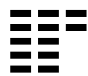 Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2015 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	912 249 638
Organisasjonsform:	Norskreg. utenlandsk foretak
Foretaksnavn:	POLARCUS LIMITED
Forretningsadresse:	c/o Intertrust Corporate Services 190 Elgin Avenue George Town GRAND CAYMAN KY1 9005

Regnskapsår

Årsregnskapets periode:	01.01.2015 - 31.12.2015

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Ja
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	ben boiling
Dato for fastsettelse av årsregnskapet:	27.06.2016

Grunnlag for avgivelse

År 2015: Årsregnskapet er elektronisk innlevert
År 2014: Tall er hentet fra elektronisk innlevert årsregnskap fra 2015

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 06.09.2020

Resultatregnskap

Beløp i: USD	Note	2015	2014
RESULTATREGNSKAP			
Inntekter			
revenues	5	377 471 000	466 709 000
Sum inntekter		**377 471 000**	**466 709 000**
Kostnader			
cost of sales	23	193 122 000	286 173 000
onerous contracts	4	8 803 000	0
depn and amortization	25	141 688 000	116 317 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	26	315 430 000	35 110 000
general and admin costs	24	32 701 000	30 409 000
Sum kostnader		**691 744 000**	**468 009 000**
Driftsresultat		**-314 273 000**	**-1 300 000**
Finansinntekter og finanskostnader			
finance income	28	12 395 000	21 793 000
Sum finansinntekter		**12 395 000**	**21 793 000**
fair value changes	20	9 013 000	13 310 000
Annen rentekostnad	27	61 136 000	85 293 000
share of loss from joint ventures	8	983 000	280 000
Sum finanskostnader		**71 132 000**	**98 883 000**
Netto finans		**-58 737 000**	**-77 090 000**
Ordinært resultat før skattekostnad		**-373 010 000**	**-78 390 000**
inceom tax	29	1 093 000	243 000
Ordinært resultat etter skattekostnad		**-374 103 000**	**-78 633 000**
Årsresultat		**-374 103 000**	**-78 633 000**

Balanse

Beløp i: USD	Note	2015	2014
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
multi-client library	7	50 828 000	88 731 000
other intangibles	9	255 000	31 969 000
Sum immaterielle eiendeler		**51 083 000**	**120 700 000**
Varige driftsmidler			
vessels	6	634 419 000	927 815 000
Sum varige driftsmidler		**634 419 000**	**927 815 000**
Finansielle anleggsmidler			
investment in joint ventures	8	1 220 000	2 203 000
Sum finansielle anleggsmidler		**1 220 000**	**2 203 000**
Sum anleggsmidler		**686 722 000**	**1 050 718 000**
Omløpsmidler			
Varer			
Fordringer			
accounts receivables	3	26 391 000	58 233 000
other current assets	10	66 549 000	56 480 000
Sum fordringer		**92 940 000**	**114 713 000**
Bankinnskudd, kontanter og lignende			
cash	12	53 976 000	65 488 000
restricted cash	11	14 519 000	8 236 000
Sum bankinnskudd, kontanter og lignende		**68 495 000**	**73 724 000**
Sum omløpsmidler		**161 435 000**	**188 437 000**
SUM EIENDELER		**848 157 000**	**1 239 155 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: USD	Note	2015	2014
Egenkapital			
Innskutt egenkapital			
share capital	13	13 396 000	13 396 000
Overkurs	13	532 222 000	532 222 000
Sum innskutt egenkapital		**545 618 000**	**545 618 000**
Opptjent egenkapital			
other reserves	15	32 556 000	33 149 000
Udekket tap		466 309 000	93 302 000
Sum opptjent egenkapital		**-433 753 000**	**-60 153 000**
Sum egenkapital		**111 865 000**	**485 465 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Konvertible lån	17	0	96 336 000
Obligasjonslån	16	0	130 407 000
Gjeld til kredittinstitusjoner	19	644 000	236 345 000
finance lease	18	0	165 278 000
other	20	22 324 000	13 310 000
Sum annen langsiktig gjeld		**22 968 000**	**641 676 000**
Sum langsiktig gjeld		**22 968 000**	**641 676 000**
Kortsiktig gjeld			
Konvertible lån	17	96 607 000	0
bonds	16	124 018 000	
finance lease	18	166 018 000	8 394 000
other interest bearing debt	19	256 911 000	44 358 000
Leverandørgjeld		30 109 000	19 056 000
other accruals and payables	21	39 661 000	40 206 000
Sum kortsiktig gjeld		**713 324 000**	**112 014 000**
Sum gjeld		**736 292 000**	**753 690 000**
SUM EGENKAPITAL OG GJELD		**848 157 000**	**1 239 155 000**

Balanse

Beløp i: USD	Note	2015	2014

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O Box 20, NO-0051 Oslo

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Medlemmer av Den norske revisorforening

To the Board of Directors of
Polarcus Limited

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Polarcus Limited – Norwegian branch, which comprise the balance sheet as at 31 December 2015, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Chief Financial Officer's responsibility for the financial statements

