant and equipment	10	23 302	16 973
Total non-current assets		**25 732**	**18 191**
Total assets		**86 894**	**32 606**

(All amounts in USD thousands unless otherwise stated)

Consolidated balance sheet (cont.)

		IFRS	IFRS
		As at 31 December	
LIABILITIES	**Note**	**2006**	**2005**
Current liabilities			
Trade payables	34	20 677	13 651
Borrowings	12	13 623	15 374
Fair value of conversion rights	13	-	25 090
Current tax liability		4 843	-
Other short term liabilities	11	7 751	9 086
Total current liabilities		**46 894**	**63 201**
Non-current liabilities			
Borrowings	12	21 459	2 063
Employee benefit obligations	15	1 421	838
Total non-current liabilities		**22 880**	**2 901**
Total liabilities		**69 774**	**66 102**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid in equity	16	77 940	1 958
Other reserves		(104)	(8)
Retained earnings		(60 716)	(35 445)
Total equity		**17 120**	**(33 495)**
Total equity and liabilities		**86 894**	**32 606**

The notes are an integral part of these consolidated financial statements.

(All amounts in USD thousands unless otherwise stated)

Statement of cash flows

	Note	IFRS 2006	IFRS 2005
		Year ended 31 December	
Net cash flow from operating activities:			
Loss for the year		**(25 271)**	**(23 260)**
Tax	23	5 642	195
Depreciation	10	7 036	3 906
Amortisation	9	474	231
Loss on disposial of property, plant and equipment		892	-
Non-cash portion of pension expense		502	288
Cost of share-based payment		1 022	363
Interest expense		1 688	545
Amortised interest expense		4 670	2 180
Exchange (gains)/losses on borrowings		1 181	(2 795)
Increase in accounts receivable		(24 388)	(5 776)
Increase in inventories		(4 326)	(699)
Increase in accounts payable		7 026	9 724
Change in other working capital		(1 368)	3 932
Other financial assets at fair value from profit and losss		22 969	10 315
Taxes paid		(799)	(195)
Interest paid		(1 159)	(468)
Net cash flow from operating activities		**(4 209)**	**(1 514)**
Investing activities			
Purchase of property, plant and equipment		(12 666)	(8 622)
Purchase of intangible assets		(1 686)	(143)
Interest received		192	34
Cash Used in investing activities		**(14 160)**	**(8 731)**
Financial activities:			
Financial lease payments - principal		(1 773)	(826)
Proceeds from bond offering		19 450	-
Proceeds from ordinary shares issuance	16	2 299	
Proceeds from preference share issuance		6 475	10 936
Additional proceeds from short term debt		9 854	1 408
Cash provided by financial activities		**36 305**	**11 518**
Net increase in cash		**17 936**	**1 273**
Cash balance beginning of period		2 549	1 276
Cash balance end of period		20 485	2 549
Increase in cash		**17 936**	**1 273**

(All amounts in USD thousands unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital, share premium and other paid in equity	Other reserves	Retained earnings	Total equity
		Attributable to equity holders of the Company			
Balance at 1 January 2005		1 595	-	(12 185)	(10 590)
Currency translation differences		-	(8)	-	(8)
Net income/(expense) recognised directly in equity		-	(8)	-	(8)
Loss for the year		-	-	(23 260)	(23 260)
Total recognised loss for 2005		-	(8)	(23 260)	(23 268)
Employee Share option scheme:					
- cost of share-based payment	16	363	-	-	363
Balance at 31 December 2005		1 958	(8)	(35 445)	(33 495)
Balance at 1 January 2006		1 958	(8)	(35 445)	(33 495)
Currency translation differences		-	(96)	-	(96)
Net income/(expense) recognised directly in equity		-	(96)	-	(96)
Loss for the year		-	-	(25 271)	(25 271)
Total recognised loss for 2006		-	(96)	(25 271)	(25 367)
Reclassification of preference shares	13	72 660			72 660
- cost of share-based payment	16	1 022	-	-	1 022
- proceeds from shares issued	16	2 299	-	-	2 299
Balance at 31 December 2006		77 940	(104)	(60 716)	17 120

The notes are an integral part of these consolidated financial statements.

1. General information

ElectroMagnetic GeoServices AS ("emgs"/'the Company') and its subsidiaries (together 'the Group') use SeaBed-Logging (SBL), a patented electromagnetic survey method, to find hydrocarbons in offshore reservoirs. The company's services help oil and gas companies to improve their exploration success rates. The Group has subsidiaries in Norway, Brasil, USA, Holland, Nigeria and Malaysia.
The Company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Stiklestadveien 1, 7041 Trondheim.
These consolidated financial statements have been approved for issue by the Board of Directors on the 22 February 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of emgs have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS as applied by the Group is the same as IFRS adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value. The principal accounting principles adopted are set out below.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Interpretations of existing standards

The following published interpretations of existing standards are mandatory for the Group's accounting periods beginning on or after 1 May 2006. The Group has not yet adopted these standards:
•IFRIC 8, "Scope of IFRS 2" (effective for annual periods beginning on or after 1 May 2006). The Group will apply IFRIC 8 with the fiscal year beginning 1 January 2007, but it is not expected to have any impact on the Group's accounts.
•IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). TheGroup will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts. The standard is not yet endorsed by the EU.

Interpretations of existing standards that are not relevant to the Group's operations

The following published interpretations of existing standards are mandatory for the Group's accounting periods beginning on or after 1 January 2007. These interpretations are not relevant to the Group's operations:
•**IFRIC 7,** "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006). As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.
•**IFRIC 9**, "Reassessment of embedded derivatives" (effective for annual periods beginning on or after 1 June 2006). There have been no changes to any existing contracts within the Group that would require reassessment. As such, IFRIC 9 is not relevant to the Group.
•**IFRIC 11**, "IFRS 2 – Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007). The Group will apply IFRIC 11 from 1 January 2007, but it is not expected to have any impact on the Group's accounts. The standard is not yet endorsed by the EU.
•**IFRIC 12**, "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). The Group will apply IFRIC 12 from 1 January 2008, but it is not expected to have any impact on the Group's accounts. The standard is not yet endorsed by the EU.

New standards, interpretations and amendments of published standards that are not yet effective
Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, as follows:

•**IFRS** 7, "Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures" (effective for periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about the significance of the company's financial assets and the nature and the extent of exposure to risks arising from those financial instruments, including credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and disclosure requirements in IAS 32, "Financial Instruments: Disclosure and Presentation". It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the Amendment to IAS 1 for annual periods beginning 1 January 2007.
•**IFRS 8**, "Operating Segments" (effective for periods beginning on or after 1 January 2009). The company is currently assessing the impact of the adoption of the standard.
•**IAS 1**, "Presentation of Financial Statement" This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

2.2 Consolidation

The consolidated financial statements incorporate the financial statements of the emgs AS and entities controlled by the emgs AS (subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control exists when emgs has more than 50 % voting power through ownership or agreements.
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.
The Group is operating in only one segment defined as "SeaBed Logging".

