COMPANY REGISTRATION NUMBER 01851671

PGS

PANOCEANIC ENERGY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

Contents **Pages**

PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION

Directors	C Steen-Nilsen G Langseth
Auditor	Ernst & Young LLP 4th Floor 2 Marischal Square Broad Street Aberdeen AB10 1BL
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 2020.

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 PGS 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 loss for the year after taxation is $146,000 (2019: $6,000). The directors do not recommend payment of a dividend (2019: $nil).

During the year, the company applied for licences in Tunisia. Following the recovery in the seismic market during 2019, the positive momentum was expected to continue in 2020. This trend came to an abrupt halt in the first quarter of 2020, when the COVID-19 pandemic caused significant disruption in the oil market. Energy companies responded with significant cuts to their investment plans, therefore causing a significant reduction activity in the seismic market.

Looking further out, energy consumption is expected to continue to increase with oil and gas being an important part of the energy mix as the global energy transition evolves. Offshore reserves will be vital for future supply and support demand for marine seismic services. The company's excellent reputation, unique technologies and solid market share in the higher-end market segment makes us an attractive contractor and partner for oil companies now and in the future.

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 PGS Group had a liquidity reserve, cash and cash equivalents including the Revolving Credit Facility of $156.7million as of 31 December 2020, which can be used to meet the group's funding commitments if called upon.

The recent development following Covid-19 and the drop in oil prices represent an unprecedented change in the economic circumstances and increased uncertainty about future market development. As a result there is an increased risk that PGS may be dependent on achieving extension of maturities, amortisation holidays or other amendments relating to its financing agreements to retain a sufficient liquidity reserve, and that further impairments may arise in future periods.

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.

Principal risks and uncertainties of the group ***(continued)***

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 PGS Group, which include those of the company, are discussed in more detail on pages 44 to 46 of the group's annual report.

As the global economy is impacted by the health and economic crisis following the outbreak of the Covid-19 pandemic, Management continues to monitor the potential operational and financial impacts for the company.

Key performance indicators ("KPIs")

The directors of the PGS 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 38 to 49 of the group's annual report which does not form part of this report.

Signed on behalf of the Board by:

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Gottfred Langseth
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G Langseth
Director

14 December 2021

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT

The directors present their Report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year after taxation is $146,000 (2019: $6,000). The directors do not recommend payment of a dividend (2019: $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

Indemnification of directors

In accordance with the articles of association, the directors have the benefit of indemnity provisions. In addition the PGS Group maintains a directors' and officers' liability insurance policy throughout the financial year, and up to the date of approval of the financial statements.

Charitable and political donations

The company made no political or charitable donations during 2020 (2019: $nil).

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.

The company is dependent for its working capital on funds provided to it by PGS ASA, the company's ultimate parent undertaking and is also highly dependent on a number of agreements with group companies for its operations, and in the event the other parties are not able to honour their commitments, that might render the company unable to complete ongoing projects and severely impact all its operations. The directors have considered the financial position of the company, including the centralized treasury arrangements with its ultimate parent company, PGS ASA as well as the financial position of PGS ASA.

PGS ASA has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The directors of the company are satisfied with the ability of PGS to meet their undertaking.

As at 31 December 2020, PGS ASA was in default with respect to certain debt commitments, pending completion of final agreements on debt rescheduling. On 2 February 2021, a UK Scheme of Arrangement was sanctioned allowing the implementation of the debt rescheduling, as detailed in note 21. The transaction completed on 9 February 2021.

Following the implementation of debt rescheduling, the short term maturity and amortization profile of PGS' Revolving Credit Facility and Term Loan B was extended by approximately two years. The $135 million RCF due 2020, the $215million RCF due 2023, and the $2 million TLB due 2021 are converted into a new TLB maturing in 2024. The financial maintenance covenants are amended, with the maximum net leverage ratio to be 4.5x through June 30, 2021, 4.25x through December 31, 2021, 3.25x through December 31, 2022 and 2.75x thereafter. The minimum liquidity covenant will continue to be $75 million with an extra reporting obligation if cash and cash equivalent falls below $115 million.

Based on review of PGS forecasts, the directors are satisfied that PGS ASA will be able to comply with financial covenants and maturity profiles. In the event that it cannot, PGS believes it would have several viable alternatives such as negotiating further extensions with its lenders.

PANOCEANIC ENERGY LIMITED

DIRECTORS REPORT *(continued)*

Going concern *(continued)*

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 amended 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.

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:

DocuSigned by:

Gottfred Langseth

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G Langseth
Director

14 December 2021

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 2020 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 15, 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 2020 and of its loss 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANOCEANIC ENERGY LIMITED *(continued)*

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 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation, including anti-bribery and corruption in the United Kingdom and any other areas of operation.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

- We understood how Panoceanic Energy Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and
- procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures involved testing journal entries identified by specific risk criteria.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included a focus on compliance with the accounting and regulatory frameworks and obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation.

