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COMPANY REGISTRATION NUMBER 02904391

PGS

PGS EXPLORATION (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

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PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

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PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION

Directors	C Steen-Nilsen G Langseth R Pedersen
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	02904391

PGS EXPLORATION (UK) 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 ASA 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 $6,566,000 (2019: profit of $9,004,000). The directors do not recommend payment of a dividend (2019: $nil).

The main segments within the company are related to marine activities, i.e. seismic data acquisition, marine MultiClient library, data processing, and technology. The main revenue contributors are contract seismic where data is acquired under exclusive contractual agreements with a customer, and MultiClient where the company invests in seismic surveys which are then marketed to multiple customers on a non-exclusive basis. MultiClient revenues are further split into pre-funding revenues relating to ongoing surveys and late sales from the completed surveys.

Profit margins are variable from project to project and therefore fluctuate from one year to another. The level of activity carried out by the company will vary significantly depending upon deployment of the fleet of vessels within the group. Net earnings in any year will also vary depending upon the pricing for the specific projects and productivity in project execution.

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 in the company's order book, revenues and profitability.
Looking to 2021, the oil price has recovered from the low levels experienced in 2020 and as a result the company expects a gradual increase in demand for seismic services in the year ahead.

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 PGS ASA 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.

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

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. Following implementation of the debt rescheduling in February 2021, the short term maturity and amortization profile of PGS' Revolving Credit Facility was extended by approximately two years (see note 25).

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.

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.

Section 172(1) statement

The section 172(1) statement has been included within the Directors' Report. The full statement can be found on pages 4 to 6.

Key performance indicators ("KPIs")

The directors of the PGS ASA Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of PGS Exploration (UK) 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:

DocuSigned by:
Gottfried Langseth
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G Langseth
Director

16 December 2021

PGS EXPLORATION (UK) 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 $6,566,000 (2019: profit of $9,004,000). 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

R Pedersen

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.

Research and development

The company contributes to the PGS Group's worldwide research and development programmes, the aims of which are the practical application and early introduction of relevant new technologies.

Section 172(1) statement

In accordance with section 172 of the Companies Act 2006, the Board of Directors of the company act in a way that they consider in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the short and long-term.

The directors have had regard, amongst others, to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006 to effectively discharge their section 172 duties. The board believes governance of the company is best achieved by delegation of its authority for the executive management of the PGS Group, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.

The PGS Group manage the group's operations on a divisional basis and the company's directors therefore see their main function as monitoring and ensuring the compliance of UK regulations and ensuring the stand-alone interests of the company and its stakeholders.

This includes the following responsibilities;

- implementing the Group's values and code of conduct, including ensuring any additional UK requirements
- Overseeing the company's compliance with financial reporting and disclosure obligations.
- Overseeing the risk management of the PGS Group, ensuring it is sufficient for the company
- Determining its own composition, subject to the provisions of the Company's Articles of incorporation
- Setting and approving policies specific to UK.
- Review and approve non-routine or significant transactions.
- Specific consideration of issues for employees, customers and suppliers arising from the Covid-19 pandemic, including information in relation to government guidelines, workplace planning and staff wellbeing.

Responsibilities during the year

The board of directors do not have a set schedule for meetings, but will convene as needed and receives regular reporting from management about compliance and business activities of the company.

Section 172(1) statement *(continued)*

Risk management and internal control

The Board of Directors is responsible for ensuring that appropriate guidelines, monitoring, and internal control systems are in place. These are to include embedding risk management, designating risk ownership, and implementing risk responses and controls.

The company manly relies on a system applied by all companies in the PGS Group. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material financial misstatements or loss.

Group Management maintains and regularly reviews a risk matrix setting out the main risks for the company. These risk factors and the company's risk mitigating activities are subject to discussion by the Group Board of Directors at least once a year. The result is shared with the directors of the company.