2.4 Foreign currency translation

(a) Functional and presentation currency
The financial statements of each entity within the Group reflect transactions recorded in the currency of the economic environment in which it operates ('the functional currency').
The consolidated financial statements are presented in US Dollars, which is the Company's functional currency and the Group's presentation currency.
emgs operates in the oil service industry and USD is the currency that mainly influences sales prices for the Company's services. USD significantly influences the charter hire, material and other costs of providing services. USD is therefore the functional currency of the Company.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions or from year-end translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies
The results and financial position of Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing foreign exchange rate at the balance sheet date.
(ii) income and expenses for each income statement presented are translated at average foreign exchange rates during the period. However, if this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates at the specific transaction dates.
(iii) all resulting exchange differences are recognised as a separate component of equity.
In the event a foreign operation is sold, any exchange differences previously recorded though equity, is recognised as part of gain/loss on sales through the income statement.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment in value. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognised as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost s of all other repairs and maintenance are expensed as incurred.
Borrowing costs are not capitalized.
Depreciation on assets is calculated using the straight-line method. The assets are depreciated over their estimated useful life, adjusted for any estimated residual values.

	Useful life:
Machinery and equipment	3 - 5 years
Cluster *	5 years
Hardware equipment and furniture	3 - 5 years

* A cluster consists of IT equipment comprising of a large amount of processors for doing advanced data processing.

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate,

If an asset's carrying amount is greater than its estimated recoverable amount, the asset is immediately written down to the recoverable amount (Note 2.7).

2.6 Intangible assets

Intangible assets can have either definite or indefinite useful lives. Intangible assets with definite useful lives are depreciated over the useful life. Intangible assets with indefinite useful lives are subject to annually test for impairment and carried at cost less accumulated impairment losses.

(a) Patents
Patents are recorded at historical cost less amortization, and any impairment in value. Patents have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (10 years). Administrative costs associated with patents are expensed as incurred.

(b) Computer software
The cost of acquired computer software licenses is capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life (3 years).
The costs of design of software interfaces, installing, testing, creating system and user documentation, defining user reports and data conversion are capitalized together with the software cost. The costs in question are costs directly related to developing the software application for the company's use.

Costs associated with maintaining computer software are expensed as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, and which are expected to generate economic benefits in excess of cost (beyond one year) are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful life, not to exceed three years.

(c) Research and development
Research costs are expensed as incurred. Development costs are recognized in the income statement in the year in which the expenditure is incurred unless the following criteria are met in full:

- the product or process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or process will be sold or used in the company's operations;
- the asset will generate future economic benefits; and
- sufficient technical, financial and other resources for completing the project are present.

Costs that have been charged as expenses in previous accounting periods are not recognized in the balance sheet.

Capitalized development costs are depreciated on a straight-line basis over the estimated useful life of the asset.

Development assets that are not yet available for use are tested for impairment annually, in accordance with IAS 36.

Internal wages in the development phase have not been capitalized for the years presented as emgs has not had a system in place for recording and documenting these items.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization but are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the base levels for which separate cash flows can be identified (cash-generating units). Non-financial assets other than goodwill previously impaired are reviewed at each reporting date for possible reversal of the previously recorded impairment.

2.8 Financial assets

Financial assets are classified as either; at fair value through profit or loss, or as loans and receivables. The Group has no financial assets classified as available for sale or held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, unless maturity is more than one year from the balance sheet date, in which case the asset or liability would be classified as non-current. Loans and receivables are classified as 'other receivables' on the balance sheet.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.
The Group currently does not engage in any types of hedging activity and does not apply hedge accounting.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.
The Group's inventory consists primarily of equipment components and parts, anchors, batteries and fuel.

2.11 Trade receivables

Trade receivables are recognized at fair value less provision for any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The provision is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is included in the income statement as part of other operating expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as borrowings within current liabilities on the balance sheet.
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are not subject to a significant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities (Note 2.14).
Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the borrowing period using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Convertible preference shares

Preference shares which are mandatory redeemable on a specific date are classified as liabilities. Dividends on these preference shares are recognized in the income statement as financial expense as incurred over time using the effective interest rate method.
On issuance of the convertible preference shares, the fair value of the conversion component denominated in NOK (not the company's functional currency) is determined and this amount is included in the effective interest rate calculation of the preference shares. Since conversion option is not denominated in the functional currency of the company, it is accounted for as an embedded derivative. Subsequent changes in fair value of the conversion rights are charged to the income statement. See note 13 for more information.

2.16 Income tax

(a) Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax loss used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

(b) Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

2.17 Employee benefits

(a) Pension obligations
The Company operates a defined benefit plan. The scheme is funded through payments to an insurance company, determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet related to the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, plus adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates for the 10 years Government bond adjusted for duration approximately equal to the maturity to the related pension liability.

Employee tax is provided for based on the actual total pension liability.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

(b) Share-based compensation
The Group operates an equity-settled, share-based compensation plan. The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in Note 16.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(c) Bonus plans
The Group recognises a provision for bonus expenses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Revenue recognition

Revenue is the fair value of the consideration received or receivable for services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after elimination of sales within the Group. Revenue is recognised as follows:

(a) Sale of surveys
Fixed Rate Contracts/Unit Price Contracts::
Revenue from contracts (whether priced as Lump Sum, Day Rate or Unit Price) is recognised based on the percentage of completion method, measured by reference to the percentage of vessel operational hours incurred to date versus the total estimated vessel operational hours for the project. Any invoiced amount greater than that calculated as recognisable will be recorded on the balance sheet as deferred revenue and recognised in the applicable future periods. Conversely, any earned but unbilled revenue will be recognised in the current period and recorded as accrued revenue on the balance sheet. ("Vessel operational hours" is the actual amount of time incurred/expected to be incurred in the productive acquisition of the seabed logging data.)

Mobilisation Fees:
Revenues for mobilisation are usually contracted with the customer and should cover the vessels transit to the actual area and audits required by the customer. Revenues and costs related to mobilisation are deferred and recognized over the acquisition period (which is the time from the first receiver is dropped to the last retrieval) of the contract, representing the acquisition period of the geological information, using the percentage of completion method. The deferral of mobilisation costs can only begin after a definitive contract has been executed between emgs and the client. Until a contract is signed, costs are expensed as incurred.

The Group is subject to withholding taxes in certain jurisdictions in which it operates. Revenues subject to these taxes are presented as a net amount.

(b) Interest income
Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the carrying amount is reduced to the recoverable amount, calculated as the estimated future cash flows discounted at the original effective interest rate of the instrument. The discount continues to be unwound as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.19 Leases

a) Operating leases:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) Financial leases:
The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. When there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the expected useful life.

2.20 Dividend distribution

Dividends distributed to the shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.22 Provisions

Provisions for loss on sales contracts are recognized when it is clear that the contract will result in a loss. The calculation is made by comparing the contracted revenues to the expected direct operating costs for the acquisition period.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not use financial instruments to hedge risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and therefore has exposure to foreign exchange risk arising from transactions executed inforeign currencies, primarily with respect to NOK and GBP. Foreign exchange risk arises from future commercial transactions, recognized as assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, where net assets are exposed to foreign currency translation risk.

Please see more information in Note 12; Borrowings.

(ii) Price risk

The Group's exposure to price risk is minimal.

(b) Credit risk

The Group trades with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In additions, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant in 2006. Due to unforeseen circumstances, one exposure arose in 2005 as a result of liquidity problems of a customer. With respect to credit risk arising from the other financial assets of the Group as cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with maximum exposure equal to the carrying amount of these instruments.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and financial leases.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from leasing liabilities, short term borrowings and cash equivalents. Leasing agreements issued at variable rates expose the Group to cash flow interest rate risk.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of the Group's property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate could change significantly as a result of technical innovations and increased competition. When remaining recorded useful lives of assets are determined to be overstated, the management will make appropriate estimate revisions and adjust depreciation charges accordingly. Items determined to be technically obsolete or which have been abandoned will be written down or written off completely.

