

COMPANY REGISTRATION NUMBER 05616408



PGS GEOPHYSICAL (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2016



**PGS GEOPHYSICAL (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

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**PGS GEOPHYSICAL (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION**

Directors

C Steen-Nilsen
H S Sundby

Auditor

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Registered office

4, The Heights
Brooklands
Weybridge
Surrey
KT13 0NY

Registered number 05616408

PGS GEOPHYSICAL (UK) LIMITED STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2016.

Principal activities

The principal activity of the company is as former vessel owner and operator.

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

Business review

The loss for the year after taxation is \$380,000 (2015: \$847,000). The directors do not recommend payment of a dividend (2015: \$nil).

On 10 May 2006 the company entered into an arrangement to build and lease a new seismic survey vessel, being constructed at the Factorias Vulcano shipyard group in Spain. The company cancelled the contract for this vessel in March 2009 due to delays. The yard disputed the company's right of termination and initiated proceedings in Norway.

The arbitration case was concluded on 8 January 2010. It was found that PGS Geophysical (UK) Limited's cancellation of the shipbuilding contract was lawful and that Factorias Vulcano S.A must pay to PGS Geophysical (UK) Limited €39,658,000 plus interest at the rate of Euribor 1 year +1.5%. Amounts covered by bank guarantees were received in February 2010.

The outstanding balance of €7,790,000 plus interest has been reduced to 20% due to the shipyard entering Spanish bankruptcy proceedings. This amount will be paid to the company over several years into the future. The first payment of approximately €159,000 was received in 2014, €80,000 in 2015 and €159,000 in 2016.

Factorias Vulcano SA defaulted on the March 2017 payment and in on 27 March 2017, requested a modification of the composition agreement, to carry over the 2017 payments to 2020. Proceedings on the modification are underway.

Separately, on 22 April 2013, the company won its case in the Norwegian Supreme Court approving an attachment to the shipyard's claim of €10,838,000 against a Norwegian shipowner. The company received approximately €1,550,000 in 2014. The rest of the amount was unlawfully paid by the shipowner to Banco Popular S.A. and the company initiated legal action against the shipowner and Banco Popular S.A. in the Norwegian courts. In March 2016, the Bergen City Court found in favour of the defendants; however the company has filed an appeal against the decision, which is scheduled to be heard in September 2017.

The carrying value of receivables at 31 December 2016 is \$3.7million (2015: \$4.2million).

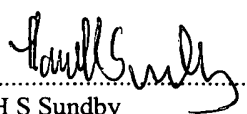
Principal risks and uncertainties of the company

The principal risks and uncertainties of the company are related to the settlement of court actions and receipt of funds thereunder.

The exposure to foreign currency exchange risk on cash flows from the legal settlement are integrated with the principal risks of the group and are not managed separately. 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.

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 41 to 43 of the group's annual report.

Signed on behalf of the Board by:


.....
H S Sundby
Director

11 July 2017

PGS GEOPHYSICAL (UK) LIMITED DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year after taxation is \$380,000 (2015: \$847,000). The directors do not recommend payment of a dividend (2015: \$nil).

The company has received assurance from its ultimate parent company that it will continue to receive financial support for a period of at least 12 months from the signing of the accounts in order to meet its obligations as they fall due.

Directors of the company

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

C Steen-Nilsen

H S Sundby

Charitable and political donations

The company made no political or charitable donations during 2016 (2015: \$nil).

Information to the auditor

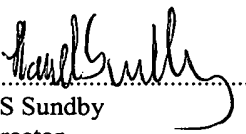
Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the auditors are 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:


.....
H S Sundby
Director

11 July 2017

PGS GEOPHYSICAL (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 GEOPHYSICAL (UK) LIMITED

We have audited the financial statements of PGS Geophysical (UK) Limited for the year ended 31 December 2016 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PGS GEOPHYSICAL (UK) LIMITED *(continued)***

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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



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Kenneth MacLeod Hall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

Date: 17 July 2017

PGS GEOPHYSICAL (UK) LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$ 000	2015 \$ 000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(256)	(481)
Operating loss	5	(256)	(481)
Interest receivable and similar income	7	177	158
Interest payable and similar charges	8	(301)	(524)
Loss before taxation		(380)	(847)
Taxation	9	-	-
Loss for the year		(380)	(847)
Other comprehensive income		-	-
Total comprehensive income		(380)	(847)

PGS GEOPHYSICAL (UK) LIMITED
BALANCE SHEET
31 DECEMBER 2016

	Note	2016 \$ 000	2015 \$ 000
Current assets			
Debtors	10	8,543	9,026
Cash at bank and in hand		-	87
		<u>8,543</u>	<u>9,113</u>
Creditors: Amounts falling due within one year	11	<u>(87)</u>	<u>(277)</u>
Net current assets		<u>8,456</u>	<u>8,836</u>
Net assets		<u>8,456</u>	<u>8,836</u>
Capital and reserves			
Called up share capital	12	10,000	10,000
Profit and loss account		<u>(1,544)</u>	<u>(1,164)</u>
Shareholders' funds		<u>8,456</u>	<u>8,836</u>

These financial statements were approved by the Board on 11 July 2017 and signed on its behalf by:



C Steen-Nilsen
Director

Registered number: 05616408

PGS GEOPHYSICAL (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2016	10,000	(1,164)	8,836
Loss for the year	-	(380)	(380)
Other comprehensive income	-	-	-
Total comprehensive income	-	(380)	(380)
At 31 December 2016	10,000	(1,544)	8,456

	Share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2015	10,000	(317)	9,683
Loss for the year	-	(847)	(847)
Other comprehensive income	-	-	-
Total comprehensive income	-	(847)	(847)
At 31 December 2015	10,000	(1,164)	8,836

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

1 General information

PGS Geophysical (UK) Limited is a former vessel owner and operator. 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 Geophysical (UK) Limited (the “company”) for the year ended 31 December 2016 were authorised for issue by the board of directors on 11 July 2017 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 15.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

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;

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

- 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.