Group Management conducts day-to-day follow-up of financial management and reporting. Management has established a structured approach to ensure that the system for Internal Control over Financial Reporting ("ICFR") is effective. ICFR includes identification and assessment of all material financial reporting risks, identifying and documenting relevant controls to address these risks, and monitoring that controls are implemented and performed. For controls that are not operationally effective at year-end, their potential financial exposure and impact on the consolidated financial statements are evaluated.

PGS Group has an Internal Audit Department reporting directly to the Audit Committee on its audit planning and audit reports. The purpose of the Internal Audit Department is to perform independent, objective assurance and consulting activities that add value and improve the company's initiatives in financial, operational and compliance areas. The scope of work for the Internal Audit Department includes determining whether the company's risk management, control, and governance, as designed and represented by management, are adequate and well-functioning. The audit reports are issued to the Group Audit Committee. In addition, the Internal Audit Department regularly monitors and reports status of management's actions to respond to identified risks or weaknesses. All reports are available to the directors of PGS Exploration (UK) Limited.

Communication with stakeholders

The company consists of various departments and functions contributing to the PGS Group. As the PGS Group is managed on a divisional basis, all departments and functions report to their respective global department heads. Decision-making is delegated by the PGS Group's authorization matrix. The Board regularly review material decisions made on behalf of the company.

Customers

The PGS Group have relatively few, but large customers. Consistently delivering high quality products and building long-term relationships to our main customers is a key priority. As most of our key customers operates globally, the directors have delegated the main responsibility for customer relations to Group Management.

Suppliers

Similar to customers, we aim to develop long-lasting relationships with our key suppliers by engaging with them on a regular basis. PGS Group has a global purchasing and contracting department that handles all key suppliers on behalf of all PGS Group entities.

PGS Group

PGS operates its vessels globally and is a highly integrated group of companies aimed at carrying out the Seismic projects in the best possible manner. PGS Exploration (UK) Limited is both a provider of imaging services and administrative services to the remainder of the group, as well as a project owner dependent on the larger group to succeed with the projects initiated. Close cooperation with other group companies is therefore paramount to the company.

Section 172(1) statement *(continued)*

Communities and the environment

The company strives to be actively engaged with our communities. We continually look to support local causes and create opportunities through recruitment.

The seismic industry has a role in enabling a reliable supply of energy now and in the future through the sustainable transition to greener energy. PGS remains devoted to conducting our operations with minimal impact on the oceans and those that are reliant upon them for their living or sustenance.

Our commitment is to leave the oceans as we find them, and our ambition is to contribute to healthier marine environment - for the benefit of all. We have therefore refocused our support to the UN Sustainable Development Goals with strong focus on Climate Action and Life Below Water. These will be the pillars of our environmental strategies and actions going forward.

We are committed to:

- Carefully planning and executing surveys to minimize any disturbance
- Immediately ceasing operations if marine mammals are observed in close proximity
- Respecting local communities and fishermen
- Not throwing anything overboard and leaving nothing behind.

Employee involvement, disabled persons, health & safety

The company has developed a network for communicating with employees, including those in remote locations or at sea. Pertinent and topical information is distributed on a regular basis and channels for feedback are clearly established. Financial information is available from the PGS ASA's web site and industry and technical news items are distributed and discussed at regular intervals.

The company will always give due consideration of job vacancies to disabled persons and, should an employee working in a harsh environment become disabled, full consideration will be given to retaining that person in alternative work wherever possible.

The company aspires to the highest standards of health, safety and regard for the environment. It participates in industry forums and maintains an active information and reporting system for areas of operation with particular risks.

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.

Going concern *(continued)*

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 25. 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 (TLB) 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 operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Energy and Carbon Reporting

Under the requirements of the UK Companies Act 2006, PGS Exploration (UK) Limited is required to report on energy use and carbon emissions relating to UK operations.

PGS Exploration (UK) Limited is a subsidiary of the PGS Group, an integrated marine geophysical company that provides a broad range of seismic services, including acquisition and imaging. The company operates one office building in the UK, which houses an imaging data centre and employees based in sales, imaging and support functions. Therefore, the energy consumption in the UK is limited to this building in which we operate our business. The PGS fleet of vessels is operated from companies based in Norway, and therefore energy usage from vessels is outside of the scope of this report.