Pension benefits
The present value of the pension obligations is determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions includes the discount rate. Any changes in these assumptions will impact the amount of the pension obligations. However, using the corridor method the effect will not have an immediate impact on the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of 10 years Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 15.

Options
For share based payment options and conversion options related to preference shares, the fair value is calculated using the Black Scholes option pricing model. Significant inputs in the model are share prices, standard deviation of share price returns, dividend yield and volatility. Changes in these estimates will influence the valuation given.

Revenue recognition
The Group uses the percentage-of-completion method in accounting for its contracts to deliver survey services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. The proportion of services performed to total services to be performed can differ from management's estimates, influencing the amount of revenue recognised in the year.

Preference shares
The value of the conversion option embedded in these financial instruments are separated from the preference shares, due to the fact that the conversion right is in NOK while the Company's functional currency is USD. The options on the shares were valued using a regular call, and the option on expected accumulated dividends was valued as a knock out option with a barrier of NOK 50. Significant inputs into the model are share price and share volatility. Changes in these estimates will influence the valuation given.

Taxes
The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
In assessing whether a deferred tax asset can be utilised, management uses judgement to determine that future taxable income is probable.

(All amounts in USD thousands unless otherwise stated)

5. Cash and cash equivalents

	2006	2005
Cash	19 934	2 295
Restricted cash	551	254
Total cash and cash equivalents	**20 485**	**2 549**

See note 12 for explanation of overdraft facility.

Cash at bank items earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents equals the nominal value.

6. Trade receivables

	2006	2005
Accounts receivable	22 724	7 926
Accrued revenues	9 186	1 860
Provision for doubtful receivables	-	(2 264)
Total trade receivables	**31 910**	**7 522**

Trade receivables are non-interest bearing and are generally on 30 days payment terms.

Fair value of the receivables approximates the nominal values, less provision for doubtful receivables.

Generally, the Group trades with recognised, creditworthy customers. The customers are usually large oil companies with an appropriate credit history. Only in a few instances services are performed for smaller companies with limited credit history.

At 31 December 2005 trade receivables of 2 264 due from a customer with liquidity problems was reserved for.

At 31 December 2006 the Group assessed the trade receivables and found no invoices or contracts which were considered as a risk. Movements in the provision for doubtful receivables are as follows:

	2006	2005
At 1 January	(2 264)	-
Change for the year	-	(2 264)
Amounts written off	2 483	-
Currency translation difference	(219)	-
Total provision for doubtful receivables	**-**	**(2 264)**

7. Other receivables

	2006	2005
Prepayments	788	1 179
Receivables VAT	678	253
Deferred mobilisation expenses	288	972
Other receivables	1 388	641
Total other receivables	**3 142**	**3 045**

Fair value of the receivables approximates the nominal values.

8. Inventories

	2006	2005
Equipment components and parts, at cost	4 005	-
Anchors and batteries, at cost	663	413
Fuel, at cost	957	886
Total inventories	**5 625**	**1 299**

Inventory items expensed during 2006 amounted to 11 603 (2005: 5 275) and are included as components of total operating expenses.

(All amounts in USD thousands unless otherwise stated)

9. Intangible assets

	Software and licences	Patents	Total
At 1 January 2005			
Accumulated cost	140	1 673	1 813
Accumulated amortisation	(61)	(446)	(507)
Net book amount	**79**	**1 227**	**1 306**
Year ended 31 December 2005			
Opening net book amount	79	1 227	1 306
Additions	143	-	143
Amortisation charge	(64)	(167)	(231)
Closing net book amount	**158**	**1 060**	**1 218**
At 31 December 2005			
Accumulated cost	283	1 673	1 956
Accumulated amortisation	(125)	(613)	(738)
Net book amount	**158**	**1 060**	**1 218**
Year ended 31 December 2006			
Opening net book amount	158	1 060	1 218
Additions	1 450	-	1 450
Reclassification (note 10)	236	-	236
Amortisation charge	(307)	(167)	(474)
Closing net book amount	**1 537**	**893**	**2 430**
At 31 December 2006			
Accumulated cost	1 969	1 673	3 642
Accumulated amortisation	(432)	(780)	(1 212)
Net book amount	**1 537**	**893**	**2 430**

In 2006, 236 related to processing software was reclassified from machinery and equipment to software and licences.

The patents are related to SeaBed Logging, the Group's proprietary process which allows for the direct detection of hydrocarbons under the earth. The remaining amortisation period is 5 years.

The amount of intangibles pledged as security for liabilities has a net book value of 893 (2005: 1 060).

	Estimated useful lives
Patents	10 years
Software and licences	3 years

10. Property, plant and equipment

	Machinery and equipment	Hardware and furniture	Cluster	Total
At 1 January 2005				
Accumulated cost	11 935	645	-	12 580
Accumulated depreciation	(4 831)	(308)	-	(5 139)
Net book amount	**7 104**	**337**	**-**	**7 441**
Year ended 31 December 2005				
Opening net book amount	7 104	337	-	7 441
Additions	10 425	570	2 443	13 438
Depreciation charge	(3 432)	(229)	(245)	(3 906)
Closing net book amount	**14 097**	**678**	**2 198**	**16 973**
At 31 December 2005				
Accumulated cost	22 360	1 215	2 443	26 018
Accumulated depreciation	(8 263)	(537)	(245)	(9 045)
Net book amount	**14 097**	**678**	**2 198**	**16 973**
Year ended 31 December 2006				
Opening net book amount	14 097	678	2 198	16 973
Additions	12 119	2 374	-	14 493
Reclassfication (note 9)	(236)	-	-	(236)
Impairment	(724)	-	(168)	(892)
Depreciation charge	(5 965)	(633)	(438)	(7 036)
Closing net book amount	**19 291**	**2 419**	**1 592**	**23 302**
At 31 December 2006				
Accumulated cost	33 519	3 589	2 275	39 383
Accumulated depreciation	(14 228)	(1 170)	(683)	(16 081)
Net book amount	**19 291**	**2 419**	**1 592**	**23 302**

(All amounts in USD thousands unless otherwise stated)

In 2006, 236 related to processing software was reclassified from machinery and equipment to software and licences.

Financial leasing included in property, plant and equipment:

2005				
Cost of capitalised finance leases	2 373	-	2 443	4 816
Accumulated depreciation	(593)	-	(245)	(838)
Net book amount	**1 780**	**-**	**2 198**	**3 978**
2006				
Cost of capitalised finance leases	2 373	1 759	2 275	6 407
Accumulated depreciation	(1 385)	(284)	(683)	(2 352)
Net book amount	**988**	**1 475**	**1 592**	**4 055**

The amount of PP&E pledged as security for liabilities has a net book value of 4 055 (2005: 3 978).

	Estimated useful lives
Machinery and equipment	3 - 5 years
Cluster	5 years
Hardware and furniture	3 - 5 years

11. Other short term liabilites

	2006	2005
Deferred revenue	-	4 362
Accrued expenses	3 614	2 216
Accrual for loss on contract	-	981
Holiday pay	972	427
Payroll taxes and other public duties	2 859	617
Other short term liabilities	306	483
Total other short term liabilities	**7 751**	**9 086**

Accrued expenses are generally on 30 days payment terms.

12. Borrowings

	2006	2005
Non-current		
Financial lease liabilities	1 456	2 063
Loan	177	-
Bond	19 826	-
	21 459	**2 063**
Current		
Bank borrowings	11 262	1 408
Preference shares (note 13)	-	12 328
Finance lease liabilities	2 361	1 638
	13 623	15 374
Total borrowings	**35 082**	**17 437**

Bank borrowings are secured by the accounts receivable, bank accounts and rights, licences, patents and similar rights of the Group. Interest rate on the bank borrowing is NIBOR + 1 percentage point per annum and the termination date is 1 June 2007. The lease liabilities relate to certain property, plant and equipment and capitalised leases for financial reporting purposes. The related leased property, plant and equipment serve as the collateral under such leases.

