

COMPANY REGISTRATION NUMBER 02904391



PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015

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**PGS EXPLORATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015**

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

Directors	C Steen-Nilsen G Langseth J Reinhardsen
Company secretary	C Richards
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
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 2015.

Principal activities

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

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

Business review

The profit for the year after taxation is \$4,571,000 (2014: loss of \$32,925,000). The directors do not recommend payment of a dividend (2014: \$nil).

During the year the company transitioned from United Kingdom Generally Accepted Accounting Practice ('UK GAAP') to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Petroleum Geo-Services (UK) Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS 101.

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 MultiClient library.

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 carrying them out.

Demand for seismic acquisition and imaging services was weak in 2015. This was mainly caused by the oil companies' increased focus on reducing cost and improving cash flow, a priority shift which started in 2013. This impacted the company's financial performance and revenues reduced by 24%; with Marine Contract margins and MultiClient pre-funding most affected. The company implemented substantial cost saving initiatives during the year, achieving an operating profit margin of 8% in 2015. The company reported an operating loss in 2014 due to a one-off impairment charge of \$47,499,000 in relation to the MultiClient Library. The comparable impairment charge in 2015 amounted to \$4,399,000.

In all other respects the company has continued to operate in a similar way to previous years. The sustained oil price weakness and cautious spending pattern of customers continue to impact seismic demand negatively, and we expect demand for seismic services to be lower in 2016 than in 2015. Despite a global industry reduction of 3D vessel capacity of approximately 50 percent since 2013, the market is still oversupplied. We are well prepared for a challenging 2016 with the implementation of further cost reductions and a continued disciplined approach to capital expenditures. Looking further out, oil companies will eventually have to continue exploring for oil and gas resources to meet energy demand and to compensate for the depletion rates from producing fields. The company's excellent reputation, unique technologies and solid market share in the higher-end market segment makes us an attractive contractor and partner for oil companies now and in the future.

Principal risks and uncertainties of the company

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

PGS EXPLORATION (UK) LIMITED

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties of the group

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

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

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

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Petroleum Geo-Services Group had a substantial liquidity reserve including unutilized drawings of the Revolving Credit Facility of \$556.6million as of 31 December 2015, which can be used to meet the Group's funding commitments if called upon.

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

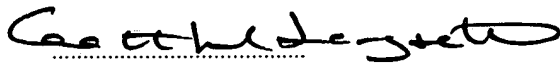
Demand for the group's products and services are heavily influenced by oil and gas prices and the focus areas of oil and gas companies' spending. The profitability of the group is subject to a number of operational risks, including increased competition, attractiveness of technology, changes in governmental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

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 42 to 44 of the group's annual report.

Key performance indicators ("KPIs")

The directors of the Petroleum Geo-Services Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of PGS Exploration (UK) Limited. The development, performance and position of the group, which includes the company, is discussed on pages 37 to 46 of the group's annual report which does not form part of this report.

Signed on behalf of the Board by:



G Langseth
Director

12 December 2016

PGS EXPLORATION (UK) LIMITED

DIRECTORS REPORT

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation is \$4,571,000 (2014: loss of \$32,925,000). The directors do not recommend payment of a dividend (2014: \$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

G Langseth

J Reinhardsen

Research and development

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

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 parent company's web site and industry and technical news items are distributed and discussed at regular intervals.

The company will always give due consideration for 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 2015 (2014: \$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 the 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.

PGS EXPLORATION (UK) LIMITED
DIRECTORS REPORT *(continued)*

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:

A handwritten signature in black ink, appearing to read 'G Langseth', written over a dotted line.

G Langseth
Director

/2 December 2016

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

We have audited the financial statements of PGS Exploration (UK) Limited for the year ended 31 December 2015 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 17. 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 6), 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 (APB'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 Strategic Report and Directors' Report 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 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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

Matters on which we are required to report by exception

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

Ernst & Young LLP

William Binns (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

1 More London Place
London
SE1 2AF

Date: 12-12-16

PGS EXPLORATION (UK) LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$ 000	2014 \$ 000
Turnover	5	171,368	226,177
Cost of sales		<u>(155,283)</u>	<u>(244,313)</u>
Gross profit/(loss)		16,085	(18,136)
Administrative expenses		<u>(11,652)</u>	<u>(14,470)</u>
Operating profit/(loss)	6	4,433	(32,606)
Interest payable	9	<u>(1,820)</u>	<u>(2,955)</u>
Profit/(loss) before taxation		2,613	(35,561)
Taxation	10	<u>1,958</u>	<u>2,636</u>
Profit/(loss) for the year		4,571	(32,925)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>4,571</u>	<u>(32,925)</u>

The company's results are derived from continuing operations.