The company has reported on emissions from electricity and gas it has used. This has been obtained from gathering data from utility bills.

	Year ended 31 December 2020
kWh	10,429,747
Tonnes CO_2e	2,423
Annual emissions per employee	13.9

The conversion factors have been taken from governmental tables as published for 2020, available from https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020. kWh usage has been multiplied by the relevant conversion factor to produce emissions as reported in tonnes CO2e.

Electricity usage relates primarily to the operation of the imaging data centre. As part of PGS' ongoing digitalization efforts, the company expects energy usage to decrease going forward.

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:
Gottfried Langseth
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G Langseth
Director

16 December 2021

PGS EXPLORATION (UK) 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 PGS EXPLORATION (UK) LIMITED

Opinion

We have audited the financial statements of PGS Exploration (UK) 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 25, 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.

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 9, 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 *(continued)*

- We understood how PGS Exploration (UK) 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
16, December 2021

PGS EXPLORATION (UK) LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2020

	Note	2020 $ 000	2019 $ 000
Revenue	5	137,340	256,895
Cost of sales		(142,832)	(236,395)
Gross (loss)/profit		**(5,492)**	**20,500**
Administrative expenses		(5,862)	(8,289)
Operating (loss)/profit	**6**	**(11,354)**	**12,211**
Interest receivable	9	2,238	1,661
Interest payable and similar charges	10	(529)	(714)
(Loss)/profit before taxation		**(9,645)**	**13,158**
Taxation	11	3,079	(4,154)
(Loss)/profit for the year		**(6,566)**	**9,004**
Other comprehensive income		-	-
Total comprehensive income		**(6,566)**	**9,004**

The company's results are derived from continuing operations.

PGS EXPLORATION (UK) LIMITED
BALANCE SHEET
31 DECEMBER 2020

	Note	2020 $ 000	2019 $ 000
Long term assets			
Tangible assets	12	13,464	18,758
MultiClient library	13	63,776	37,325
Investments	14	26	26
		77,266	56,109
Current assets			
Debtors	15	60,087	101,028
Cash at bank and in hand		7,759	219
		67,846	101,247
Creditors: Amounts falling due within one year	16	(57,167)	(60,205)
Net current assets/(liabilities)		**10,679**	**41,042**
Total assets less current liabilities		**87,945**	**97,151**
Creditors: Amounts falling due after more than one year	17	(3,300)	(9,441)
Provisions	18	(3,501)	-
Net assets		**81,144**	**87,710**
Capital and reserves			
Called up share capital	20	106,214	106,214
Capital contribution reserve	20	4,680	4,680
Profit and loss account		(29,750)	(23,184)
Shareholders' funds		**81,144**	**87,710**

These financial statements were approved by the Board on 16 December 2021, and signed on its behalf by:

DocuSigned by:

Christin Steen-Nilsen

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C Steen-Nilsen

Director

Registered number: 02904391

The notes on pages 16 to 33 form an integral part of these financial statements

PGS EXPLORATION (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2020

	Share capital $ 000	Capital Contribution $ 000	Profit and loss account $ 000	Total $ 000
At 31 December 2018	106,214	-	(34,914)	71,300
Effect of IFRS 16 adoption (note 3)	-	-	2,726	2,726
At 1 January 2019 (note 3)	**106,214**	-	**(32,188)**	**74,026**
Profit for the year	-	-	9,004	9,004
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,004	9,004
Capital contribution (note 20)	-	4,680	-	4,680
At 31 December 2019	**106,214**	**4,680**	**(23,184)**	**87,710**
Loss for the year	-	-	**(6,566)**	**(6,566)**
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	**(6,566)**	**(6,566)**
At 31 December 2020	**106,214**	**4,680**	**(29,750)**	**81,144**

The notes on pages 16 to 33 form an integral part of these financial statements

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

1 General information

PGS Exploration (UK) Limited provides geophysical services to the oil and gas industry. The company 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 PGS Exploration (UK) Limited (the "company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 16 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 24.

