COMPANY REGISTRATION NUMBER 01851671

PGS

PANOCEANIC ENERGY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Contents

Contents	**Pages**
Company Information	1
Strategic Report	2 to 3
Directors Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 7
Statement of Profit and Loss and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 17

PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION

Directors	C Steen-Nilsen G Langseth
Auditor	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen AB15 4DT
Registered office	4, The Heights Brooklands Weybridge Surrey KT13 0NY
Registered number	01851671

PANOCEANIC ENERGY LIMITED
STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2017.

Principal activities

The principal activity of the company is the provision of geophysical services to the oil and gas industry.

The company is a member of the Petroleum Geo-Services Group ("the group"), a Norwegian registered oil services group providing geophysical services worldwide. The group provides a broad range of geophysical and reservoir services, including seismic data acquisition, processing, interpretation and field evaluation. It also possesses a substantial international MultiClient seismic data library.

Business review and future developments

The profit for the year after taxation is $32,000 (2016: loss of $20,000). The directors do not recommend payment of a dividend (2016: $nil).

During 2016 and 2017, the company applied for exploration licences in Greenland. This application is ongoing, and the company is actively looking for opportunities in other regions.

Principal risks and uncertainties of the company

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

Principal risks and uncertainties of the group

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

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

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

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The Petroleum Geo-Services Group had a substantial liquidity reserve including unutilised drawings of the Revolving Credit Facility of $257.3million as of 31 December 2017, which can be used to meet the group's funding commitments if called upon.

By operating seismic vessels, the group is exposed to commodity risk in the form of fuel price fluctuations. The group seeks to pass fuel price risk to customers on a majority of contract work.

Demand for the group's products and services are heavily influenced by oil and gas prices and the focus areas of oil and gas companies' spending. The profitability of the group is subject to a number of operational risks, including increased competition, attractiveness of technology, changes in governmental regulations, licences and permits and adverse weather conditions.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 41 to 42 of the group's annual report.

Key performance indicators ("KPIs")

The directors of the Petroleum Geo-Services Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Panoceanic Energy Limited. The development, performance and position of the group, which includes the company, is discussed on pages 36 to 44 of the group's annual report which does not form part of this report.

Signed on behalf of the Board by:

....

G Langseth
Director

16 August 2018

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT

The directors present their Report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year after taxation is $32,000 (2016: loss of $20,000). The directors do not recommend payment of a dividend (2016: $nil).

Future developments

The future development of the business has been outlined in the Strategic Report.

Directors of the company

The directors who held office during the year were as follows:

C Steen-Nilsen

G Langseth

Charitable and political donations

The company made no political or charitable donations during 2017 (2016: $nil).

Going concern

The directors have considered the financial position the company, including the arrangements with its ultimate parent company, Petroleum Geo-Services ASA. The directors have also considered the financial position of Petroleum Geo-Services ASA, including centralised treasury arrangements.

The company has received assurance from Petroleum Geo-Services ASA that it will continue to receive financial support for a period of at least 12 months from the signing of the accounts in order to meet its obligations as they fall due. Based on their assessment, the directors have no reason to believe that a material uncertainty exists that may cast doubt on the ability of Petroleum Geo-Services ASA to continue to provide financial support. Therefore, the directors are satisfied, at the time of approving the financial statements, that it is appropriate to adopt the going concern basis in preparing the financial statements.

Information to the auditor

Each of the directors at the date of approval of this report confirms that:

1. So far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
2. the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

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

Signed on behalf of the Board by:

....

G Langseth
Director
16 August 2018

PANOCEANIC ENERGY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANOCEANIC ENERGY LIMITED

Opinion

We have audited the financial statements of Panoceanic Energy Limited for the year ended 31 December 2017 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Kenneth MacLeod Hall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
16, August 2018

PANOCEANIC ENERGY LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	Note	2017 $ 000	2016 $ 000
Turnover		-	-
Cost of sales		(2)	(46)
Gross loss		**(2)**	**(46)**
Administrative expenses		-	(4)
Operating loss	5	**(2)**	**(50)**
Interest receivable	7	34	30
Profit/(loss) before taxation		**32**	**(20)**
Taxation	8	-	-
Profit/(loss) for the year		**32**	**(20)**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**32**	**(20)**

The company's results are derived from continuing operations.