The Chief Financial Officer (CFO) is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the CFO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of Polarcus Limited – Norwegian branch have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 28 June 2016
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Polarcus®

Annual Report 2015

Index

4. Polarcus in 2015
5. Entering a new era
6. Letter from our Chairman
7. Letter from our CEO
8. RESPONSIBILITY
10. INNOVATION
12. EXCELLENCE
14. Summer in Sakhalin
16. Right-Sized fleet
18. Board of Directors
20. Executive Management
22. Board of Directors Report
36. Polarcus Share
38. Consolidated Financial Statements
84. Parent Company Financial Statements
100. Auditors Report
102. Addresses

Polarcus Amani breaking records with the world's largest seismic spread ever deployed by a single seismic vessel, making it the world's largest man-made moving object. The project was conducted offshore Myanmar in the beginning of 2016.

Polarcus in 2015

Polarcus is an innovative marine geophysical company with a pioneering environmental agenda, delivering high-end towed streamer data acquisition and imaging services from Pole to Pole. Polarcus operates a fleet of high performance 3D seismic vessels incorporating leading-edge maritime technologies for exceptional safety and efficiency.

Polarcus offers contract seismic surveys and multi-client projects with innovative acquisition and advanced onboard processing solutions, employing nearly 500 employees worldwide. The Company has offices around the world with its principal office in Dubai, United Arab Emirates.

Financials (all numbers in USD millions)

Revenue
377.5
466.7 in 2014

EBITDA
144.8
150.1 in 2014

EBIT (Excluding impairment)
3.1
27.5 in 2014

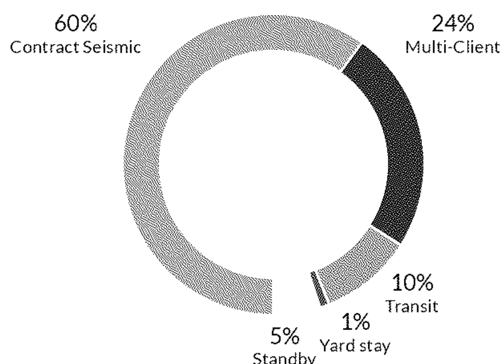
Cash from Operations
167.5
157.8 in 2014

Operations

Vessels in operation
6

Average age of fleet
4/8 Years
Industry ave.

Fleet utilization



Entering a new era

The world in which we operate is changing, and we are changing with it.

The unprecedented decline in commodity prices has had a hard impact on our industry, an impact which we believe will have a lasting effect. Change brings out the best in those who are agile and willing to define the new. Polarcus has during 2015 shown its ability to change and adapt to the new macro conditions. We have streamlined our organization and with our Right-Sized and uniform seismic fleet, are able to offer the most efficient operation in the industry.

We have always believed in having a responsible approach to what we do, and our tailored solutions to the many geophysical challenges presented to us has earned us a reputation of delivering the RIGHT solutions.

In 2015 we set out to develop a solution which provided both improved efficiencies and improved data quality. The result of these efforts is XArray™. The multi-source acquisition technique was developed by our small, in-house R&D team and is currently being offered to customers all across the globe with an overwhelming interest. This step change in seismic delivery is a true testament to the agility and the innovative spirit that is at the core of Polarcus.

We remain realistic when facing the future, and we have positioned Polarcus well as a front-runner in our industry. We continue with the safest and most efficient operations, our people are closer to our customers in all markets across the world, and we've lowered our cost base to be the most competitive. With a stronger Polarcus, we are shaping this new era.

"Era" *noun \ˈer-ə, ˈe-rə, ˈir-ə*
: A memorable or important date or event; especially one that begins a new period in history.

Chairman's letter

In the 2014 Annual Report I referred to the rapid and unprecedented decline in oil prices in the second half of the year and the severely negative consequences it had had for seismic activity and day rates. Unfortunately, 2015 brought more of the same with a continuing fall in oil prices and fierce competition for a dwindling number of seismic contracts. The negative impact on all offshore seismic providers was severe and still, in Q1 2016, the environment remains challenging.

Polarcus nevertheless moved quickly from Q4 2014 to begin the radical steps necessary to ensure survival during such an unprecedented downturn. Throughout 2015 your Board and management worked closely with the Company's banks, bondholders and other stakeholders to agree a restructuring of the Company's finances. The revised financial structure which was agreed by all parties at the beginning of 2016 is more robust and is, we believe, better able to support the Company's activities even during a prolonged downturn.

At the same time, management, crews and office staff undertook a painful downsizing and cost reduction exercise which has made and which continues to make a vital contribution to the bottom line.