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 and 18A 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 25. 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.

Group accounts

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, PGS ASA, a company registered in Norway.

The financial statements contain information about PGS Exploration (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

3 Accounting policies *(continued)*

Revenue Recognition

Revenue from contracts with customers arise primarily from (i) performance of proprietary/exclusive seismic services in accordance with customer specifications and (ii) granting of licenses to the company's MultiClient data library. Revenue is recognised at the amount that the company expects to be entitled to and expects to collect under the contract. If a contract has multiple performance obligations, consideration is allocated among the performance obligations based on their estimated relative fair values.

Amounts received from customers in advance of the company satisfying its performance obligations are recorded as deferred revenue. In the event most of the consideration under the contract is received more than 12 months in advance of satisfying the related performance obligation, a financing factor is accrued and included in the value of the revenue recognised upon satisfying the performance obligation.

In the rare event the company has satisfied a performance obligation and is otherwise entitled to compensation under the contract but there is a significant uncertainty as to ultimately collecting the compensation, revenue recognition is delayed until such uncertainty no longer exists.

Where the company has satisfied its performance obligations and has a right to consideration, an accrued revenue is recognized.

The principles applied for each of the main types of contracts with customers are described in more detail below.

MultiClient late sales licenses

The company grants a license to a customer, which entitles the customer to have "right to use" a specifically defined portion of the MultiClient data library as it exists at that point in time. The company's performance obligation is considered to be satisfied at the "point in time" when the customer has received the underlying data or has the right to access the licensed portion of the data.

MultiClient Pre-funding licenses

The company typically obtains funding from a limited number of customers before a seismic survey project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications and to access data as it is being acquired. The company recognises pre-funding revenue as "right to use" licenses and the revenue is to be recognised at the point in time when the "right to use" license is transferred to the customer. This "point in time" depends on the specific contract, but is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

The "point in time" of satisfying the performance obligation is generally the same for both MultiClient Late Sale licenses and MultiClient Pre-funding licenses. Accordingly, revenue is generally recognised at this same "point in time" for each of these two types of licenses in accordance with IFRS 15.

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 recognized 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.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets based on cost less estimated residual values. The estimated useful lives for property, plant and equipment are as follows:

	Years
Leasehold improvements	15
Computer equipment & software	3
Seismic equipment & vehicles	3
Furniture & office equipment	4 - 6

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least each year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Gains and losses arising on de-recognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year derecognised.

3 Accounting policies *(continued)*

MultiClient library

The MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, imaging and otherwise completing seismic surveys are capitalised to the MultiClient library. Costs incurred while relocating or "steaming" a vessel or crew from one location to another and borrowing costs incurred during the acquisition and imaging phases of the survey are also capitalised to the MultiClient library.

A project remains in surveys-in-progress until imaging is complete which may be some months or up to more than a year after data acquisition ends, at which point it is transferred to completed surveys.

The company records the costs incurred on the MultiClient library in a manner consistent with its capital investment and operating decision analysis, which generally results in each component of the MultiClient library being recorded and evaluated separately. The cost of projects within the same political regime, with similar geological traits and that are marketed collectively are recorded and evaluated as a group by year of completion.

Straight-line amortisation — Upon completion of a survey, straight-line amortisation commences over its estimated useful life which is generally over a period of 4 years from the date it is transferred to completed surveys.

Accelerated amortisation – Following the adoption of the straight-line amortisation policy for completed surveys, recognition of impairment of library may be necessary in the event that sales on a completed survey are realised disproportionately sooner within that survey's 4-year useful life.

Further, when a project is completed and after pre-funding revenue is recognised, recognition of impairment may be necessary in the event the present value of expected Late Sales is lower than the value of the project.

This accelerated amortisation is included in "Amortisation and impairment of MultiClient library" in the statement of profit and loss.

Impairment of MultiClient library – The company updates its sales forecast for each survey at each year-end and when an impairment indicator is deemed to exist. In the event the net book value of survey exceeds its net present value of estimated future cash flows an impairment is recorded in the amount of the excess. This impairment is included in "Amortisation and impairment of MultiClient library" in the statement of profit and loss.