PANOCEANIC ENERGY LIMITED
BALANCE SHEET
31 DECEMBER 2017

	Note	2017 $ 000	2016 $ 000
Fixed assets		-	-
Current assets			
Debtors	9	822	825
Creditors: Amounts falling due within one year	10	(8)	(43)
Net current assets		**814**	**782**
Net assets		**814**	**782**
Capital and reserves			
Called up share capital	11	1,675	1,675
Profit and loss account		(861)	(893)
Shareholders' funds		**814**	**782**

These financial statements were approved by the Board on 16 August 2018, and signed on its behalf by:

C Steen-Nilsen

Director

Registered number: 01851671

The notes on pages 11 to 17 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017

	Share capital $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2017	1,675	(893)	782
Profit for the year	-	32	32
Other comprehensive income	-	-	-
Total comprehensive profit	-	32	32
At 31 December 2017	**1,675**	**(861)**	**814**

	Share capital $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2016	1,675	(873)	802
Profit for the year	-	(20)	(20)
Other comprehensive income	-	-	-
Total comprehensive profit	-	(20)	(20)
At 31 December 2016	**1,675**	**(893)**	**782**

The notes on pages 11 to 17 form an integral part of these financial statements

1 General information

Panoceanic Energy Limited is a private company and is incorporated and domiciled in England and Wales. The address of its registered office is 4, The Heights, Brooklands, Weybridge, Surrey KT13 0NY.

2 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Panoceanic Energy Limited (the "company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 16 August 2018 and the balance sheet was signed on the board's behalf by C Steen-Nilsen.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards. The company's financial statements are presented in US dollars as this is the currency in which the company operates.

3 Accounting policies

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

Basis of preparation

The company has been determined to meet the criteria of a 'qualifying entity' under the definition in FRS 101. The financial statements in which the company is consolidated are available from the ultimate parent company as detailed in note 14.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - (i) paragraph 79(a)(iv) of IAS 1;
    - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

3 Accounting policies *(continued)*

Going concern

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

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

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries At 31 December 2017, the PGS Group's liquidity reserve, cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF") was $257.3 million. The undrawn portion of the RCF constitutes a significant portion of the PGS Group's liquidity reserve. The RCF matures in 2020 and currently has a drawing limit of $400.0 million, with a step down to $350.0 million in September 2018. As of 31 December 2017, PGS had drawings of $190.0 million outstanding on the RCF.

In December 2016, PGS completed a refinancing process and received consent from the required lenders of the RCF to amend the total leverage ratio maintenance covenant ("TLR") to a flatter profile for the duration of the facility, creating significantly more headroom and preserving a strong liquidity reserve. At 31 December 2017, the total leverage ratio was 3.63:1, well below the maximum level of 4.75:1.

If PGS ultimately ends up breaching this covenant, the breach would represent an event of default under the loan agreement. In such case PGS may be able to continue to access the RCF if PGS receives a waiver of the breach or implements remedial actions acceptable to the lenders thereunder. Should a breach continue without a waiver or re-mediation by PGS, the RCF agent or a majority of the RCF banks could ultimately declare default and demand a repayment of drawings on the RCF which again would represent an event of default in most of PGS' other loan agreements and debt instruments. However, this scenario is in PGS' view highly unlikely since firstly PGS believes it has plans and available measures to avoid an event of default and secondly even in an event of default, several viable alternatives to avoid acceleration would exist.

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

On the basis of their assessment of the company's financial position and available liquidity resources, including the current structure and terms of the ultimate parent company debt, the company's directors have a reasonable expectation that the company has sufficient funding and liquidity to be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the USD exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the rates prevailing on the reporting period date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realised and unrealised monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3 Accounting policies *(continued)*

Taxation

Income tax expense is comprised of the sum of current tax expense (or benefit) plus the change in deferred tax liabilities and assets during the period, except for current and deferred income tax relating to items recognised in the Profit and Loss and Statement of Other Comprehensive Income, in which case the tax is also recognised in the Statement of Other Comprehensive Income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated using the liability method for all temporary differences between the carrying amount of assets and liabilities in the financial statements and for tax purposes, including tax losses carried forward.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that estimated future taxable profit will be sufficient to recover all or part of the deferred tax asset. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent it has become probable that estimated future taxable profit is sufficient to recover the deferred tax asset. The probability assessment is based on management's judgment and estimates of future taxable income, including the estimated effect of tax planning opportunities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the estimated year of realisation or settlement, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority.