PGS EXPLORATION (UK) LIMITED
BALANCE SHEET
31 DECEMBER 2015

	Note	2015 \$ 000	2014 \$ 000
Fixed assets			
Tangible assets	11	15,661	20,163
Current assets			
MultiClient library	12	80,861	96,784
Debtors	13	67,203	82,192
Deferred tax asset	10	9,107	7,056
Cash at bank and in hand		416	7,002
		<u>157,587</u>	<u>193,034</u>
Creditors: Amounts falling due within one year	14	<u>(88,308)</u>	<u>(132,364)</u>
Net current assets		<u>69,279</u>	<u>60,670</u>
Total assets less current liabilities		84,940	80,833
Creditors: Amounts falling due after more than one year		<u>(3,386)</u>	<u>(3,850)</u>
Net assets		<u>81,554</u>	<u>76,983</u>
Capital and reserves			
Called up share capital	15	41,214	41,214
Special reserve		21,535	21,535
Profit and loss account		<u>18,805</u>	<u>14,234</u>
Shareholders' funds		<u>81,554</u>	<u>76,983</u>

These financial statements were approved by the Board on ¹² December 2016 and signed on its behalf by:



C Steen-Nilsen
Director

Registered number: 02904391

PGS EXPLORATION (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2015

	Share capital \$ 000	Special reserve \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2015	<u>41,214</u>	<u>21,535</u>	<u>14,234</u>	<u>76,983</u>
Profit for the year	-	-	4,571	4,571
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,571	4,571
At 31 December 2015	<u>41,214</u>	<u>21,535</u>	<u>18,805</u>	<u>81,554</u>

	Share capital \$ 000	Special reserve \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2014	<u>41,214</u>	<u>21,535</u>	<u>47,159</u>	<u>109,908</u>
Loss for the year	-	-	(32,925)	(32,925)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(32,925)	(32,925)
At 31 December 2014	<u>41,214</u>	<u>21,535</u>	<u>14,234</u>	<u>76,983</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

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 2015 were authorised for issue by the board of directors on 12 December 2016 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 transitioned from UK Generally Accepted Accounting Practice ("UK GAAP") to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.

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 17.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

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;

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

- 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.

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, creating significantly more headroom and preserving a strong liquidity reserve.

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 as a consequence of the maximum TLR reverting to the level prior to amendment for Q4 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 ends up breaching the TLR covenant, this would represent an event of default under the loan agreement. In such case PGS may be able to continue to access the RCF if it receives a waiver of the breach or if PGS implements remedial actions, such as refinancing or raising equity capital, acceptable for the banks. 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. However, this scenario is in PGS' view highly unlikely since (i) the risk of an eventual breach will tend to be quite late in 2017; (ii) PGS believes that it has plans and available measures to avoid an event of default and; (iii) 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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

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, Petroleum Geo-Services 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.

Revenue recognition

The Company recognises revenue when (i) a legally binding sale arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable and collection is reasonably assured. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have stand alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognised over the period services are provided. The Company's revenue recognition policy is described in more detail below.

Sales of MultiClient library data

Late sales - The company grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The Company recognises revenue for late sales on completed surveys when the customer executes a valid license agreement and has received the underlying data, or has the right to access the licensed portion of the data, the customer's license payment is fixed and determinable and collection is reasonably assured.

Pre-funding arrangements - The company obtains funding from a limited number of customers before a seismic project is completed. In return for pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices. The Company recognises pre-funding revenue on surveys-in-progress as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognised based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Proprietary sales/contract sales

The company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The company recognises proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognised based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Other services

Revenue from other services is recognised as the services are performed, provided all other recognition criteria are satisfied.