Impairment of property, equipment and intangibles

Tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. An asset's recoverable amount is the higher of (i) its fair value less cost to sell and (ii) its value in use. This determination is made for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount and the impairment is recognised immediately and presented separately in the Statement of Profit and Loss and Other Comprehensive Income.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Reversal of impairment is recognised if the circumstances that gave rise to the impairment no longer exist. The carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have existed had no impairment been recognised for the asset. The reversal is presented separately in the Statement of Profit and Loss and Other Comprehensive Income.

3 Accounting policies *(continued)*

Research and development

Research costs are expensed as incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following have been demonstrated: technical and commercial feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date on which the intangible asset first satisfies the recognition criteria above. All other development costs are expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment, on the same basis as intangible assets acquired separately. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset.

Steaming costs

Steaming costs relate to relocating or "steaming" a vessel and its crew from one location to another. Steaming costs are deferred to the extent the probable future economic inflows from the projects to which the vessel will steam are sufficient to recover the cost of the steam. The recoverable steaming cost associated with MultiClient surveys is capitalised as a part of the MultiClient library (see above). The recoverable steaming costs associated with exclusive contract surveys is deferred and charged to the Statement of Profit and Loss and Other Comprehensive Income.

Provision for onerous contracts

A provision is made for legally binding obligations (contracts) whereby the unavoidable costs of fulfilling the contracts exceed the economic benefits expected to be received. All costs (including depreciation of assigned assets) directly related to contract fulfilment are included in the calculation.

Defined contribution pension plans

The company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension obligations

The company is a participating employer in the PGS (UK) Pension Fund, the assets and defined benefit obligation of which are accounted for in the financial statements of Petroleum Geo-Services (UK) Limited, a fellow subsidiary of PGS ASA. Accrual to the PGS (UK) Pension Fund ceased from 31 December 2015, after which active members became deferred members of the plan with no further salary link. Full details of the PGS (UK) Pension Fund and the relevant disclosures are included in the audited financial statements of Petroleum Geo-Services (UK) Limited.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation. The liability recognised for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets. The calculation of the obligation is performed annually by a qualified actuary, using the projected unit credit method and key actuarial assumptions at the reporting date.

3 Accounting policies *(continued)*

The amount charged to the statement of profit and loss comprises the cost of benefits accruing to employees over the year, plus net interest expense or income, calculated by applying the liability discount rate to the net pension liability.

Past service costs are recognised immediately in the statement of profit and loss, unless they relate to plan changes which are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are recognised on a straight line basis over the vesting period.

Actuarial gains and losses due to current period changes in assumptions applied are recognised immediately in other comprehensive income.

Bonus plans

The company recognises a provision for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

Performance Restricted Stock Unit Plans are measured at the grant date using a Monte Carlo simulation with relative total shareholder return. The model simulates the future stock prices based on historical values over the length of the lifetime for the PRSU. The Relative TSR is calculated against a group of peer companies, where every company is ranked based on the simulations. If the rank is in the 25th percentile, 0% of the performance is met, if the rank is in the 75th percentile, 100% of the performance is met. There is a linear relationship between the percentiles. The awards are adjusted for expected future dividends. Social security tax on PRSU and RSU is based on the intrinsic value as of the end of the reporting period.

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 amortised 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 recognised 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 recognised 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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the company for expenses incurred are recognised in the Statement of Profit or Loss in the relevant financial statement line in the periods the expenses are recognised, in order to present the net expense to the company.

Leases

A contractual arrangement contains a lease when the contract conveys the right to use an asset for a period of time in exchange for consideration. For contracts containing a lease, the company recognises a lease liability and a corresponding right of use asset at the commencement of the lease.

Lease term

The lease term is determined on the commencement date of the lease, and corresponds to the term of the lease contract, unless the company is reasonably certain that it will exercise contractual extensions or termination options.