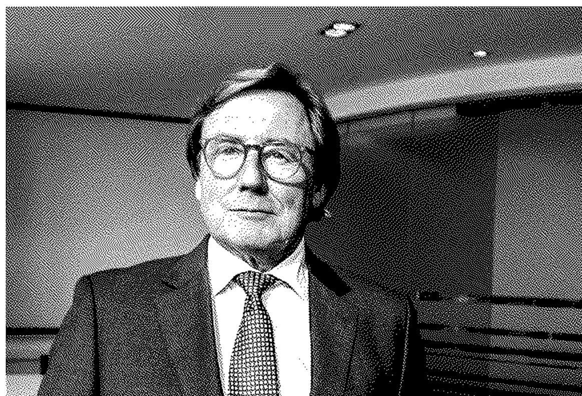
During the year we also made a concerted and successful effort to further develop our Right-Size concepts. Essentially this has involved leveraging our class leading vessels, developing new technologies, regionalizing sales and other functions and squeezing out increased efficiencies throughout the whole organization.

All of these developments were possible only because the vessel teams maintained a first class operational performance throughout. The sales teams secured and maintained a substantial backlog and we had the wholehearted support of everyone within the organization. It was this commitment which gave our financing partners the confidence to continue to support us and our customers the willingness to continue to employ us during a torrid time.

The result though, is a leaner, stronger and more efficient company. We face 2016 with industry leading backlog with our vessels already 80% booked for the whole year. We are winning repeat business from some of the most discerning clients in the industry and our new technologies provide a unique offering to customers who also have to do more with less in this difficult environment. We have a business model which we believe is robust even in current markets and which positions us well for any upturn.

We are immensely grateful to our financing partners, advisers and customers who have supported us throughout the year. We thank our employees and their families who have born much of the pain of these changes whilst remaining enthusiastic and hardworking. Their pain has of course been shared, at least financially by you, our shareholders, and your Board will now redouble its efforts to realize the shareholder value which is overdue and which you so richly deserve. Thank you for your continued support.

Peter Rigg
Chairman



CEO's letter

Polarcus has had an incredible 2015. In spite of the seismic industry experiencing its most difficult time in history, our dedicated employees have rallied to today's challenges. The share price is blind to the incredible efforts throughout the company to deliver on the 2015 Agenda of revenue generation, cost management and balance sheet management.

The company achieved its second highest quarterly top-line revenues, and contract awards and high-quality multi-client projects continue to be announced in more corners of the world. In looking at the list of contract awards published during the second half of 2015, one would never guess tender activity is at its lowest levels. Not for Polarcus; we keep our vessels busy and generate revenues! The company has grown closer to its clients and continuously monitors the pulse of the market, and operational safety and excellence are second to none.

A heavy level of debt on the balance sheet resulted from the company's rapid development in a capital-intensive and competitive industry, and it was not helped by the company's arrival to the market at the same time as the global financial crisis. Continued weak oil prices have dried up opportunities to attract new capital to the oil services sector, let alone into the company. It was critically important to manage the balance sheet, and the company has taken an important step to this end by addressing its financial structure.

Our team spent much of 2015 negotiating with our trusted banks, bondholders and shareholders to engineer a restructuring plan to secure the financial future of the company. The plan that was put forward in January 2016 offered an improved balance sheet and a USD 180 million reduction of debt service payments over the next three years. The plan, when presented, had strong support from key stakeholders and was voted through by all asset classes. That support is further testament to the fact that our company offers a product that is not only sought after in the seismic market, but also one that the financial market believes in. In addition to the restructuring, the company successfully implemented a major cost savings program resulting in a 30% reduction in the cash break-even cost for the vessels, which is a significant achievement, and has allowed Polarcus to offer the industry's most cost efficient operation without comprising on safety and data quality.

Despite the current market conditions, we have not lost focus on what is important. Polarcus was founded on three core values; Responsibility, Innovation and Excellence, and these values are what keeps us progressing. Throughout 2015, Polarcus has continued to deliver responsible exploration to its many clients, and with an unparalleled environmental performance, we are leading the industry responsibly.

Our continued focus on innovation has also paid off. The latest solution delivered to the market is our multi-source acquisition technique, XArray™, which delivers more real data for the same sail line effort as other wide-tow streamer acquisition methods, without resorting to in-line or cross-line data interpolation. We continue to see strong market interest for innovative solutions like XArray™, which improves operational efficiency and enhances data quality.

Each of the bold actions and accomplishments of 2015 are making Polarcus a stronger company and better prepared to perform in an evolving marketplace. I should like to thank our clients for their continued support and our employees for their loyalty through these testing times. There is plenty left to do, and I am confident, with your continued support, we are shaping up as the best marine geophysical company in the world.