All of the Group's borrowings have floating interest rates except for the bond. The bond has a fixed interest rate of 11,25% per annum. The bond is unsecured.

Termination date for the bond is 2 November 2009. The bond is callable four times per year until its maturity.

Dates	Price
at 16.01.2007, 2.05.2007 and 2.11.2007	104 %
at 16.01.2008, 2.05.2008 and 2.11.2008	103,75 %
at 16.01.2009, 2.05.2009 and 16.07.2009	103,50 %

Upon a change if control event, each bondholder shall have a right of pre-payment (a "Put Option") of the bonds at a price of 100% of par plus accrued interest.

The Company shall not without the approval of the Loan Trustee make any dividend payment, repurchase of shares or make other distributions to its shareholders that constitutes more than, on a consolidated basis, 25% of the net profit after taxes for the previous financial year.

(All amounts in USD thousands unless otherwise stated)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The exposure of the Group's borrowings to interest rate changes related to floating rate obligations and the contractual repricing dates of those obligations at the balance sheet dates are as follows:

	2006	2005
6 months or less	15 256	17 437
6-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	15 256	**17 437**

The maturity of non-current borrowings is as follows:

	2006	2005
Between 1 and 5 years	21 459	2 063
Over 5 years	-	-
	21 459	**2 063**

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2006	**2005**	**2006**	**2005**
Leasing liabilities	1 456	2 063	1 456	2 063
Loan	177	-	177	-
Bond	19 826	-	19 486	-

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.
The fair values are based on cash flows discounted using a rate based on the borrowing rate of 11,25% (2005: 10%).

The carrying amount of the Group's borrowings are as follows:

	2006	2005
USD denominated	19 826	-
NOK denominated	15 256	17 437
	35 082	**17 437**

The Group has 5 579 (2005: 5 979) undrawn borrowing facilities expiring within one year. The borrowing facility has a floating rate.

The facilities expiring within one year are annual facilities subject to review during 2007.

The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	NOK	**USD**	**NOK**	**USD**
Bank borrowings	5,29 %	-	5,06 %	-
Bond	-	12,83 %	-	-
Leasing liabilities	7,81 %	-	12,80 %	-
Preference shares	32,07 %	-	32,73 %	-

13. Preference shares

Preference shares were issued for the first time in Q4 2004 (preference shares class "A" and preference shares class "B"). Additional shares of class "B" were again issued on 10 June 2005. Class "C" shares were issued on 15 December 2005 and 21 June 2006.

Each class of shares is entitled to receive dividends at a rate of NIBOR + 5 percentage point, accruing and compounding semi-annually, based on the purchase price of each share. The shares have a mandatory redemption date of 1 October 2009. Up to this date, each class of shareholders has the right, upon majority agreement of the respective class, to convert the preference shares into common shares at a 1:1 ratio. At the option of the converting shareholder class, accumulated and unpaid dividends can be converted to common shares as well, determined by dividing the accumulated and unpaid dividend by the respective purchase price of the converting class. The total amount of preference shares class A, B and C is 24 962 903 and these shares have a weighted conversion/redemption price of USD 1,34 (NOK 8,40).

In the event of an IPO, merger or sale of the company, preference shares of all classes are automatically converted into ordinary shares at the ratio of 1:1. However, all accrued and unpaid dividends are converted into ordinary shares at the relevant IPO price less underwriter's spread, or the sale or merger price, as applicable.

All conversion prices and shares are denominated in NOK.

(All amounts in USD thousands unless otherwise stated)

Conversion rights at fair value:

The preference shares contains a conversion option that constitutes a financial instrument that must be bifurcated and must be accounted for as an embedded derivative at fair value and separately accounted for based on the fair value. On the date of grant, and each reporting date thereafter, the fair value of the conversion options was determined using an option pricing model. The estimated share value at each reporting date is the most important input factor when determining the fair value of the conversion right and was USD 3,92 (NOK 24,50) at 31 December 2006 and USD 2,16 (NOK 13,50) at 31 December 2005. Changes in the fair value of the conversion options were 22 969 and 10 315 in 2006 and 2005, respectively. The change in fair value has been reflected as an income statement expense within the financial income and expense line in the consolidated income statement. The change in fair value is a non-cash expense. As a result of the bifurcation of the conversion option, the carrying amount of the preference shares during 2005 and most of 2006 was less than the face amount. This difference has been accreted over the period through the redemption date of the preference shares using the effective interest method. The amount of the accretion for 2006 and 2005 has been included within financial expense in the consolidated income statement.

	2006	2005
Preference shares at amortised cost at 31 December:		
Preference A	-	3 210
Preference B	-	5 942
Preference C	-	3 176
Total amortorised cost preference shares (note 12)	**-**	**12 328**

The fair value of preference shares approximates the carrying amounts exclusive of the conversion option at 31 December 2006 and 2005. As noted above, the conversion option was accounted for at fair value during 2005 and nearly all of 2006 and as such, its carrying amount approximates its fair value at year end 2006 and 2005.

Reclassification of preference shares:
At the general meeting on 29 December 2006, the shareholders voted to amend the terms of the preference shares to remove the ability of the holders to require redemtion at their option. As a consequence, the preference shares are at 31 December no longer considered a liability of the Company and have been reclassified from liabilities to equity in the balance sheet. Because such preference shares are no longer liabilities, the embedded conversion option is not required to be separately accounted for. This amount has been reclassified into shareholders equity from liabilities as well and will not be market to market going forward.

	Preference shares	Conversion rights	Total
Opening balance 1 January 2006	12 328	25 090	37 418
Amortised cost expenses in 2006	4 670	-	4 670
Issue of preference shares in 2006	4 386	2 089	6 475
Change in fair value of conversion rights through P/L	-	22 969	22 969
Currency translation difference	1 129	-	1 129
Total reclassified	**22 513**	**50 148**	**72 660**

14. Accounting for finance leases by lessee

The Company has finance lease agreements for SeaBed Logging equipment and IT infrastructure.

	2006	2005
Finance lease liabilities – minimum lease payments:		
No later than 1 year	2 580	1 763
After 1 year and no more than 5 years	1 785	2 397
After more than 5 years	-	-
	4 365	4 160
Future finance charges on finance leases	(548)	(459)
Present value of finance lease liabilities	**3 817**	**3 701**

	2006	2005
The present value of finance lease liabilities is as follows:		
No later than 1 year	2 361	1 638
After 1 year and no more than 5 years (note 12)	1 456	2 063
After more than 5 years	-	-
Total present value of finance lease liabilities	**3 817**	**3 701**

Contract terms regarding property rights at expiration of the contract:
SeaBed Logging equipment - ownership transfers to the Company with payment of the last installment.
IT-infrastructure - ownership will be negotiated at the end of the leasing period.

Information related to operating leases is found in note 27.

(All amounts in USD thousands unless otherwise stated)

15. Employee benefit obligations

The Company operates a defined benefit plan. The number of employees included are 55 in 2005 and 113 in 2006.
The plan only includes employees employed in Norway.