Measurement of lease liabilities

At the commencement date of the lease, the company recognises a lease liability measured at the present value of lease payments due under the contract, less any lease incentives receivable, plus the costs of purchase or termination options if reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, the carrying amount of the lease liability is increased to reflect the accumulation of interest on the liability balance, and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured to reflect contractual modifications, changes to lease payments or changes in the assessment of the lease term.

Measurement of right-of-use assets

Right-of-use assets are measured at cost, comprising the initial measurement of lease liability, lease payments made at the commencement date, initial direct costs and estimated restoration costs, less any lease incentives received.

Subsequently, the right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Short term leases and low value leases

The company has elected to apply the recognition exemption to lease contracts with a duration of less than 12 months, or that relate to assets with an underlying low value. Lease payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

3 Accounting policies *(continued)*

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of Management supplemented by the experience of similar transactions and in some cases, advice from independent experts.

Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Statement of Comprehensive Income.

New and amended standards and interpretations

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

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.

The key assumptions concerning the future and other key 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 are discussed below.

Impairment of MultiClient library - Discount rate

The company applied a pre-tax discount rate of 11% in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment, intangible assets and the MultiClient library. The rates reflect the estimated weighted average cost of capital for company activities.

Forecast sales of MultiClient library

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amount of impairment, and for those surveys still in work-in-progress, the amortization rate to be applied against pre-funding revenues. In forecasting sales, management considers past experience, market developments as described above, general prospects for hydrocarbons in the area, political risk, likelihood and timing of exploration licensing rounds, existence of competitor data sets and general economic conditions. Because of the inherent difficulty in forecasting sales and future developments, it is possible that the amount of impairment could vary significantly between periods and the amortization rate applied to surveys in progress may also vary between periods. In addition, future revenues from a survey may not be sufficient to cover the existing carrying value. To the extent the future actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability with and/or impairment of MultiClient library surveys.

4 Critical accounting judgements, estimates and assumptions *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit. The estimates of projected future taxable profit are based on a number of factors and assumptions, many of which are subjective and outside of the company's control. Accordingly, these estimates may differ significantly from year to year, and the amount ultimately realised may differ from that which has been recognised in the balance sheet.

Provision for contingencies, claims and tax litigations

The company records accruals for contingencies, claims and other uncertain liabilities, including possible tax litigation, when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information becomes available. In estimating the likelihood of an unfavourable outcome, management evaluates the specific facts and circumstances in light of the related laws and regulations; advice from external counsel; and the outcome of similar cases, if any. Because of the inherent uncertainty in estimating the future outcome of such matters, it is possible that some of these matters will ultimately result in the company incurring a material liability.

5 Revenue

Revenue recognised in the Statement of Profit and Loss and Other Comprehensive Income is analysed as follows:

	2020 $ 000	2019 $ 000
Revenue from geophysical services	121,178	234,584
MultiClient late sales	16,162	22,311
Total turnover from continuing operations	137,340	256,895

The company performs geophysical services on a project by project basis. An analysis of turnover by geographical area is given below:

	2020 $ 000	2019 $ 000
United Kingdom	44,823	54,413
Other European countries	1,678	47,615
Americas	25,899	1
Middle East & Africa	64,940	151,560
Rest of the World	-	3,306
	137,340	256,895

6 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020 $ 000	2019 $ 000
Depreciation expense (Note 12)	7,326	6,820
Amortisation of MultiClient library (Note 13)	8,333	53,200
Impairment of MultiClient library (Note 13)	8,443	1,564
Foreign exchange (gains)	126	(151)
Lease expense on short-term and low-value leases arising under IFRS 16		
- plant and machinery	26,806	37,817
- other	120	148
Auditor's remuneration		
- Audit of the financial statements	148	139
- Taxation services	30	62

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 $ 000	2019 $ 000
Wages and salaries	17,011	18,578
Social security costs	1,893	2,156
Pension costs, defined benefit scheme	3,168	4,423
Pension costs, defined contribution scheme	1,526	1,668
Share based payments (see Note 19)	522	765
	24,120	27,590

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Operations	46	73
Selling and administration	82	91
Other departments	30	14
	158	178

The amounts received under government 'furlough' schemes offset the staff costs in profit or loss. A total of $312,000 was received during the year ended 31 December 2020.