Rod Starr
CEO

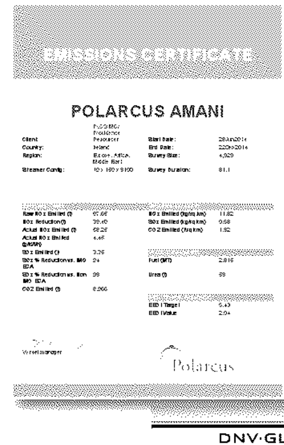
RESPONSIBILITY

Environmental leadership

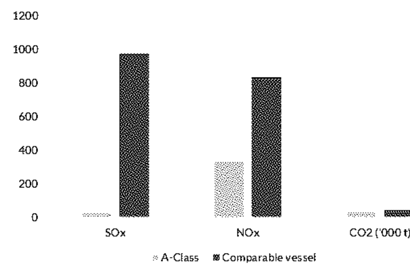
Responsible exploration is at the heart of our business. Since inception, we have been increasing stakeholder engagement, increasing environmental awareness and announcing our achievements in emissions reductions, transparency and reporting. We are very pleased to see the growing acknowledgment from our clients to our underlying fundamentals of sound environmental practices and the growing necessity for industry to contribute towards sustainable environmental solutions. We estimate approximately 50% of our contract awards to have been highly influenced by our unique agenda to Explore Green™.

One example of our many Explore Green™ initiatives is the emissions monitoring and measuring certification for our vessels under the DNV GL Environment, Energy, and Efficiency ("Triple-E™") voluntary independent rating tool. This gives us the ability to model the predicted exhaust emissions footprint for all projects, as well as, perform post-project analyses and reporting against the actual emissions measurements. For each project, an Emissions Certificate is produced and made available to our clients, that includes reports of emissions of three Green House Gases ("GHG"). To further increase awareness and promote transparency of environmental impact in our industry, we are committed to regularly disclosing our total airborne emissions. Our emissions are consistently substantially below IMO regulations.

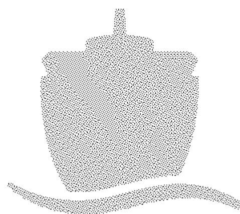
We have found a clear and sustainable relationship between the sound environmental initiatives on all fronts, risk reduction / mitigation, reduced consumption of fuel and other consumables, improved cost efficiency, equipment endurance and the inspiration and engagement from our human capital.

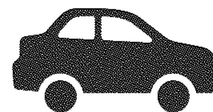


Annual Emission Comparison



We have stayed committed to our environmental stewardship throughout 2015, and we continue to look for further improvement in our environmental performance. Through ongoing efficiency improvements and innovation, we will continue to be the environmental leaders in the industry.





350,000 kg = **42,000 cars**

NO_x reduced in 2015 — *NO_x emissions for one year*

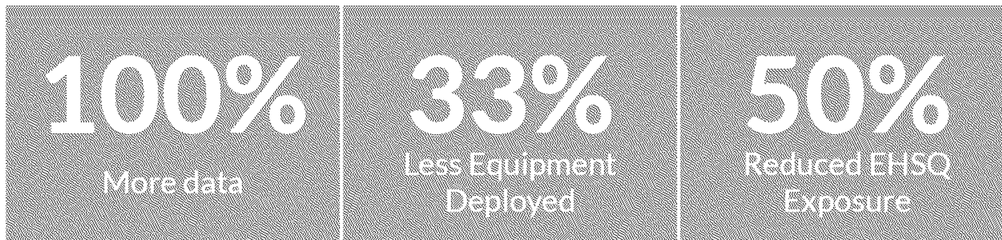
INNOVATION

Get more real data

Polarcus XArray™, the innovative seismic acquisition configuration developed by Polarcus, delivers more real data for the same sail line effort as other wide-tow streamer acquisition methods without resorting to in-line or cross-line data interpolation.

Polarcus XArray™ has been developed to enhance the resolution of data recorded both inline and crossline whilst maintaining the high productivity of large streamer spreads. This is achieved through the use of multiple sources, continuous data recording, and shot interference removal processing algorithms. Each project specific solution is developed by the survey design team in response to environmental, geophysical and operational constraints.

For example; to achieve the same cross-line sampling and sail line effort as a conventional configuration of 18 streamers at 100m separation, Polarcus XArray™ only requires 12 streamers at 150m separation. Combined with dense in-line source points, this means:



5,000 sq. km
XArray™ data acquired in 2015

= **3 x**
Area of Greater London

"The introduction of XArray™ has generated significant interest from clients due to a number of key benefits. It enables increased productivity in combination with enhanced, real data quality. The XArray™ technique has now been chosen on several proprietary contract awards and has been implemented on a number of our Multi-Client projects."

- Phil Fontana, Chief Geophysicist

EXCELLENCE

Leading our industry

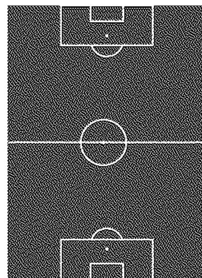
Polarcus breaking production records with largest man-made moving object on earth

Polarcus commenced in the beginning of 2016, an ultra-wide 3D marine seismic project offshore Myanmar. Polarcus Amani, the most environmentally sound seismic vessel in our industry, deployed an in-sea seismic configuration that measures 1.8km wide across the front ends. With each of the ten streamers separated by 200m, the total area covered by the spread is 17.6 sq. km. This is the largest in-sea configuration ever towed by a single seismic vessel as well as the largest man-made moving object on earth.