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

Taxation

The income tax expense recognised in the statement of profit and loss and other comprehensive income 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 profit or loss, in which case the tax is also recognised in profit or loss.

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.

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
Furniture & office equipment	4 - 6
Computer equipment and software	3 - 5
Seismic equipment & vehicles	3

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

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 capitalized 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 capitalized to the MultiClient library.

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

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.

Sales amortisation - The Company amortises each MultiClient library survey based on the ratio of survey cost to forecast sales. On an annual basis each survey is placed in an amortisation category based on this ratio. Effective January 1, 2012, the Company refined its method for calculating amortisation expense on the MultiClient library by introducing more amortisation categories or bands in order to more precisely calculate sales amortisation expense. In previous years, four categories were applied with amortisation rates of 90%, 75%, 60% or 45% of sales. From January 1, 2012, these categories range from 30-95% of sales amounts with 5% intervals, with a minimum of 45% for pre-funding. Each category includes surveys where the remaining unamortized cost as a percentage of remaining forecasted sales is less than or equal to the amortisation rate applicable to each category.

Minimum amortisation - An integral component of amortisation of the MultiClient library is the minimum amortisation policy. The book value of each survey (including groups of surveys) of the MultiClient library is reduced to a specified percentage by year-end, based on the age of the survey in relation to its year of completion. This requirement is applied each year-end regardless of future sales estimates for the survey. The specified percentage generates the maximum permitted book value for each survey as the product of the percentage multiplied by the original capitalized cost of the survey at the respective period end. Any additional or minimum amortisation charges required are then determined through a comparison of the remaining book value to the maximum permitted book value allowed for each survey.

The specified percentages used to determine the maximum book value of the MultiClient library surveys are summarized as follows:

Calendar year after project completion	5-year profile	3-year profile
Year 0 (a)	100%	100%
Year 1	80%	66%
Year 2	60%	33%
Year 3	40%	0%
Year 4	20%	
Year 5	0%	

(a) Represents the year in which the survey is classified as completed

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

All surveys, except derivative products, have a 5-year profile starting in the year after project completion. Derivative processed products have a 3-year profile starting in the year after data delivery. Derivative products are mainly reprocessing which creates data that can be licensed separately from the original survey.

The Company classifies as amortisation, impairment of individual MultiClient surveys that are based on changes in project specific expectations and that are not individually material. The Company expects this additional, non-sales related, amortisation expense to occur regularly because each individual survey is evaluated at least annually for impairment or when specific indicators exist. The Company classifies as impairment in its statement of profit and loss and comprehensive income write-downs related to fundamental changes in estimates affecting a larger part of the Company's MultiClient library where the effects are material.

The Company will prospectively implement amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets from January 1, 2016. Amortisation for finished surveys will be calculated on a straight line basis over 4 years following completion of the survey. Amortisation for surveys already completed as of January 1, 2016 will be calculated based upon the shorter of 4 years and the individual surveys remaining minimum amortisation period as of December 31, 2015. The practice for amortization of surveys-in-progress will remain unchanged; the sales forecast method will continue to be used pursuant to which the amortisation percent related to pre-funding revenue will be calculated based on the ratio of survey cost to forecast sales.

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 recognized 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 and 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 recognized 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.

Impairment

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 profit or loss.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

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 recognized for the asset. The reversal is presented separately in profit or loss.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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 obligation

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 and reduced by the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using estimated interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the pension liability.

Past service costs, which is an increase in the present value of the defined benefit obligation for employee services in prior periods due to current period changes to a defined benefit plan, are recognised immediately in the income statement unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the 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.

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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

3 Accounting policies (continued)

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held-for-trading unless designated as effective hedging instruments.

After initial recognition, financial assets and liabilities in this category are measured at fair value with unrealised gains and losses recognised through profit or loss.

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 recognized 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 recognized 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 recognized 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.

Steaming costs

Steaming costs relate to relocating or "steaming" a vessel and its crew from one location to another. Steaming costs are capitalized or 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 capitalized as a part of the MultiClient library (see above). The recoverable steaming costs associated with exclusive contract surveys are deferred and charged to the profit or loss based upon the percentage of completion of the surveys.

**PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015**

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.