8 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.

9 Interest receivable

	2020 $ 000	2019 $ 000
Bank interest receivable	8	24
Interest receivable on group loans	2,230	1,637
	2,238	1,661

10 Interest payable and similar charges

	2020 $ 000	2019 $ 000
Unwinding of discount on dilapidations provision	130	143
Interest payable on lease liabilities under IFRS 16	381	500
Other finance costs	18	71
	529	714

11 Income tax

(a) Analysis of tax (credit)/charge

	2020 $ 000	2019 $ 000
Current taxation		
UK corporation tax	-	363
Foreign tax	(3,079)	3,791
Total current income tax	**(3,079)**	**4,154**
Tax (credit)/charge	**(3,079)**	**4,154**

11 Income tax *(continued)*

(b) Factors affecting current tax (credit)/charge

The tax (credit)/charge applied to the company's profit or loss before taxation for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are reconciled below:

	2020 $ 000	2019 $ 000
(Loss)/profit before tax	(9,645)	13,158
Corporation tax at standard rate	(1,833)	2,500
Expenses not deductible for tax purposes	3	40
Foreign tax expensed	-	933
Tax losses on which no deferred tax recognised	1,508	(1,784)
Movement in temporary differences unrecognised for deferred tax	523	(249)
Release of provision for foreign tax in relation to prior periods	(2,857)	2,857
Claim for interest deductions disallowed in other group companies	(423)	(143)
Total tax (credit)/charge	**(3,079)**	**4,154**

(c) Deferred tax

The company has carried forward temporary differences as shown below that are available indefinitely to be offset against future taxable profits. Deferred tax assets have been recognised in relation to those losses and other temporary differences where they satisfy the recognition criteria for deferred tax assets in line with FRS 101 'Reduced Disclosure Framework'.

As at 31 December 2020 and 31 December 2019, the deferred tax assets in respect of decelerated capital allowances, tax losses and other temporary differences were not recognised due to the uncertainty as to when these will be recovered. The value of the unrecognised deferred tax assets being $4,525,353 as at 31 December 2020 in relation to capital allowances (2019 - $3,858,820), $14,348,351 as at 31 December 2020 in relation to tax losses (2019 - $12,947,596) and $8,879,523 as at 31 December 2020 in relation to other temporary differences (2019 - $8,802,070).

At 31 December 2020 and 31 December 2019, the UK tax rates that had been substantively enacted were 19% (effective from 1 April 2017). The tax rate used for the deferred tax asset calculations at the balance sheet date is 19% (2019: 19%).

PGS EXPLORATION (UK) LIMITED
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YEAR ENDED 31 DECEMBER 2020

12 Tangible assets

	Leasehold improvements $ 000	Computer equipment & software $ 000	Seismic equipment & vehicles $ 000	Furniture & office equipment $ 000	Right-of-use assets $ 000	Total $'000
Cost						
At 1 January 2020	16,599	16,489	45	7,209	11,492	51,834
Additions	-	2,034	-	-	-	2,034
Disposals	-	(3)	-	-	-	(3)
At 31 December 2020	16,599	18,520	45	7,209	11,492	53,865
Depreciation						
At 1 January 2020	13,306	11,872	45	5,241	2,612	33,076
Charge for the year	955	3,432	-	326	2,612	7,325
Disposals	-	-	-	-	-	-
At 31 December 2020	14,261	15,304	45	5,567	5,224	40,401
Carrying amount						
At 31 December 2020	**2,338**	**3,216**	-	**1,642**	**6,268**	**13,464**
At 31 December 2019	3,293	4,617	-	1,968	8,880	18,758

13 MultiClient Library

Seismic data library	2020 $ 000	2019 $ 000
At 1 January	37,325	71,291
Capitalised cash costs	32,242	15,693
Capitalised interest	665	253
Capitalised depreciation	10,320	4,852
Amortisation expense	(8,333)	(53,200)
Impairments	(8,443)	(1,564)
At 31 December	63,776	37,325

In 2020, an additional impairment charge of $8,443,000 (2019: $1,564,000) was recognised to reflect the discounted cash flow of future sales on certain individual surveys.