Going concern

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

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

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. In May 2016, PGS received consent from the required lenders of the Revolving Credit Facility ("RCF") to amend the total leverage ratio maintenance covenant ("TLR") through September 30, 2017, and in December 2016 consent was received to further amend the TLR through December 31, 2017, creating significantly more headroom and preserving a strong liquidity reserve. In addition, consent was received in December 2016 to extend the maturity date of the RCF to September 202 and reduce the revolving commitments thereunder.

In the current weak market it is likely that PGS will need to make additional drawings on the RCF during the coming year, and there is a risk that the TLR may exceed the maximum during 2017. PGS expects to be able, if and when such risk becomes significant, to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures, such as refinancing or raising equity capital, to avoid a covenant breach.

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

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

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

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

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.

Taxation

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

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

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

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

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

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

Financial assets and liabilities

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

Financial assets and liabilities are classified into categories as follows:

Financial assets and liabilities measured at fair value through profit or loss

This category is comprised of financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as measured at fair value through the profit or loss.

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held-for-trading unless designated as effective hedging instruments. After initial recognition, financial assets and liabilities in this category are measured at fair value with unrealised gains and losses recognized through profit or loss.

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

Financial assets and liabilities measured at amortised cost

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

Financial assets and liabilities measured at fair value through the statement of other comprehensive income

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

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

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

4 Critical accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with FRS101 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.

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.

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

4 Critical accounting judgements, estimates and assumptions (continued)

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.

Receivable from legal proceedings

The company has recorded a receivable in relation to legal proceedings against the Factorias Vulcano shipyard group in Spain, and a Norwegian shipowner. The receivable balance is adjusted periodically as assessments change or new or additional information becomes available. In estimating the recoverability of the receivable, 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 we may need to recognise additional impairment losses in the future if there is a change in the estimates due to unforeseen changes in assumptions and other factors.

5 Operating loss

Arrived at after charging

	2016	2015
	\$ 000	\$ 000
Auditor's remuneration		
- Audit of the financial statements	<u>7</u>	<u>8</u>

6 Directors' remuneration

There were no employees other than the directors employed during the year. None of the directors received any fees or remunerations for services as a director of the company during the financial year (2015: 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

	2016	2015
	\$ 000	\$ 000
Interest receivable on group loans	<u>177</u>	<u>158</u>

8 Interest payable and similar charges

	2016	2015
	\$ 000	\$ 000
Foreign exchange losses	<u>301</u>	<u>524</u>

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

9 Income tax

(a) Analysis of tax charged

	2016 \$ 000	2015 \$ 000
Current taxation		
UK corporation tax	-	-
Total current income tax	-	-
Deferred taxation		
Total deferred taxation	-	-
Tax expense	-	-

(b) Factors affecting current tax charge

The tax on the loss before tax for the year differs from the standard rate of corporation tax in the UK of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 \$ 000	2015 \$ 000
Loss before tax	(380)	(847)
Corporation tax at standard rate	(76)	(171)
Expenses not deductible for tax purposes	49	95
Group relief surrendered for nil consideration	26	-
Pre-trading expenses on which no deferred tax asset has been recognised	1	76
Total tax charge	-	-

(c) Deferred tax

Deferred tax assets are recognised to the extent that they satisfy the recognition criteria for deferred tax assets in line with FRS 101 'Reduced Disclosure Framework'. As at 31 December 2016, the deferred tax asset in respect of pre-trading expenses and interest expenses has not been recognised due to the uncertainty as to when these will be recovered.

The UK tax rate is in the process of being reduced to 17%. At 31 December 2016 the UK tax rates that had been substantively enacted were 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020). At 31 December 2015, the equivalent UK rates that had been substantively enacted were 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020). Due to uncertainty around when the timing differences will be recovered, the tax rate used for the deferred tax asset calculations at the balance sheet date is 17% (2015: 18%).

As at 31 December 2016, the deferred tax asset in respect of pre-trading expenses and non-trade loan relationship deficits were not recognised due to the uncertainty as to when it will be recovered. There are \$108,000 of non-trade loan relationship deficits (2015 - \$132,000) and \$281,000 of pre-trading expenses (2015 - \$297,000) for which no deferred tax asset is recognised in the balance sheet.

PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

10 Debtors

	2016	2015
	\$ 000	\$ 000
Amounts receivable from ultimate parent undertaking	4,804	4,800
Other receivables	3,739	4,226
	<u>8,543</u>	<u>9,026</u>

Other receivables balances relate to amounts receivable from outstanding legal proceedings.

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

11 Creditors

	2016	2015
	\$ 000	\$ 000
Accrued expenses	4	222
Amounts owed to other group undertakings	83	55
	<u>87</u>	<u>277</u>

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

12 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	\$ 000	No.	\$ 000
Ordinary shares of £1 each	1	-	1	-
Ordinary shares of \$1 each	10,000,000	10,000	10,000,000	10,000
	<u>10,000,001</u>	<u>10,000</u>	<u>10,000,001</u>	<u>10,000</u>

13 Related party transactions

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

14 Foreign Exchange

The financial statements are presented in US Dollars. The exchange rate at 31 December 2016 applied was 1.2283 USD to 1.0 GBP.

**PGS GEOPHYSICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 Ultimate parent undertaking

The company's immediate parent undertaking is PGS Geophysical AS, a company incorporated in Norway. The ultimate parent and controlling party is Petroleum Geo-Services ASA, a company registered in Norway.

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