

COMPANY REGISTRATION NUMBER 01851671



PANOCEANIC ENERGY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018



**PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018**

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PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION

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

PANOCEANIC ENERGY LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2018.

Principal activities

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

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

Business review and future developments

The profit for the year after taxation is \$40,000 (2017: \$32,000). The directors do not recommend payment of a dividend (2017: \$nil).

During 2017 and 2018, the company applied for exploration licences in Greenland. This application is ongoing, and the company is actively looking for opportunities in other regions.

Principal risks and uncertainties of the company

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

Principal risks and uncertainties of the group

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

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

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

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The PGS Group had a substantial liquidity reserve including unutilised drawings of the Revolving Credit Facility of \$257.3million as of 31 December 2018, which can be used to meet the group's funding commitments if called upon.

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

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

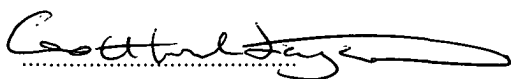
The principal risks and uncertainties of the PGS Group, which include those of the company, are discussed in more detail on pages 39 to 41 of the group's annual report.

PANOCEANIC ENERGY LIMITED
STRATEGIC REPORT *(continued)*

Key performance indicators ("KPIs")

The directors of the PGS Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Panoceanic Energy Limited. The development, performance and position of the group, which includes the company, is discussed on pages 34 to 43 of the group's annual report which does not form part of this report.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read 'G Langseth', with a long horizontal flourish extending to the right.

G Langseth
Director

18 July 2019

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT

The directors present their Report and the financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation is \$40,000 (2017: \$32,000). The directors do not recommend payment of a dividend (2017: \$nil).

Future developments

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

Directors of the company

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

C Steen-Nilsen

G Langseth

Charitable and political donations

The company made no political or charitable donations during 2018 (2017: \$nil).

Going concern

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

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

Information to the auditor

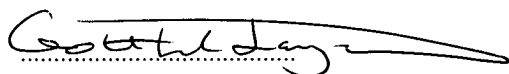
Each of the directors at the date of approval of this report confirms that:

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

Auditor

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

Signed on behalf of the Board by:



G Langseth
Director

18 July 2019

PANOCEANIC ENERGY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

Opinion

We have audited the financial statements of Panoceanic Energy Limited for the year ended 31 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

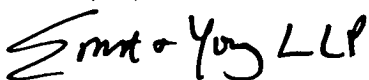
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

23, JULY 2019

PANOCEANIC ENERGY LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 \$ 000 | 2017 \$ 000 |
|-----------------------------------|----------|------------------|------------------|
| Turnover | | - | - |
| Cost of sales | | <u>(3)</u> | <u>(2)</u> |
| Gross loss | | (3) | (2) |
| Administrative expenses | | <u>(9)</u> | <u>-</u> |
| Operating loss | 5 | (12) | (2) |
| Interest receivable | 7 | <u>52</u> | <u>34</u> |
| Profit before taxation | | 40 | 32 |
| Taxation | 8 | <u>-</u> | <u>-</u> |
| Profit for the year | | 40 | 32 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income | | <u>40</u> | <u>32</u> |

The company's results are derived from continuing operations.

The notes on pages 11 to 16 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
BALANCE SHEET
31 DECEMBER 2018

| | Note | 2018 \$ 000 | 2017 \$ 000 |
|--|------|-------------------|-------------------|
| Current assets | | | |
| Debtors | 9 | 856 | 822 |
| Creditors: Amounts falling due within one year | 10 | <u>(2)</u> | <u>(8)</u> |
| Net assets | | <u>854</u> | <u>814</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 1,675 | 1,675 |
| Profit and loss account | | <u>(821)</u> | <u>(861)</u> |
| Shareholders' funds | | <u>854</u> | <u>814</u> |

These financial statements were approved by the Board on 18 July 2019, and signed on its behalf by:



C Steen-Nilsen

Director

Registered number: 01851671

The notes on pages 11 to 16 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

| | Share capital \$ 000 | Profit and loss account \$ 000 | Total \$ 000 |
|----------------------------|-------------------------|--------------------------------------|-----------------|
| At 1 January 2018 | 1,675 | (861) | 814 |
| Profit for the year | - | 40 | 40 |
| Other comprehensive income | - | - | - |
| Total comprehensive profit | - | 40 | 40 |
| At 31 December 2018 | 1,675 | (821) | 854 |

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

The notes on pages 11 to 16 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

The financial statements of Panoceanic Energy Limited (the "company") for the year ended 31 December 2018 were authorised for issue by the board of directors on 18 July 2019 and the balance sheet was signed on the board's behalf by C Steen-Nilsen.