With such an achievement, Polarcus is setting new acquisition performance records and demonstrating once again that our Right-sized seismic fleet is capable of delivering the full range of seismic configurations demanded by the market. The acquisition plan in Myanmar will deliver up to 190 sq. km per day, a production rate that is currently unrivaled in the seismic industry, giving our client an extremely cost efficient project.

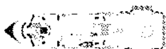
"Such industry leading operational efficiency in Myanmar by one of our Right-Sized 3D seismic vessels exemplifies Polarcus' strategy to deliver fit-for-purpose geophysical solutions to our clients. We work closely with all clients to ensure both their efficiency and data quality objectives are met and exceeded."

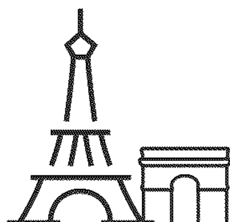
- Duncan Eley, COO



2,700

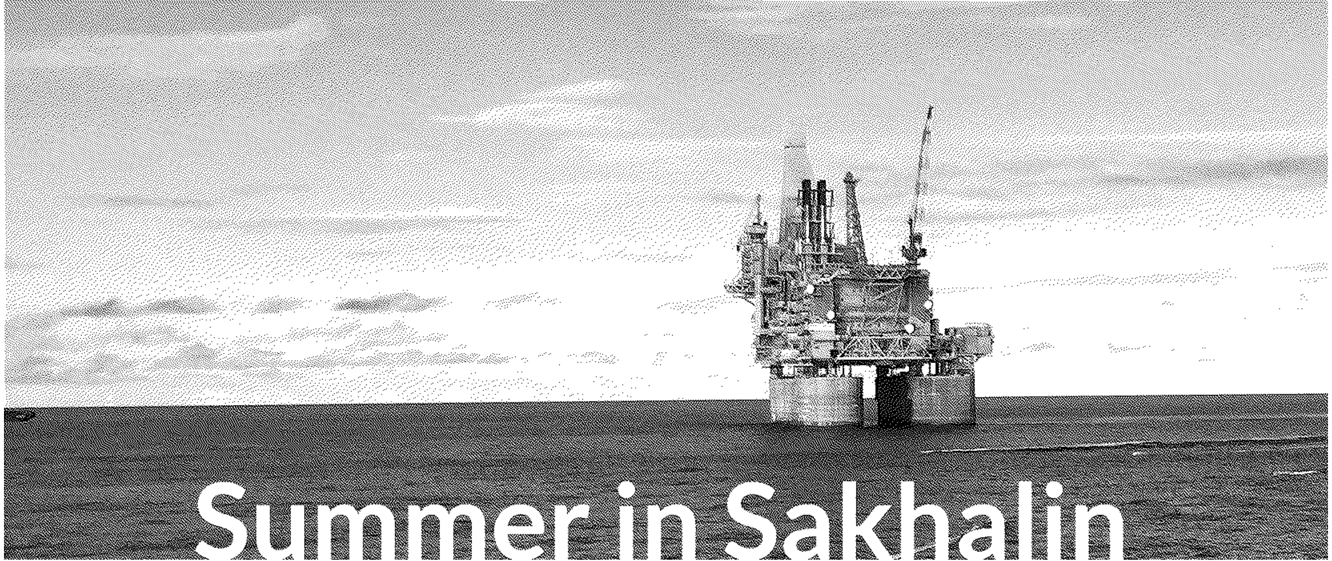
The total area covered by the configuration measures 17.6 sq. km, which is equal to 2,700 football fields.





2

The seismic configuration is also setting productivity records with a daily production of up to 190 sq. km, which is equal to the size of Paris, two times over.



Summer in Sakhalin

The Sakhalin project was one of the largest ever undertaken in our company's history, with a marine fleet comprising nine vessels in total: three 3D seismic vessels, including a partner vessel, and six support vessels.

Mobilization was conducted in Otaru, Japan, in late May for both of the Polarcus vessels followed by a transit to Korsakov in Sakhalin. Streamer deployment near the survey areas began in June 2015.

The project brought with it many challenges, including a limited operating window due to ice-infested waters, fresh water currents, shallow water, surface infrastructure, and the presence of many marine cetaceans including the endangered grey whale. The protection of cetaceans in the area was of highest priority and over a hundred marine mammal experts and observers were present and constantly monitoring the active marine life in the area from onboard all nine vessels as well as from onshore. These observers ensured that the mitigation zones were clear of any cetaceans before acquisition started. Despite all the challenges, the project operation was flawlessly undertaken with an impressive technical downtime of less than 1.5% and zero recordable incidents: statistics that are best in the industry.

This was the second commercial Fast Track processing project done by Polarcus, and the first for a multi-vessel project. The newly formed Fast Track Processing team managed to process this data through a very comprehensive and advanced flow that extends well beyond traditional onboard Fast Track processing. This was made possible through the systems onboard Polarcus Amani and Polarcus Asima. A third system was placed in our partner's onshore processing center, to merge the data sets and run the final pre-stack migration.