	2006	2005
Balance sheet obligations for:		
Pension benefits	1 421	838
Income statement charge for:		
Pension benefits	1 463	721

Pension benefits:

The amounts recognised in the balance sheet are determined as follows:

	2006	2005
Defined benefit obligation	3 683	1 359
Fair value of plan assets	(1 648)	(657)
	2 035	**702**
Unrecognised actuarial gain (loss)	(614)	136
Liability in the balance sheet	**1 421**	**838**

The movement in the defined benefit obligation over the the year is as follows:

	2006	2005
Beginning of the year	1 359	754
Exchange differences	168	(100)
Current service cost	1 240	613
Interest cost	78	41
Actuarial losses/(gains)	777	(41)
Payroll tax	62	92
End of the year	**3 683**	**1 359**

The movement in the fair value of plan assets to the year is as follows:

	2006	2005
Beginning of the year	657	488
Expected return on plan assets	60	33
Actuarial (losses)/gains	32	(183)
Exchange differences	(62)	(38)
Employer contributions	961	357
End of year	**1 648**	**657**

The amounts recognised in the income statement are as follows:

	2006	2005
Current service cost	1 240	613
Interest cost	78	41
Expected return on plan assets	(60)	(33)
Amortisation of actuarial (gain)/loss	5	0
Payroll tax	181	89
Administration fee	19	12
Net benefit expense	**1 463**	**721**

The principal actuarial assumptions used are as follows:

	2006	2005
Discount rate	4,35 %	4,50 %
Expected rate of return on plan assets *)	5,40 %	5,50 %
Expected future salary increases	4,50 %	3,00 %
Expected rate of pension increases	1,70 %	2,50 %
Payroll tax - rate	14,10 %	14,10 %

*The expected rate of return on plan assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The change in actuarial assumptions in 2006 is in accordance with guidance published by the Norwegian Accounting Standards Board in November 2006.

Assumptions regarding future mortality experience are based on public statistics.

	2006	2005
Plan assets comprise:		
Shares	22,70 %	23,30 %
Current assets	32,00 %	34,70 %
Bonds	32,00 %	27,30 %
Property	13,10 %	12,20 %
Other	0,20 %	2,50 %
	100,00 %	**100,00 %**

(All amounts in USD thousands unless otherwise stated)

Expected contributions to post-employment benefit plans for the year ending 31 December 2007 are 1 094.

As at 31 December	**2006**	**2005**	**2004**
Present value of defined benefit obligation	3 683	1 359	754
Fair value of plan assets	1 648	657	488
Deficit/(surplus)	**2 035**	**702**	**266**
Experience adjustments on plan liabilities	326	(232)	-
Experience adjustments on plan assets	32	96	-

16. Share capital, share premium and other paid in capital

	Number of Shares	Number of shares issued not registered	Ordinary share capital	Ordinary share capital not registered	Share premium	Other paid in capital	Preference shares	Total
At 1 January 2005	40 919 000	-	1 454	-	-	141	-	1 595
Employee share option scheme:								
- Cost of share-based payment	-	-	-	-	-	363	-	363
At 31 December 2005	40 919 000	-	1 454	-	-	504	-	1 958
Reclassification of preference shares*	-	-	-	-	-	-	22 969	22 969
Employee share option scheme:								
- Cost of share-based payment	-	-	-	-	-	1 022	-	1 022
- Proceeds from options exercised	-	1 700 000	-	68	2 231	-	-	2 299
At 31 December 2006	40 919 000	1 700 000	1 454	68	2 231	1 527	22 969	28 249

* note 13

The total authorised number of ordinary shares is 40 919 000 shares (2005: 40 919 000 shares) with a par value of USD 0,04 (NOK 0,25) per share. All issued shares are denominated in NOK and fully paid.

On 29 December 2006 a capital increase related to exercise of options of key employees was approved.
The share capital was increased by 68 by issuance of 1 700 000 new ordinary shares, each with a par value of USD 0,04 (NOK 0,25).
The total consideration, inclusive share premium, amounts to 2 299. The capital increase was not registered in Brønnøysund Register Centre (the Company register) as at 31 December 2006.

Number of shares, shareholders:

Shares per 31.12.06	**Number of ordinary shares**	**Percentage**	**Including not registered ordinary shares**	**Percentage**
Warburg Pincus Investments	36 519 669	89,2 %	36 519 669	85,7 %
Eidesmo Terje	1 002 000	2,4 %	1 302 000	3,1 %
Ellingsrud Svein	978 000	2,4 %	1 128 000	2,6 %
Bruheim Bjarte Henry	761 943	1,9 %	1 376 943	3,2 %
Johansen Ståle	664 000	1,6 %	769 000	1,8 %
Case Holding AS (50% Christian Beck)	76 194	0,2 %	136 194	0,3 %
Wright Christopher Allan	76 194	0,2 %	136 194	0,3 %
Other	841 000	2,1 %	1 251 000	2,9 %
Total	**40 919 000**	**100,0 %**	**42 619 000**	**100,0 %**

17. Share options

Share options
Share options are granted to key employees and Board of Directors.

The expense recognised for employee services during the year is:

	2006	**2005**
Expense arising from share based options	1022	363

The vesting period is the period during which the conditions to obtain the right to exercise are to be satisfied.
The options granted shall vest as follows:
- 20 % on the Grant Date
- 20 % one year following the Grant Date
- 20 % two years following the Grant Date
- 20 % three years following the Grant Date
- 20 % four years following the Grant Date

The Grant expires seven years following the Grant Date. The employee that holds a share option agrees to accede the shareholder agreement. A condition to hold shares and options within the Company is continued employment. The Group assumes that the options will not be exercised until right before expiry date. Based on this, the expected exercise date is set equal to expiry date in the valuation. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The cost of the options is calculated based on the Black Scholes option pricing model.

(All amounts in USD thousands unless otherwise stated)

The following table lists the inputs to the model used for the plan for the years ended 31 December 2006 and 31 December 2005:

	2006	2005
Expected volatility (%)	0,53	0,55
Risk free interest rate (%)	3,99	3,95
Expected life of options (years)	7	7
Weighted average share price (USD)	1,69	0,66

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006 Average exercise price in USD per share	2006 Options	2005 Average exercise price in USD per share	2005 Options
At 1 January	1,52	3 350 000	1,52	2 900 000
Granted	4,09	1 501 500	1,52	450 000
Forfeited	-	-	-	-
Exercised	1,35	(1 700 000)	-	-
Lapsed	-	-	-	-
At 31 December	**2,83**	**3 151 500**	**1,52**	**3 350 000**
Exercisable at 31 December		**557 500**		**1 250 000**

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	in USD per share	2006	2005
2011	1,17 and 1,75	1 280 000	2 900 000
2012	1,75	370 000	450 000
2013	2,16 and 4,16	1 501 500	-
		3 151 500	**3 350 000**

18. Segment

At 31 December 2006, the Group is organised into one reportable segment.

The Group uses SeaBed Logging, a patented electromagnetic survey method, to find hydrocarbons in offshore reservoirs. The Group's services help oil and gas companies to improve their exploration success rates.

The Group has not divided financial information in different segments. The Group offers one product; SeaBed Logging and the sale contracts and costs are incurred world wide. The customers are international oil companies and the risk and profitability is similar in the different geographical areas. The Group's main property, plant and equipment is the survey equipment on the vessels. As the surveys are executed world wide, the Group is not able to allocate any assets to different geographical areas.