Financial assets and liabilities

Financial assets and liabilities are recognised when the company becomes party to the contractual obligations of the financial instrument and are initially recognised at fair value.

Financial assets and liabilities are classified into categories as follows:

Financial assets and liabilities measured at fair value through Statement of Profit and Loss and Other Comprehensive Income

This category is comprised of financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as measured at fair value through the Statement of Profit and Loss and Other Comprehensive Income. Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held-for-trading unless designated as effective hedging instruments. After initial recognition, financial assets and liabilities in this category are measured at fair value with unrealised gains and losses recognised through the Statement of Profit and Loss and Other Comprehensive Income.

Financial assets and liabilities measured at amortised cost

This category is comprised of loans and receivables and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. These financial assets and liabilities are initially recognised at fair value, with additions for directly attributable transaction costs. After initial measurement, they are carried at amortised cost using the effective interest method less any allowance for impairment.

Financial assets and liabilities measured at fair value through the Statement of Other Comprehensive Income

This category is comprised of financial assets and liabilities that are non-derivatives and are either designated as available-for-sale or not classified in any of the other categories. After initial measurement, they are measured at fair value with unrealised gains or losses recognised in profit or loss. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in profit or loss is reversed and recognised in profit or loss.

3 Accounting policies *(continued)*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market's transaction, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis or other valuation models.

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments designated as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is an indication of impairment. If such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment - is reversed through profit or loss and recognised in profit or loss. Impairment recognised in profit or loss on equity instruments is not reversed.

Standards issued but not yet effective (which the company has not early adopted)

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective, are disclosed below. The company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. The company will implement IFRS 9 from January 1, 2018. The standard will not have a significant effect on the company's financial statements.

Other amendments issued and not yet effective, are not applicable for the company and/or will not have a significant impact on the financial statements.

4 Critical accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with FRS 101 requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

Management do not consider there to be any sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Operating profit/(loss)

Arrived at after charging:

	2017 $ 000	2016 $ 000
Auditor's remuneration		
- Audit of the financial statements	2	4

6 Directors' remuneration

None of the directors received any fees or remunerations for services as a director of the company during the financial year (2016: Nil).

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

7 Interest receivable

	2017 $ 000	2016 $ 000
Interest receivable on group loans	34	30

8 Income tax

(a) Analysis of tax charge

	2017 $ 000	2016 $ 000
Current taxation		
UK corporation tax	-	-
Foreign tax	-	-
Total current income tax	-	-
Deferred taxation		
Total deferred taxation	-	-
Tax expense	-	-

8 Income tax *(continued)*

(b) Factors affecting current tax charge

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are reconciled below:

	2017 $ 000	2016 $ 000
Profit/(loss) before tax	32	(20)
Corporation tax at standard rate	6	(4)
Group relief (claimed)/surrendered for nil consideration	(6)	4
Total tax charge	-	-

9 Debtors

	2017 $ 000	2016 $ 000
Amounts receivable from ultimate parent undertaking	822	825

Amounts receivable from the ultimate parent undertaking, Petroleum Geo-Services ASA, are repayable on demand and unsecured, and bear interest at 3-month LIBOR plus 3% per annum.

10 Creditors

	2017 $ 000	2016 $ 000
Accrued expenses	3	12
Other creditors	5	31
	8	43

11 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	**$ 000**	**No.**	**$ 000**
Ordinary shares of £1 each	1,000,000	1,675	1,000,000	1,675

12 Foreign exchange

The financial statements are presented in US Dollars. The exchange rate at 31 December 2017 applied was 1.3502 USD to 1.0 GBP.

13 Related party transactions

As a wholly owned subsidiary of Petroleum Geo-Services ASA the company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with other wholly owned group companies. There were no other related party transactions.

14 Ultimate parent undertaking

The company's immediate parent undertaking is Petroleum Geo-Services (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent and controlling party is Petroleum Geo-Services ASA, a company registered in Norway.

The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA. These financial statements are available upon request from Petroleum Geo-Services ASA, Lilleakerveien 4C, P.O. Box 251 Lilleaker, 0216 Oslo, Norway.