Planning for the campaign began in early September 2014, with significant efforts from the entire Polarcus team. The client was extremely impressed by the professionalism of the crews, the high level of commitment to EHSQ at all levels of the organization and the quality of the data.

9

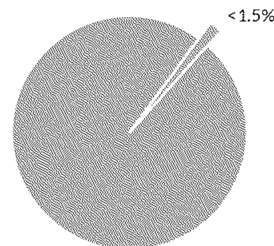
Vessels

680,000

Exposure hours

0.0

Harm/ Spill



Technical downtime

"In the current market environment, the flawless delivery of a high-profile project like the Sakhalin program is of utmost importance to our client, our partner and our company. The entire Polarcus team pulled together and truly delivered a product to our client that is second to none."

– Frans van der Velden, SVP Marine Acquisition

Right-Sized Vessels

We are operating an ultra-modern seismic fleet capable of operating in the most challenging of conditions and incorporating advanced maritime and environmental features, including an innovative X-BOW® inverted hull design.

We offer a full range of seismic services, including conventional and broadband 3D / 4D seismic acquisition, wide-tow and high-density configurations. The company delivers exceptional operational performance from complex multi-vessel operations, wide and multi-azimuth projects, through to seismic operations in frontier Arctic and environmentally sensitive sea areas.

Our fleet has an average age of just over four years and is uniformly outfitted for flexibility of support and efficient maintenance. The fleet is equipped with low noise 2Hz true-solid Sercel Seal Sentinel® streamers that are recognized for their low-noise properties and low frequency recording capabilities.

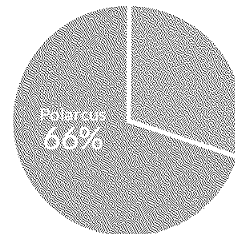
The entire Polarcus fleet is ice-class rated, with five out of six vessels in operations carrying industry leading ice-class notation to enable safe operations Arctic regions, in line with IMO Polar code coming into force on the 1st January 2017. All our vessels also have the DNV GL Environment, Energy, and Efficiency ("Triple-E™") rating. Triple-E™ is a mechanism for ships to be certified by a third party based on quantifiable verification of their environmental performance. All of the six vessels in operation during 2015 carry the highest achievable, Level 1, rating.

6

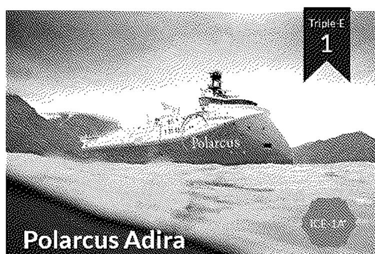
Vessels in operation

4/8 Industry ave.

Average age of fleet



Global Arctic seismic fleet


Triple-E
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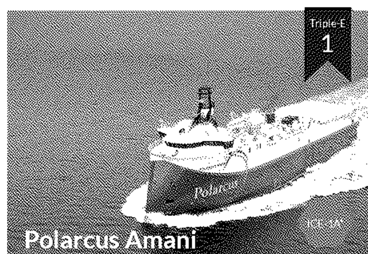
Polarcus
Polarcus Adira
ICE-1A*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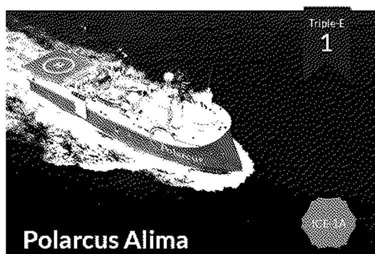
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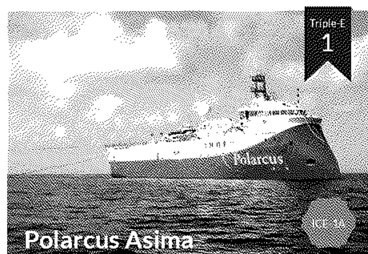
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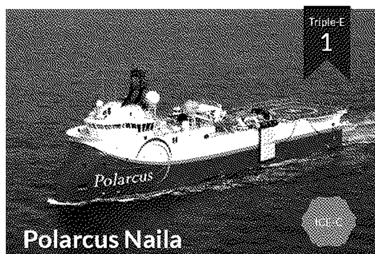
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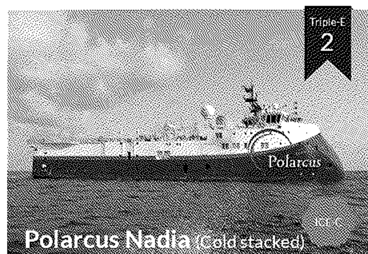
Polarcus
Polarcus Naila
ICE-C


Triple-E
2
Polarcus
Polarcus Nadia (Cold stacked)
ICE-C

Triple-E
1
SCF
Vyacheslav Tikhonov
ICE-1A

Peter M. Rigg

Chairman of the Board

Peter (born 1948) has an extensive background in investment banking with more than 25 years' experience working in Asia and Europe, principally for Credit Suisse First Boston as Worldwide Managing Director responsible for Asian Equity Capital Markets. Peter is a qualified Solicitor. He is currently the non-executive Chairman of MXC Capital plc, an AIM listed technology investment company and is a non-executive Director of Schroder's Oriental Income Fund where he serves as Chairman of the Audit and Management Engagement Committees. Peter is also a board director of Cartesius Advisory Network, a Swiss corporate and strategic advisory company and of GEMS Fund III, a private equity fund specializing in Asia, and he is a member of the Advisory Board of South West Energy, a privately owned Company with oil interests in Ethiopia.