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

14, December 2021

PANOCEANIC ENERGY LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2020

	Note	2020 $ 000	2019 $ 000
Turnover		-	-
Cost of sales		(205)	(56)
Gross loss		**(205)**	**(56)**
Administrative expenses		(3)	(4)
Operating loss	5	**(208)**	**(60)**
Interest receivable	7	62	54
Loss before taxation		**(146)**	**(6)**
Taxation	8	-	-
Loss for the year		**(146)**	**(6)**
Other comprehensive income		-	-
Total comprehensive loss		**(146)**	**(6)**

The company's results are derived from continuing operations.

PANOCEANIC ENERGY LIMITED
BALANCE SHEET
31 DECEMBER 2020

	Note	2020 $ 000	2019 $ 000
Current assets			
Debtors	9	711	859
Creditors: Amounts falling due within one year	10	(9)	(11)
Net assets		**702**	**848**
Capital and reserves			
Called up share capital	11	1,675	1,675
Profit and loss account		(973)	(827)
Shareholders' funds		**702**	**848**

These financial statements were approved by the Board on 14 December 2021, and signed on its behalf by:

DocuSigned by:

Christin Steen-Nilsen

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C Steen-Nilsen

Director

Registered number: 01851671

The notes on pages 13 to 19 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2020

	Share capital $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2020	1,675	(827)	848
Loss for the year	-	(146)	(146)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(146)	(146)
At 31 December 2020	**1,675**	**(973)**	**702**

	Share capital $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2019	1,675	(821)	854
Profit for the year	-	(6)	(6)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(6)	(6)
At 31 December 2019	**1,675**	**(827)**	**848**

The notes on pages 13 to 19 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 2020 were authorised for issue by the board of directors on 14 December 2021 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 2020.

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.

The company is dependent for its working capital on funds provided to it by PGS ASA, the company's ultimate parent undertaking and is also highly dependent on a number of agreements with group companies for its operations, and in the event the other parties are not able to honour their commitments, that might render the company unable to complete ongoing projects and severely impact all its operations. The directors have considered the financial position of the company, including the centralized treasury arrangements with its ultimate parent company, PGS ASA as well as the financial position of PGS ASA.

PGS ASA has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As at 31 December 2020, PGS ASA was in default with respect to certain debt commitments, pending completion of final agreements on debt rescheduling. On 2 February 2021, a UK Scheme of Arrangement was sanctioned allowing the implementation of the debt rescheduling, as detailed in note 21. The transaction completed on 9 February 2021.

Following the implementation of debt rescheduling, the short term maturity and amortization profile of PGS' Revolving Credit Facility and Term Loan B was extended by approximately two years. The $135 million RCF due 2020, the $215million RCF due 2023, and the $2 million TLB due 2021 are converted into a new TLB maturing in 2024. The financial maintenance covenants are amended, with the maximum net leverage ratio to be 4.5x through June 30, 2021, 4.25x through December 31, 2021, 3.25x through December 31, 2022 and 2.75x thereafter. The minimum liquidity covenant will continue to be $75 million with an extra reporting obligation if cash and cash equivalent falls below $115 million.

Based on review of PGS forecasts, the directors are satisfied that PGS ASA will be able to comply with financial covenants and maturity profiles. In the event that it cannot, PGS believes it would have several viable alternatives such as negotiating further extensions with its lenders.

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 amended 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 The Directors have obtained sufficient information in terms of the financial situation of PGS ASA to conclude that the going concern assumption is still appropriate, thus they continue to adopt the going concern basis of accounting in preparing these 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 current and deferred tax. Income tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items taken directly to the Statement of Other Comprehensive Income.

Current tax is the tax expected to be paid to or recovered from taxation authorities in respect of taxable income for the year, using tax rates enacted or substantially enacted during the period.

Deferred tax assets and liabilities are measured using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on tax rates that are expected to apply in the year of realisation or settlement, using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill, or relating to investments in subsidiaries to the extent that the temporary difference can be controlled by the Company and will probably not reverse in the foreseeable future.

Deferred tax assets are recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient taxable profits in the foreseeable future against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset when 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. Deferred tax assets and liabilities are classified as long-term in the Balance Sheet.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the company becomes party to the contractual obligations of the relevant instrument.

The company classifies its financial instruments in the following categories: at fair value through profit and loss, at fair value through Other Comprehensive Income or at amortized cost. The company determines the classification of financial instruments at initial recognition.

Financial instruments at fair value through profit and loss

This category comprises financial assets and liabilities held for trading, including all derivative instruments. Financial instruments in this category are initially recorded at fair value, and transaction costs are expensed in the Statement of Profit and Loss. Realised and unrealised gains and losses arising from changes in the fair value are included in the Statement of Profit and Loss in the period in which they arise.

Financial instruments at fair value through other comprehensive income

On initial recognition, an election can be made to classify investments in equity instruments at fair value through Other Comprehensive Income. Financial instruments in this category are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in Other Comprehensive Income.