Revenue recognition

The Company recognises proprietary contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. As contracts often contain more than one deliverable, the stage of completion estimation requires significant judgement. Cost estimation is based upon the nature and complexity of the work to be performed and availability and productivity of labour, and relies upon the knowledge and experience of the project managers, finance and commercial professionals and the company's contract management processes.

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.

Forecast sales of MultiClient library

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amortization rate and amount of impairment, if any. In forecasting sales, management considers past experience, market developments, 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 amortization rates could deviate significantly from year to year. In addition, future revenues on a survey may not be sufficient to cover the existing carrying value. To the extent the actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability due to increased amortization rates and/or impairments of MultiClient library surveys. The minimum amortization policy is designed to reduce the risk an increase in future years' amortization rates or impairment as result of unfavorable variances in revenues ultimately achieved compared to forecast.

Seismic vessels and equipment

Depreciation is based on management estimates of the future economic benefits and expected useful lives of seismic vessels and equipment. These estimates may change due to changes in market conditions including competition, technological development, use of the assets and strategic considerations.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

4 Critical accounting judgements, estimates and assumptions (continued)

Impairment of seismic vessels and equipment

Seismic vessels and equipment are regularly reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Future cash flows expected to be generated from the use and eventual disposal of the assets are estimated to determine the amount of impairment, if any.

Estimating future cash flows requires management to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are subject to uncertainty as they require assumptions about demand for our products and services, future market conditions and technological developments. Significant and unanticipated changes in these assumptions could result in impairments in a future period.

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 unfavorable 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

Turnover recognised in the statement of profit and loss and other comprehensive income is analysed as follows:

	2015	2014
	\$ 000	\$ 000
Revenue from geophysical services	124,565	178,946
MultiClient late sales	46,803	47,231
Total turnover from continuing operations	<u>171,368</u>	<u>226,177</u>

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

	2015	2014
	\$ 000	\$ 000
United Kingdom	119,614	134,008
Other European countries	2,773	7,370
Americas	1,372	3,388
Middle East & Africa	46,030	78,062
Rest of the World	1,579	3,349
	<u>171,368</u>	<u>226,177</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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6 Operating profit

Arrived at after charging/(crediting)

	2015 \$ 000	2014 \$ 000
Depreciation expense	5,066	6,968
Impairment of MultiClient library	4,399	47,499
Research and development cost	1,969	2,203
Foreign exchange (gains)/losses	87	(150)
Operating lease expense - plant and machinery	14,472	19,898
Operating lease expense - other	3,071	3,447
Profit on disposal of property, plant and equipment	(26)	(91)
Auditor's remuneration		
- Audit of the financial statements	86	50

7 Staff costs

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

	2015 \$ 000	2014 \$ 000
Wages and salaries	22,039	27,252
Social security costs	2,912	3,667
Pension costs, defined contribution scheme	6,844	7,306
	<u>31,795</u>	<u>38,225</u>

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

	2015 No.	2014 No.
Operations	150	148
Selling and administration	38	36
Other departments	45	45
	<u>233</u>	<u>229</u>

8 Directors' remuneration

None of the directors received any fees or remunerations for services as a director of the company during the financial year (2014: 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.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9 Interest payable

	2015 \$ 000	2014 \$ 000
Interest payable on group loans	1,577	2,490
Unwinding of discount rate	240	462
Other finance costs	3	3
	<u>1,820</u>	<u>2,955</u>

10 Income tax

(a) Analysis of tax charged/(credited)

	2015 \$ 000	2014 \$ 000
Current taxation		
UK corporation tax	-	-
Foreign tax	93	682
Total current income tax	<u>93</u>	<u>682</u>
Deferred taxation		
Current year charge/(credit)	1,292	(3,004)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(3,343)	(314)
Total deferred taxation	<u>(2,051)</u>	<u>(3,318)</u>
Tax receipt	<u>(1,958)</u>	<u>(2,636)</u>

(b) Factors affecting current tax charge

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2014 - lower than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%). The differences are reconciled below:

	2015 \$ 000	2014 \$ 000
Profit/(loss) before tax	2,613	(35,561)
Corporation tax at standard rate	529	(7,646)
Expenses not deductible for tax purposes	147	859
Effect of foreign tax rates	74	535
Change in tax laws and rate	635	554
Tax losses on which no deferred tax asset has been recognised	-	3,376
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(3,343)	(314)
Total tax credit	<u>(1,958)</u>	<u>(2,636)</u>

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

10 Income tax (continued)

(c) Deferred tax

The company has carried forward timing 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 timing differences where they satisfy the recognition criteria for deferred tax assets in line with FRS 101 'Reduced Disclosure Framework'.