Peter was appointed director and Chairman of the BoD of Polarcus Limited for the first time on 20 June 2008. As per 28 February 2016, Peter held 43,488 shares in Polarcus.

Thomas Kichler

Non-Executive Director

Thomas (born 1961) is a partner and US head of industrials and energy at CVC Capital Partners. Prior to joining CVC, he was a partner/managing director at One Equity Partners. He was also previously a managing director at Salomon Smith Barney (Citigroup), a director at Wasserstein Perella and a partner at Ernst & Young. He is currently chairman of the board at East Balt Bakeries. He has previously served on the boards of PeroxyChem LLC (fka FMC Peroxygens), Expert Global Solutions, Sonneborn Refined Products, Columbian Chemicals Company, LBC Holdings, Western Hospitals, Patil Rail Group and Progress Rail Services. Thomas received his B.S.E. from the Wharton School at the University of Pennsylvania and is also a certified public accountant.

Thomas was appointed to the BoD for the first time on 13 February 2014. He is associated with shareholdings held by affiliates of One Equity Partners who on 28 February 2016 held 13,570,704 shares in Polarcus.

Tore Karlsson

Non-Executive Director, Deputy Chairman of the Board

Tore (born 1953) is an independent consultant and partner via MemeTree Ltd, UK and co-founder and partner in MoVa AS, Norway and GeoPublishing Limited, UK. He has an M.Sc. in Geophysics and has held senior roles within the seismic industry encompassing line management, strategy, marketing and geophysics. His career in geophysics spans Saga Petroleum, and Schlumberger. Tore was Chairman of the board of Eastern Echo Ltd. prior to its acquisition by Schlumberger Ltd in 2007. He has also been an Associate Professor at the Centre for Entrepreneurship at the University of Oslo, Norway.

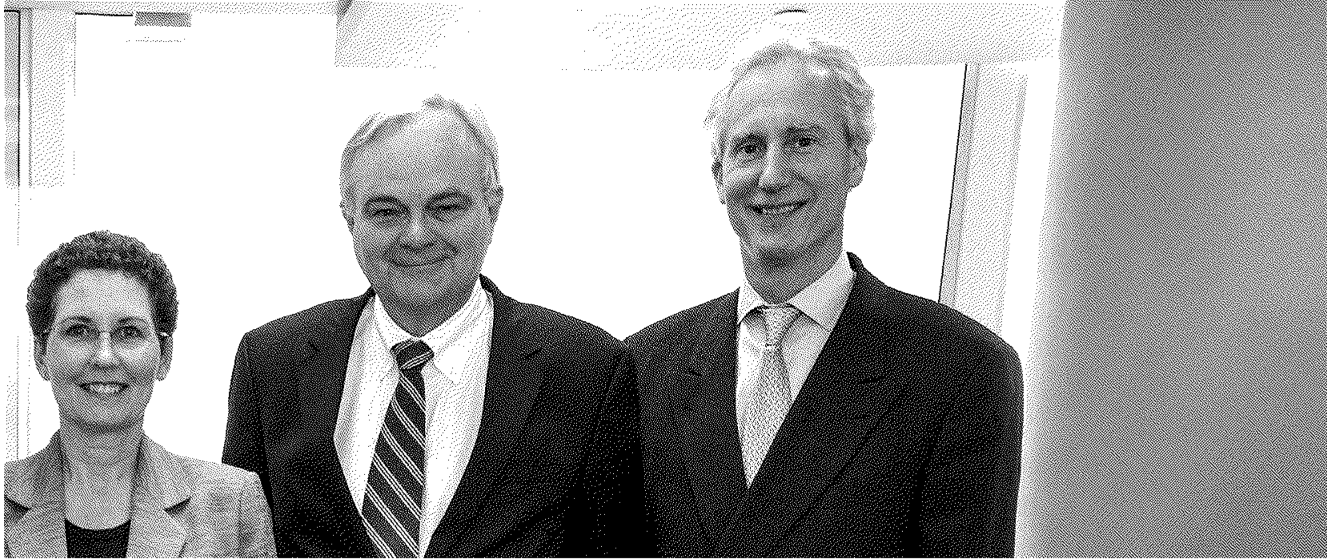
Tore was appointed member of the BoD for the first time on 20 June 2008 and acts as deputy chairman. As per 28 February 2016, Tore held 88,582 shares in Polarcus through its wholly owned entity Kepelia Enterprises Ltd.