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

3 Accounting policies

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

Basis of preparation

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

Summary of disclosure exemptions

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

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

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (*continued*)

Going concern

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

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

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. At 31 December 2018, the PGS Group's liquidity reserve, cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF") was \$159.5 million. The undrawn portion of the RCF constitutes a significant portion of the PGS Group's liquidity reserve. The RCF matures in September 2020 and has a drawing limit of \$350 million, reduced by \$50 million from \$400 million in September 2018. As of 31 December 2018, PGS had drawings of \$265.0 million outstanding on the RCF.

At December 31, 2018 the total leverage maintenance ratio ("TLR") was 2.58:1, well below the maximum level of 3.50:1. The maximum TLR will be reduced by 0.25:1 each of the following three quarters to come down to 2.75:1 by end of Q3 2019 and will thereafter stay at 2.75:1 for the remaining life of the facility.

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

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

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

Foreign currency transactions and balances

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

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (continued)

Taxation

Income tax expense is comprised of current and deferred tax. Income tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items taken directly to the Statement of Other Comprehensive Income.

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes are related to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are classified as long-term in the Balance Sheet.

Financial assets and liabilities

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

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

Financial instruments at fair value through profit and loss

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

Financial instruments at fair value through other comprehensive income

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

Financial instruments at amortised cost

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

PANOCEANIC ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

New and amended standards and interpretations

IFRS 9 Financial Instruments

The new financial instruments standard, IFRS 9, replaced existing IFRS requirements for financial instruments effective from 1 January 2018.

The company has completed a detailed assessment of its financial assets and liabilities as at 1 January 2018. The new classification of financial instruments under IFRS 9 is as follows:

Accounts and other receivables: these items previously classified as loans and receivables are classified and continue to be measured at amortized cost.

Accounts payable and accrued expenses: these items continue to be classified and measured at amortized cost.

The company has assessed the classification of comparable figures for the year ended 31 December 2018. The standard did not have any material effect on the classification and valuation of financial assets or liabilities.

Other amendments issued during the year do not have a significant impact on the financial statements.

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

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective, including IFRS 16 Leases, are not expected to have a material impact on the company's financial statements. The company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

4 Critical accounting judgements, estimates and assumptions

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

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

5 Operating loss

Arrived at after charging:

| | 2018 \$ 000 | 2017 \$ 000 |
|-------------------------------------|----------------|----------------|
| Auditor's remuneration | | |
| - Audit of the financial statements | <u>3</u> | <u>2</u> |

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6 Directors' remuneration

None of the directors received any fees or remunerations for services as a director of the company during the financial year (2017: 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

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| | \$ 000 | \$ 000 |
| Interest receivable on group loans | 52 | 34 |

8 Income tax

(a) Analysis of tax charge

| | 2018 | 2017 |
|--------------------------|---------------|---------------|
| | \$ 000 | \$ 000 |
| Current taxation | | |
| UK corporation tax | - | - |
| Deferred taxation | - | - |
| Tax expense | - | - |

(b) Factors affecting current tax charge

The tax on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are reconciled below:

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$ 000 | \$ 000 |
| Profit before tax | 40 | 32 |
| Corporation tax at standard rate | 8 | 6 |
| Group relief (claimed) for nil consideration | (8) | (6) |
| Total tax charge | - | - |

(c) Deferred tax asset

The company does not have any temporary differences, brought forward or carried forward, for which deferred tax should be recognised.

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9 Debtors

| | 2018 \$ 000 | 2017 \$ 000 |
|---|----------------|----------------|
| Amounts receivable from ultimate parent undertaking | 856 | 822 |

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

10 Creditors

| | 2018 \$ 000 | 2017 \$ 000 |
|------------------|----------------|----------------|
| Accrued expenses | 2 | 3 |
| Other creditors | - | 5 |
| | 2 | 8 |

11 Share capital

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|----------------------------|-----------|--------|-----------|--------|
| | No. | \$ 000 | No. | \$ 000 |
| Ordinary shares of £1 each | 1,000,000 | 1,675 | 1,000,000 | 1,675 |

12 Foreign exchange

The financial statements are presented in US Dollars. The exchange rate at 31 December 2018 applied was 1.2733 USD to 1.0 GBP.

13 Related party transactions

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

14 Ultimate parent undertaking

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

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