14 Investments

The company holds a 1.25% holding in a fellow subsidiary company, PGS Data Processing Middle East SAE at a cost of $26,000.

15 Debtors

	2020 $ 000	2019 $ 000
Trade debtors	10,334	33,698
Amounts receivable from ultimate parent undertaking	34,414	43,683
Amounts receivable from immediate parent undertaking	4,046	-
Amounts receivable from group undertakings	5,800	1,977
Accrued revenue	2,703	16,745
Prepayments	1,644	1,734
Other taxes	1,132	3,171
Other debtors	14	20
	60,087	101,028

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.

Amounts receivable from other group undertakings are treated as trading balances and do not bear any interest.

16 Creditors

	2020 $ 000	2019 $ 000
Trade creditors	816	3,148
Amounts owed to immediate parent undertaking	-	162
Amounts owed to other group undertakings	4,995	25,531
Accrued expenses	8,804	9,303
Social security and other taxes	461	4,539
Onerous contracts	-	3,750
Lease liabilities (Note 18)	2,628	2,136
Deferred revenue	39,463	11,636
	57,167	60,205

Amounts owed to the immediate parent undertaking and other group undertakings are treated as trading balances and do not bear interest.

17 Creditors payable after more than 1 year

	2020 $ 000	2019 $ 000
Lease liabilities (Note 18)	3,273	5,995
Other long term liabilities	-	3,371
Long term bonuses and payroll related costs	27	75
	3,300	9,441

18 Provisions - dilapidations

The dilapidations provision represents the Company's estimate of future outflows relating to the termination of the lease of the Weybridge office.

	$ 000
At 1 January 2020	-
Transfer from creditors	3,371
Charge during the year	130
At 31 December 2020	**3,501**

18 Lease liabilities

The company has lease contracts, primarily for office space and computer equipment, expiring at various dates through to 2023. The company also has certain leases with lease terms of 12 months or less, and leases of equipment with low value. The company applies the 'short-term lease' and 'lease of low value' exemptions for these leases.

The carrying amounts of lease liabilities and movements during the year are set out below:

	Buildings, fixtures and equipment $ 000
At 1 January 2020	8,131
Lease payments	(2,780)
Interest	382
Revaluation	168
At 31 December 2020	**5,901**

The maturity of lease liabilities is as follows:

	2020 $ 000	2019 $ 000
Current	2,628	2,136
Non-current	3,273	5,995
At 31 December 2020	**5,901**	**8,131**

19 Share based payments

Share options and restricted stock unit awards in the company's ultimate parent PGS ASA ("the Company") are granted to senior executives.

The Restricted Stock Unit programs ("RSU") requires the participant's continued employment with the Company (or a subsidiary) and is settled three years after grant. Settlement is in equity only. Upon settlement, the participant will receive at no charge a number of shares in the Company which equals the number of RSUs awarded. In 2015 and 2016, the Company also granted Performance based Restricted Stock Unit programs ("PRSU"). Settlement of the PRSUs and subsequent transfer of shares to the eligible employee will take place three years later subject to achieving a satisfactory Total Shareholder Return compared to the companies in STOXX TMI Oil Equipment, Services & Distribution index, adjusted for dividends and further employment by the Company.

20 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	**$ 000**	**No.**	**$ 000**
Ordinary shares of £1 each	77,229,682	106,214	77,229,682	106,214

In 2019, the company recognised a capital contribution reserve of $4,680,000. This arose from the waiver of debt due to the ultimate parent, PGS ASA, and represents the value of historic liabilities in the discontinued Libya branch.

21 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.

22 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.

23 Contingent liabilities

As part of the PGS Group financing arrangements detailed in note 25, Barclays Bank PLC holds a floating charge over the undertaking and assets of the company.

24 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.

25 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
- 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.