	At 1 January 2015	Recognised in income	At 31 December 2015
	\$ 000	\$ 000	\$ 000
Depreciation in advance of capital allowances	2,255	556	2,811
Other timing differences	1,939	5	1,944
Unrelieved tax losses	2,862	1,490	4,352
Total	7,056	2,051	9,107

The deferred tax asset above includes \$4,586,000 (2014: \$4,040,000) falling due after more than one year.

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 2015, the deferred tax asset in respect of pre-trading expenses was not been recognised due to the uncertainty as to when these will be recovered.

	Unrecognised 2015	Unrecognised 2014
	\$ 000	\$ 000
Other timing differences	5,567	6,185
Unrelieved tax losses	-	3,376
Total	5,567	9,561

The UK tax rate is in the process of being reduced to 17%. At 31 December 2015, the UK tax rates that had been substantively enacted were 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020). At 31 December 2014 the equivalent rate was 20%. Due to the 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 18% (2014: 20%).

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

11 Tangible assets

	Leasehold improvements \$ 000	Computer equipment & software \$ 000	Seismic equipment & vehicles \$ 000	Furniture & office equipment \$ 000	Total \$ 000
Cost or valuation					
At 1 January 2015	16,536	22,886	197	7,945	47,564
Additions	63	523	-	6	592
Disposals	-	(1,886)	(3)	(202)	(2,091)
At 31 December 2015	<u>16,599</u>	<u>21,523</u>	<u>194</u>	<u>7,749</u>	<u>46,065</u>
Depreciation					
At 1 January 2015	6,398	16,350	196	4,457	27,401
Charge for the year	1,507	3,246	1	312	5,066
Disposals	-	(1,859)	(3)	(201)	(2,063)
At 31 December 2015	<u>7,905</u>	<u>17,737</u>	<u>194</u>	<u>4,568</u>	<u>30,404</u>
Carrying amount					
At 31 December 2015	<u>8,694</u>	<u>3,786</u>	<u>-</u>	<u>3,181</u>	<u>15,661</u>
At 31 December 2014	<u>10,138</u>	<u>6,536</u>	<u>1</u>	<u>3,488</u>	<u>20,163</u>

12 MultiClient Library

	2015 \$ 000	2014 \$ 000
Seismic data library		
Work in progress	21,077	21,843
Completed data	<u>59,784</u>	<u>74,941</u>
	<u>80,861</u>	<u>96,784</u>

In 2015, an additional impairment charge of \$4,399,000 (2014: \$47,499,000) was recognised to reflect the discounted cash flow of future sales on certain individual surveys.

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13 Debtors

	2015	2014
	\$ 000	\$ 000
Trade debtors	12,935	63,370
Amounts receivable from immediate parent undertaking	516	889
Amounts receivable from group undertakings	13,786	4,463
Accrued income	33,407	6,722
Prepayments	3,614	4,546
Other debtors	2,945	2,202
	<u>67,203</u>	<u>82,192</u>

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

14 Creditors

	2015	2014
	\$ 000	\$ 000
Trade creditors	3,644	6,678
Amounts owed to ultimate parent undertaking	55,191	80,157
Amounts owed to other group undertakings	11,091	16,276
Accrued expenses	14,914	22,650
Social security and other taxes	1,096	820
Other payables	1,447	1,964
Deferred income	925	3,819
	<u>88,308</u>	<u>132,364</u>

Amounts payable to 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.

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

PGS EXPLORATION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	\$ 000	No.	\$ 000
Ordinary shares of £1 each	<u>28,898,952</u>	<u>41,214</u>	<u>28,898,952</u>	<u>41,214</u>

16 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.