19. Employee expense

Employee expense	2006	2005
Salaries	12 839	5 594
Payroll tax	1 998	777
Pension costs (note 15)	1 463	721
Other payments	832	522
Cost of share based payment (note 17)	1 022	363
Total employee expense	**18 154**	**7 977**

Management remuneration	2006	2005
Salary	2 547	1 602
Bonus paid in the year	577	93
Share options	688	299
Other benefits	189	146
Pension benefit	157	131
Total management remuneration	**4 158**	**2 271**

(All amounts in USD thousands unless otherwise stated)

20. Other operating expenses

	2006	2005
Rental and housing expenses	1 158	480
Consumables and maintenance	773	407
Consultancy fees *	7 045	2 542
Travel expenses	2 434	1 282
Insurance	1 079	623
Loss on trade receivables	9	2 264
Marketing	1 590	652
Other operating expenses	2 074	2 249
Total other operating expenses	**16 162**	**10 499**

*** Fees to auditor included in consultancy fees:**	2006	2005
Statutory audit services	181	32
Further assurance services	24	14
Tax advisory services	24	154
Other non-audit services	167	-
Total fees to auditor	**396**	**200**

21. Research and development expenditure

The following research and development costs were recognised as expenses and charged to the income statement as part of employee benefit and other operating expenses.

	2006	2005
Total amount	5 120	2 524

22. Financial items

	2006	2005
Financial income:		
Interest income on short term bank deposits	192	34
Foreign exchange rate gains	2 044	3 461
Total financial income	**2 236**	**3 495**
Change in fair value of conversion rights (note 13)	(22 969)	(10 315)
Financial costs:		
Interest expense	1 688	545
Foreign exchange rate losses	5 658	86
Other financial expenses	4 728	2 421
Total financial costs	**12 074**	**3 052**
Net financial income	**(32 807)**	**(9 872)**

emgs' borrowings (including preference shares) are denominated in NOK. In 2005 the USD strengthened against NOK. The exchange rate gain is related to gains on these borrowings (including 709 related to preference shares). In 2006 the USD weakened against NOK. The exchange rate loss is related to losses on these borrowings (including 1 129 related to preference shares).

23. Income tax expense

	2006	2005
Current tax	5 642	195
Total income tax expense	**5 642**	**195**

The expense/(benefit) for income taxes from continuing operations differs from the amount computed when applying the Norwegian statutory tax rate to income/(loss) before taxes as the result of the following:

	2006	2005
Loss before tax	(19 629)	(23 065)
Tax at the domestic rate of 28%	(5 496)	(6 458)
Non-deductable expenses and other	350	1 780
Expenses related to preference shares not deductible for tax purposes	7 739	3 499
Change in deferred tax asset, not recognised	(2 593)	1 179
Non-creditable foreign income taxes	5 642	195
Tax charge	**5 642**	**195**

Unused tax losses can be carried forward indefinitely.

(All amounts in USD thousands unless otherwise stated)

24. Deferred tax

Deferred taxes detailed:	2006	2005
Property, plant and equipment	(1 414)	(1 215)
Trade receivables	-	(1 194)
Pension obligations	(398)	(235)
Accrued foreign income taxes and other accruals	(1 356)	(795)
Loss carried forward	(3 432)	(5 754)
Total deferred tax (asset)/liability	**(6 600)**	**(9 193)**
Non-recognised deferred tax assets	**6 600**	**9 193**
Net deferred tax asset	-	-

Deferred tax assets are recognised only to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise any deferred income tax assets through year end 2006.

25. Charter hire, fuel and crew expenses

	2006	2005
Charter hire and crew expenses	37 183	22 577
Fuel	7 815	3 736
Other external services	17 746	8 312
Charter hire, fuel and crew expenses	**62 744**	**34 625**

26. Contingencies

The Group has contingent liabilities in respect of other guarantees and matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business to third parties as specified below:

	2006	2005
Office premises rental guarantees	191	189
Guarantees on SeaBed Logging contracts	1 225	2 171
Total guarantees	**1 416**	**2 360**

Guarantees on office premises are valid as long as the contracts are active. Guarantees on SeaBed Logging contracts are due within one year, and are secured by bank guarantees.

27. Commitments

Operating lease commitments:
The Group has operating leases on charter hires, office premises and IT infrastructure.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
No later than 1 year	34 267	9 440
After 1 year and no more than 5 years	78 717	8 512
After more than 5 years	10 756	-
Total operating lease commitments	**123 740**	**17 952**

Contract terms on renewal of the leases are to be negotiated at or before the expiry of the contracts.
The charter hire contracts have renewal options of different durations.

Operating leases recognised as expense in the period:

	2006	2005
Charter hire	25 398	13 328
Office premises	783	314
IT infrastructure	43	73
Total	**26 224**	**13 715**

28. Legal claim

On 4 October, 2006 the Company launched proceedings in the High Court of London against Offshore Hydrocarbon Mapping plc ("OHM"), a company founded by the University of Southampton (the "University"), for the infringement of one of the Company's patents related to SeaBed Logging ("SBL"), the Company's proprietary process which allows for the direct detection of hydrocarbons under the earth. This concept was devised by Terje Eidesmo (President & CEO emgs) and Svein Ellingsrud (VP emgs and Board Member emgs) while employed by Statoil ASA ("Statoil"). Statoil licensed the patents to the company in 2002.

In 2005, Statoil brought suit against the University for patent infringement. Statoil contended that the University had wrongly patented for itself the inventive concept which Statoil had devised. The dispute arose out of a Statoil research project in which University personnel participated. Statoil contended that the concept for the patent in question had been devised prior to the involvement of the University.

In July 2005, the United Kingdom ("UK") Patent Office ordered the University to transfer the UK patent on SBL to Statoil. Statoil then transferred that patent and a number of other foreign applications to the Company. The ruling upheld Statoil's case in its entirety, affirming that the true inventors of the patent were Statoil employees at the relevant time. The University appealed the decision. In May 2006, days before the hearing, the University withdrew its appeal.

Despite the decision of the UK Patent Office, OHM has continued to provide SBL services in regions in which the Company has confirmed patents. In view of these infringements, the Company has been forced to pursue a means to enforce its intellectual property right through the High Court of London. Although the proceedings continue, the Company and OHM are currently attempting to resolve their differences outside of the courts.

These procedings are not expected to have any material financial impact.

29. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year.

	2006	2005
Loss attributable to equity holders of the Company	(25 271)	(23 260)
Weighted average number of ordinary shares in issue (thousands)	40 933	40 919
Loss per share (USD per share)	**(0,62)**	**(0,57)**

The Company has two categories of dilutive potential ordinary shares; convertible preference shares and share options. Both of these categories would decrease the loss per share and accordingly these effects have not been taken into account when calculating diluted loss per share.

30. Dividends per share

There are no dividends paid in 2006 relating to 2005.
A dividend of 4 800 to the preference shareholders will be proposed for 2006 at the Annual General Meeting in 2007.

Dividend per share equals USD 0,19.

31. Related-party transactions

Bjarte Henry Bruheim is Executive Chairman of both emgs AS and Odim ASA. He holds 1,90% of the shares in emgs AS and 4,11% of the shares in Odim ASA. Odim ASA is a major supplier of winch and handling systems in the offshore industry. The Company has bought all four of its systems from Odim ASA (including former Hydrakraft AS which was subsequently acquired by Odim ASA). emgs has bought all systems at market price and under costumary terms.