Financial instruments at amortised cost

Financial assets and liabilities in this category are initially recognized at fair value, and subsequently carried at amortised cost, using the effective interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

3 Accounting policies *(continued)*

Impairment of financial assets

At each reporting date, the company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses. For accounts receivables and contract assets, the company uses a simplified approach in calculating expected credit losses. The company recognises a loss allowance using factors including aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. An impairment loss, amounting to any difference between the carrying amount of the loss allowance and the expected credit losses at the reporting date, is recognised in the Statement of Profit and Loss.

4 Critical accounting judgements, estimates and assumptions

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 loss

Arrived at after charging:

	2020 $ 000	2019 $ 000
Auditor's remuneration - Audit of the financial statements	3	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 (2019: 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

	2020 $ 000	2019 $ 000
Interest receivable on group loans	62	54

8 Income tax

(a) Analysis of tax charge

	2020 $ 000	2019 $ 000
Current taxation		
UK corporation tax	-	-
Tax expense	-	-

(b) Factors affecting current tax charge

There is no tax charge/(credit) on the loss before tax for either year. This differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) applied to the loss before tax. The differences are reconciled below:

	2020 $ 000	2019 $ 000
Loss before tax	(146)	(6)
Corporation tax at standard rate	(28)	(1)
Tax losses on which no deferred tax asset has been recognised deferred tax	28	-
Group relief surrendered for nil consideration	-	1
Total tax charge	-	-

9 Debtors

	2020 $ 000	2019 $ 000
Prepaid expenses	3	5
Amounts receivable from ultimate parent undertaking	708	854
	711	859

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

10 Creditors

	2020 $ 000	2019 $ 000
Trade payables	2	4
Accrued expenses	7	7
	9	11

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	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 2020 applied was 1.3648 USD to 1.0 GBP.

13 Related party transactions

As a wholly owned subsidiary of PGS 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 PGS ASA, a company registered in Norway.

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

15 Events since the balance sheet date

Rescheduling of debt

Due to the dramatic negative market change caused by the Covid-19 pandemic, PGS renegotiated its main credit agreements to extend near-term debt maturities and amortization profiles to preserve liquidity. On February 2, 2021 a UK Scheme of Arrangement (the "Scheme") was sanctioned by an English court allowing the implementation of the financing transaction with main terms as listed below (the "Transaction"). The Scheme had support of lenders to the RCF/TLB facilities representing 95.3% by value of debt and 99.5% by number of creditors voting. The Transaction closed with effect February 9, 2021.

With the Transaction PGS extended its current near-term maturity and amortization profile under its RCF/TLB and ECF facilities by approximately two years. Together with the cost saving initiatives previously announced, the Transaction strengthens PGS's liquidity profile in the currently challenging operating environment.
The main terms of the Transaction include:

- The ~$135 million RCF due 2020, the ~$215 million RCF due 2023, and the ~$2 million TLB due 2021 are converted into a new TLB on the same terms as the ~$520 million 2024 TLB.
- Quarterly amortization payments of up to 5% per annum of the original principal amount of the ~$520 million 2024 TLB have been replaced by the new amortization payments described below.
- The total debt under the new TLB facilities (including PIK fees and offsetting exchange of loans into the convertible bond as described below) of $873.0 million maturing in March 2024 will have the following amortization profile payable pro-rata to all TLB lenders:
  - $135 million amortization payment due in September 2022
  - $200 million amortization payment due in September 2023
  - $9.2 million quarterly amortization starting March 2023
- Quarterly amortization payments totalling ~$106 million due over the next two years under the ECF will be deferred and repaid over four quarters starting December 2022

15 Events since the balance sheet date *(continued)*

- The current excess cash flow sweep for the RCF/TLB facilities is replaced by an excess liquidity sweep for any liquidity reserve in excess of $200 million at each quarter end, with such amounts to be applied against (i) the deferred amounts under the ECF and (ii) the $135 million TLB amortization due in September 2022, until they have both been paid in full. Thereafter, any liquidity reserve in excess of $175 million at each quarter end will be applied against the remaining TLB amortizations
- The financial maintenance covenants are amended, with the maximum net leverage ratio to be 4.5x through June 30, 2021, 4.25x through December 31, 2021, 3.25x through December 31, 2022 and 2.75x thereafter. The minimum liquidity covenant will continue to be $75 million with an extra reporting obligation if cash and cash equivalent falls below $115 million. There are customary cure periods and provisions.
- Strengthening of the lenders' security package
- Total fees across the lender groups of $8.0 million payable in cash and $8.4 million payable in kind (i.e., added to the loan balance)
- Issuance of a NOK 116.2 million 3-year 5% unsecured convertible bond (the "CB") which can be converted into new PGS shares at NOK 3 per share (corresponding to 38,720,699 shares, equalling 10% of the currently outstanding PGS shares). Certain lenders under the RCF and TLB facilities have subscribed for the CB against conversion of a corresponding amount of their existing secured loans (NOK 67.1 million,~$7.9 million) and for cash (NOK 49.1 million/~$5.8 million). PGS will be able to require that bondholders convert the CB into shares if the PGS share price exceeds NOK 6 for 30 consecutive trading days