17 Ultimate parent undertaking

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

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

PGS EXPLORATION (UK) LIMITED
APPENDIX TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015

Adoption of FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with UK GAAP. Accordingly, the company has prepared financial statements which comply with FRS 101 applicable for periods ending on 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014. There were no adjustments required to the Statement of Profit and Loss and Other Comprehensive Income or the Balance Sheet as a result of the transition from UK GAAP to FRS 101.

Reconciliation of balance sheet as at 1 January 2014

	Note	UK GAAP \$ 000	Adjustment \$ 000	FRS 101 \$ 000
Fixed assets				
Tangible assets	a	20,680	-	20,680
		<u>20,680</u>	<u>-</u>	<u>20,680</u>
Current assets				
MultiClient Library		147,800		147,800
Debtors	b	92,634	(3,738)	88,896
Deferred tax asset	b	-	3,738	3,738
Cash at bank and in hand		3,585	-	3,585
		<u>244,019</u>	<u>-</u>	<u>244,019</u>
Creditors: Amounts falling due within one year		(151,938)	-	(151,938)
Net current assets		<u>92,081</u>	<u>-</u>	<u>92,081</u>
Total assets less current liabilities		<u>112,761</u>	<u>-</u>	<u>112,761</u>
Creditors: Amounts falling due after more than one year		(2,853)	-	(2,853)
Net assets		<u>109,908</u>	<u>-</u>	<u>109,908</u>
Capital and reserves				
Share capital		41,214	-	41,214
Special reserve		21,535	-	21,535
Profit and loss account		47,159	-	47,159
Shareholders' funds		<u>109,908</u>	<u>-</u>	<u>109,908</u>

PGS EXPLORATION (UK) LIMITED
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AS AT 31 DECEMBER 2015

Reconciliation of balance sheet as at 31 December 2014

	Note	UK GAAP \$ 000	Adjustment \$ 000	FRS 101 \$ 000
Fixed assets				
Tangible assets	a	20,163	-	20,163
		<u>20,163</u>	<u>-</u>	<u>20,163</u>
Current assets				
MultiClient Library		96,784		96,784
Debtors	b	89,248	(7,056)	82,192
Deferred tax asset	b	-	7,056	7,056
Cash at bank and in hand		7,002	-	7,002
		<u>193,034</u>	<u>-</u>	<u>193,034</u>
Creditors: Amounts falling due within one year		(132,364)	-	(132,364)
Net current assets		<u>60,670</u>	<u>-</u>	<u>60,670</u>
Total assets less current liabilities		<u>80,833</u>	<u>-</u>	<u>80,833</u>
Creditors: Amounts falling due after more than one year		(3,850)	-	(3,850)
Net assets		<u>76,983</u>	<u>-</u>	<u>76,983</u>
Capital and reserves				
Share capital		41,214	-	41,214
Special reserve		21,535	-	21,535
Profit and loss account		14,234	-	14,234
Shareholders' funds		<u>76,983</u>	<u>-</u>	<u>76,983</u>

PGS EXPLORATION (UK) LIMITED
APPENDIX TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015

Reconciliation of statement of profit and loss and other comprehensive income for the year ended 31 December 2014

		UK GAAP	Adjustment	FRS 101
	Note	\$000	\$000	\$000
Turnover	c	226,177	-	226,177
Cost of sales		(244,313)	-	(244,313)
Gross profit		(18,136)	-	(18,136)
Administrative expenses		(14,470)	-	(14,470)
Operating profit		(32,606)	-	(32,606)
Interest payable and similar charges		(2,955)	-	(2,955)
Loss before taxation		(35,561)	-	(35,561)
Taxation		2,636	-	2,636
Loss for the year		(32,925)	-	(32,925)
Other comprehensive income		-	-	-
Total comprehensive income		(32,925)	-	(32,925)

Explanatory notes to FRS 101 adjustments

a. Tangible assets under UK GAAP were stated at cost less accumulated depreciation. Following a review of assets and their useful lives, previous policy was found to be in line with FRS 101 and no adjustments have been made.

b. Deferred tax assets have been reclassified on the face of the balance sheet on transition to FRS 101.

c. Existing revenue recognition policies under UK GAAP were in line with principles in *IAS 18: Revenue*. No adjustments were required to prior or current year figures.