The following transactions were carried out with related parties:

	2006	2005
Purchases of goods and services:		
- Odim ASA	2 351	98
- Hydrakraft AS	-	2 043

Year-end balances arising from purchases of goods:

	2006	2005
Payables to related parties:		
- Odim ASA	131	60
- Hydrakraft AS	-	181

(All amounts in USD thousands unless otherwise stated)

32. Investment in subsidiaries

Company	Share ownership/ voting rights 2006	Share ownership/ voting rights 2005	Equity 31.12.06	Equity 31.12.05	Location
emgs Americas 1 AS	100 %	100 %	16	18	Trondheim, Norway
emgs Americas 2 AS	100 %	100 %	15	18	Trondheim, Norway
Sea Bed Logging - Data Storage Company AS	100 %	100 %	15	18	Trondheim, Norway
Servicos Geologicos Electromagneticos Do Brasil LTDA	100 %	100 %	(2 032)	(2 270)	Rio de Janeiro, Brasil
emgs Americas LP	100 %	100 %	(1 627)	(1 864)	Delaware, USA
emgs International B.V.	100 %	100 %	11	29	Amsterdam, Holland
Electromagnetic Geoservices Malaysia Sdn Bhd	49 %	-	60	-	Kuala Lumpur, Malaysia
emgs Asia Pacific Sdn Bhd	100 %	-	(3 063)	-	Kuala Lumpur, Malaysia
Global emgs Nigeria Ltd	35 %	100 %	-	-	Lagos, Nigeria

The Group consolidate Electromagnetic Geoservices Malaysia Sdn Bhd at 100 % as the Company has full control.
Side agreement shows that emgs has all the rights and obligations of 100 % ownership.

33. Provisions

Provisions for loss on sales contracts are recognised when it is clear that the contract will result in a loss. The calculation is made by comparing the contracted revenues to the expected direct operating costs for the acquisition period.

An accrual for loss on a contract was made in December 2005. The total loss was calculated to be 981. This amount was utilised in 2006 and no new accrual was made in December 2006.

	2006	2005
At 1 January	981	-
Accrual for loss on sales contract	-	981
Utilised	(981)	-
At 31 December	**-**	**981**

34. Trade payables

Trade payables are generally on 30 days payment terms.
Fair value of the payables equals the nominal value.

35. Events after the balance sheet date

The Group is preparing to register an offering of its ordinary shares on the Oslo stock exchange. The Company hopes such offering will become effective during the spring of 2007.

36. Transition to IFRS

The Group's financial statements for the year ended 31 December 2006 will be the first annual financial statements that comply with IFRS.
The transition date is 01.01.2005. The Group prepared its opening balance sheet at that date. Comparative figures for 2005 are translated.

Application of IFRS 1
In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The Group has elected to apply the following optional exemptions from full retrospective application:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occured before 1 January 2005.
- The Group has recognised all cumulative actuarial gains and losses on pensions and other post-retirement benefits as at 1 January 2005, directly in equity.
- Cummulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2005.
- The Group has chosen not to restate property, plant and equipment or intangible asset to fair value
- IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

ElectroMagnetic GeoServices Group
(All amounts in USD thousands unless otherwise stated)

Reconciliation of equity 01.01.2005 at transition to IFRS

			Effects of transition to IFRS						
	N-GAAP NOK	N-GAAP USD	IAS 19 Pensions	IFRS 2 Share based payment	IAS 32/IAS 39 Preference shares	IAS 18/11 Revenue recognition	IAS 37 Contingent liabilities	Total effect of transition to IFRS	IFRS
ASSETS									
Current assets									
Cash and cash equivalents	7 704	1 276							1 276
Trade receivables	10 544	1 746							1 746
Other receivables	5 283	875							875
Inventories	3 624	600							600
	27 155	4 497	0	0	0	0	0	0	4 497
Non-current assets									
Intangible assets	11 541	1 305							1 305
Property, plant and equipment	51 418	7 440							7 440
	62 959	8 745	0	0	0	0	0	0	8 745
Total assets	90 114	13 242	0	0	0	0	0	0	13 242
LIABILITIES									
Current Liabilities									
Trade payables	23 714	3 927							3 927
Other short term liabilites	17 260	2 858				463	(362)	101	2 959
Borrowings					5 605			5 605	5 605
Fair value conversion right					10 766			10 766	10 766
	40 974	6 785	0	0	16 371	463	(362)	16 472	23 257
Non-current liabilities									
Retirement benefit obligations	865	143	406					406	550
Provisions for other liabilities and charges	152	25							25
	1 017	168	406	0	0	0	0	406	575
EQUITY									
Capital and reserves attributable to equity holders of the Company									
Share capital, share premium and other paid in capital	109 089	17 825		141	(16 371)			(16 231)	1 595
Other reserves									0
Retained earnings	(60 966)	(11 537)	(406)	(141)		(463)	362	(648)	(12 185)
Total equity	48 123	6 288	(406)	0	(16 371)	(463)	362	(16 879)	(10 590)
Total equity and liabilities	90 114	13 242	0	0	(0)	0	0	(0)	13 242

NOTES TO THE RECONCILIATION OF EQUITY 01.01.2005

Functional and presentation currency
emgs operates in the oil service industry and USD is the currency that mainly influences sales prices for the Company's services. USD is also the currency that mainly influences charter hire, material and other costs of providing services. USD is therefore the functional currency of the Company. Under Norwegian GAAP (N-GAAP) there is an option to choose between NOK or functional currency, while IFRS requires use of the functional currency. On this basis the Company has changed its functional currency to USD and the Group has changed it's presentation currency to USD. All NOK numbers are translated to USD using the balance sheet exchange rate as at 01.01.05 of USD/NOK 6,0386, except for property, plant and equipment (PP&E), intangible assets and share capital which are calculated based on the historical cost in USD.

1 Pensions:
The Group has used the optional exemption to recognise all cumulative actuarial gains and losses and 406 is taken against equity as at 01.01.2005.

2 Share-based payment
Employee share options are calculated from the grant date under IFRS 2 'Share based payment'. Under N-GAAP only options issued after 01.01.05 were included, in line with the transition rules in the Norwegian accounting legislation. Under IFRS 2 all employee share options granted after 7 November 2002, and that were not yet vested, had to be included. 580 000 options granted in 2004 had vested before 31.12.2004 and were excluded from the calculation. The rest of the options granted in 2004, that were not vested are included in the calculation, creating a difference from the calculation under N-GAAP. 141 is taken against retained earnings in the opening balance, increasing share capital with the same amount.

3 Preference shares
In accordance with IAS 32 the company's redeemable preference shares are treated as a liability, net of conversion rights. 5 605 is presented as borrowings'. The right to convert preference shares into ordinary shares is calculated separately at fair value in accordance with IAS 39 and presented as 'fair value of conversion right', totalling 10 766.

4 Revenue recognition
Under IAS 11 revenue related to mobilisation is deferred until commencement of survey. At year end 2004 463 is deferred to future periods.

5 Loss contract:
A loss contract calculated under N-GAAP is reversed under IAS 37, amounting to 362. Under IAS only direct cost can be included and when recalculating under IFRS this is no longer a loss contract.

6 Income tax:
emgs does not recognise its deferred tax asset, accordingly there are no recorded tax effects resulting from transition items.

ElectroMagnetic GeoServices Group
(All amounts in USD thousands unless otherwise stated)

Reconciliation of result for the year ended 2005

	Note	N-GAAP NOK	N-GAAP USD	Effects of transition to IFRS: IAS 19 Pensions	IFRS 2 Share based payment	IAS 32/IAS 39 Preference shares	IAS 18/11 Revenue recognition	IAS 37 Contingent liabilities	IAS 12 Taxes	Functional currency	Total effect of transition to IFRS	IFRS
		2005										**2005**
Revenues												
Contract sales	18	317 327	48 955				(4 366)		(543)		(4 909)	44 045
Total revenues		317 327	48 955	0	0	0	(4 366)	0	(543)	0	(4 909)	44 045
Operating expenses												
Charter hire, fuel and crew expenses	25	261 992	40 089				(972)	(2 651)	(1 841)	0	(5 464)	34 625
Employee benefit expense	19	48 883	7 510	(10)	477						467	7 977
Depreciation and amortisation	9, 10	29 063	4 137								0	4 137
Other operating expenses	20	75 121	11 397				(2 000)		1 103		(897)	10 499
Total operating expenses		**415 059**	**63 132**	**(10)**	**477**	**0**	**(2 972)**	**(2 651)**	**(738)**	**0**	**(5 894)**	**57 238**
Operating loss		**(97 732)**	**(14 177)**	**10**	**(477)**	**0**	**(1 394)**	**2 651**	**195**	**0**	**985**	**(13 193)**
Financial items												
Financial income	22	6 432	979			(522)				3 038	2 516	3 495
Change in fair value of conversion rights	13	0	0			(10 315)					(10 315)	(10 315)
Financial expenses	22	(5 664)	(872)			(2 180)					(2 180)	(3 052)
Total financial items		**768**	**107**	**0**	**0**	**(13 017)**	**0**	**0**	**0**	**3 038**	**(9 979)**	**(9 872)**
Loss before income tax		**(96 964)**	**(14 070)**	**10**	**(477)**	**(13 017)**	**(1 394)**	**2 651**	**195**	**3 038**	**(8 994)**	**(23 065)**
Income tax expense	23	0							195	0	195	195
Loss for the year		**(96 964)**	**(14 070)**	**10**	**(477)**	**(13 017)**	**(1 394)**	**2 651**	**0**	**3 038**	**(9 189)**	**(23 260)**
Basic loss per share (result for the year/shares) in USD		**(2,37)**	**(0,34)**	**0,00**	**(0,01)**	**(0,32)**	**(0,03)**	**0,06**	**0,00**	**0,07**	**(0,22)**	**(0,57)**

NOTES TO THE RECONCILIATION OF RESULT FOR THE YEAR 2005

1 Functional and presentation currency

USD has replaced NOK as the functional currency of the Company. USD is also the presentation currency of the Group. Results are translated to USD using monthly average exchange rates during 2005, with the exception of depreciation related to property, plant and equipment (PP&E) and intangible assets, which are calculated based on the historical cost of the assets in USD. Due to increase in USD vs. NOK exchange rate the Company recognises a net currency exchange gain of 3 038, mainly related to debt in NOK translated to USD.

2 Pensions:

The pension cost for 2005 is lower under IFRS as a consequence of recognising actuarial gains and losses in the opening balance sheet.
The net effect is 10.

3 Share-based payment

Employee share options are calculated from their grant date, see note 2 to reconciliation of equity as at 01.01.05. Under N-GAAP only options issued after 01.01.05 were included. The resulting increase in expense for 2005 is 477.

4 Preference shares

Redeemable preference shares are held at amortised cost. Earned rights to dividend on preference shares are treated as an interest expense in accordance with IAS 32. The fair value of conversion rights is included in the amortisation of preference shares in accordance with IAS 39. Total expenses amounts to 2 180. Conversion rights are held at fair value through profit and loss in accordance with IAS 39. Change in fair value amounts to 10 315.

5 Revenue recognition

The Group's interpretation of IFRS as it relates to recognition of mobilisation revenue and expense differs from Norwegian GAAP. As a result, the company has deferred revenue of 2 829 and related costs of 972 at 31 December 2005 which were previously recognized under Norwegian GAAP. Additionally, the Group has reversed 2 000 of revenue previously recognised, but fully reserved for in the provision for Norwegian GAAP, however with the adoption of IAS 18, the Group changed its policies regarding initial recognition of revenue. The net impact on operating profit is zero.

6 Loss contract:

A loss contract calculated under N-GAAP is changed under IAS 37, amounting to 3 013. Under IAS only direct cost are included in the calculation while under NGAAP indirect costs could also be included in the loss. In addition, the change in revenue recognition, where mobilisation fees are deferred to the survey period, has reduced the loss in 2005 under IFRS.

7 Income tax:

The Company does not recognise its deferred tax asset, accordingly there are no recorded tax effects resulting from transition items.
Most withholding taxes are reclassified to income tax expense, while withholding taxes that are calculated as a percentage of revenue, with no subsequent tax filing in the country in question, is recorded as a reduction of revenue. For 2005 the amount decreasing contract sales is 543.

EXPLANATION OF MATERIAL ADJUSTMENTS TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31.12.2005

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under previous GAAP.

ElectroMagnetic GeoServices Group
(All amounts in USD thousands unless otherwise stated)

Reconciliation of equity 31.12.2005 at transition to IFRS

				Effects of transition to IFRS							
	Note	N-GAAP 31.12.2005	N-GAAP USD	IAS 19 Pensions	IFRS 2 Share based payment	IAS 32/IAS 39 Preference shares	IAS 18/11 Revenue recognition	IAS 37 Contingent liabilities	IAS 1	Total effect of transition to IFRS	IFRS
ASSETS											
Current assets											
Cash and cash equivalents	5	17 252	2 549								2 549
Trade receivables	6	50 912	7 522								7 522
Other receivables	7	14 028	2 073				972			972	3 045
Inventories	8	8 796	1 299								1 299
		90 988	13 443	0	0	0	972	0	0	972	14 415
Non-current assets											
Intangible assets	9	10 529	1 217								1 218
Property, plant and equipment	10	112 029	16 974								16 973
		122 558	18 191	0	0	0	0	0	0	0	18 191
Total assets		213 546	31 634	0	0	0	972	0	0	972	32 606
LIABILITIES											
Current Liabilities											
Trade payables	34	92 399	13 651								13 651
Other short term liabilities	12	61 543	9 093		177		2 829	(3 013)		(7)	9 086
Borrowings	13	9 528	1 408			12 327			1 638	13 965	15 374
Fair value conversion right						25 090				25 090	25 090
		163 470	24 152	0	177	37 416	2 829	(3 013)	1 638	39 047	63 200
Non-current liabilities											
Borrowings	12	25 053	3 701						(1 638)	(1 638)	2 063
Retirement benefit obligations	15	3 285	485	353						353	838
		28 338	4 186	353	0	0	0	0	(1 638)	(1 285)	2 901
EQUITY											
Capital and reserves attributable to equity holders of the Company											
Share capital, share premium and	16	180 095	26 553		432	(25 026)				(24 595)	1 958
Other reserves			(8)								(8)
Retained earnings		(158 357)	(23 249)	(353)	(609)	(12 390)	(1 857)	3 013		(12 195)	(35 445)
Total equity		21 738	3 296	(353)	(177)	(37 416)	(1 857)	3 013	0	(36 790)	(33 495)
Total equity and liabilities		213 546	31 634	0	0	0	972	0	0	972	32 606

NOTES TO THE RECONCILIATION OF EQUITY 31.12.2005

1 Pensions:
See notes to reconciliation of equity as at 01.01.05 and income statement 2005.

2 Share-Based payment
See notes to reconciliation of equity as at 01.01.05 and income statement 2005.

3 Preference shares
See notes to reconciliation of equity as at 01.01.05 and income statement 2005.

4 Revenue recognition
See notes to reconciliation of equity as at 01.01.05 and income statement 2005. The deferred revenue is booked against other payables. The deferred expenses are booked against deferred mobilisation expenses under trade receivables

5 Loss contract:
See notes to reconciliation of equity as at 01.01.05 and income statement 2005.

6 First year instalments of non-current borrowings
First year installments of leasing contracts are classified as current borrowings.

7 Income tax:
The Company does not recognise its deferred tax asset, accordingly there are no recorded tax effects resulting from transition items.