Carl-Gustav Zickerman

Non-Executive Director

Carl-Gustav (born 1948) has substantial experience in the seismic industry gained from his involvement in the start-up of Eastern Echo Ltd, where he was also a Board member and prior to that, as Director and Partner with SeaBird Exploration Ltd. Other relevant experience includes many years working in senior technical roles within the shipping industry and energy sector.

Carl-Gustav was appointed member of the BoD for the first time at the inception of the Company. As per 28 February 2016, Carl-Gustav held 4,986,248 shares in Polarcus through its wholly owned entity Zickerman Holding Ltd.



Karen El-Tawil

Non-Executive Director

Karen (born 1961) has spent 30 years in the seismic industry. She was most recently VP Business Development for TGS-NOPEC Geophysical Company ASA, responsible for investor relations, M&A and corporate marketing. Previously she has managed multi-client sales for TGS, and exploration services and multi-client sales for Schlumberger Geco-Prakla. She has extensive experience of the international geophysical sector. She has a degree in earth science and mathematics from Adrian College, Michigan. Karen is a board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange.

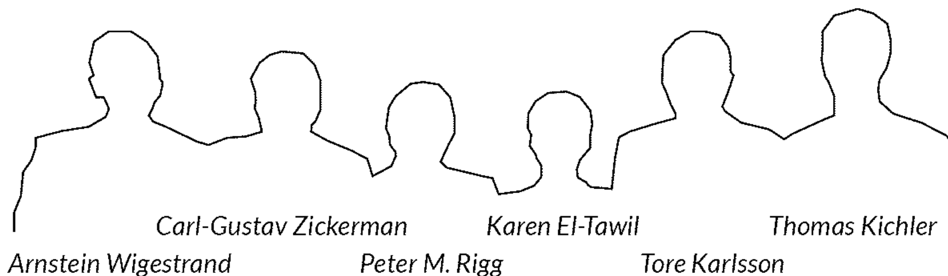
Karen was appointed to the Board for the first time on 13 February 2014. As per 28 February 2016, Karen held 42,500 shares in Polarcus.

Arnstein Wigestrand

Non-Executive Director

Arnstein (born 1957) has more than 20 years' experience in the upstream and downstream oil industry which started as a geologist/geophysicist with Statoil followed by a number of years with Saga Petroleum. He has worked as an oil service analyst for a decade for Handelsbanken and SEB Enskilda. Arnstein is currently an independent adviser and investor. He holds a graduate engineering degree from Norges Tekniske Høgskole and a business degree from Institut Français du Pétrole. Arnstein is currently chairman of Haukeli Invest AS and SP Capital 23 AS.

Arnstein was appointed to the BoD for the first time on 29 April 2013. As per 28 February 2016, Arnstein holds no shares in Polarcus.



Carl-Gustav Zickerman *Karen El-Tawil* *Thomas Kichler*
Arnstein Wigestrand *Peter M. Rigg* *Tore Karlsson*

Executive Management

Rod Starr

Chief Executive Officer

Rod (born 1960) has over 30 years of industry experience, starting his career with Unocal where he spent 16 years in various planning and financial roles before moving into the oil services sector where he has held senior sales, business development, marketing and managerial positions. Prior to joining Polarcus, Rod worked for TGS-NOPEC Geophysical Company where he held several senior management positions worldwide, most recently as Senior Vice President, Western Hemisphere. Rod holds a degree in Business/Finance from San Diego State University in the USA.

As per 28 February 2016, Rod held 140,000 shares and 150,000 options in Polarcus.

Hans-Peter Burlid

Chief Financial Officer

Hans-Peter (born 1980) has over 10 years of experience in the seismic industry and was formerly Senior Manager, Business Development and co-founder of Eastern Echo Ltd. His experience covers business development, finance and accounting. Hans-Peter holds a B.Sc. in Economics and Business Administration from Blekinge Institute of Technology, Sweden.

As per 28 February 2016, Hans-Peter held 37,500 shares and 118,850 options in Polarcus.

Duncan Eley

Chief Operating Officer

Duncan (born 1972) has over 15 years of experience in the seismic industry. He worked with WesternGeco for 10 years supporting marine seismic operations in Europe, West Africa and North America. Duncan has a Bachelor of Science and Bachelor of Engineering (with Honours) from Monash University in Australia. In 2006 he completed his MBA at Erasmus University in Holland. Prior to joining Polarcus in 2009, Duncan worked for several years with strategy consultancy firm, L.E.K. Consulting, across the energy, transport and natural resources sectors.

As per 28 February 2016, Duncan held 50,000 shares and 117,220 options in Polarcus.

Eirin M. Inderberg
Left the position of General Counsel, December 2015

Tom Henrik Sundby
Left the position of CFO, February 2016

Paul Lionel Hanna
Left the position of SVP HR, April 2016

Peter Zickerman
Left the position of EVP, January 2016. Peter now acts as a Strategic Advisor to the company.

Board of Directors Report

1. Highlights

- Restructuring of the balance sheet (completed post yearend)
  - including, USD 351 million reduction in carrying value in the balance sheet of interest bearing liabilities and USD 224 million increase in shareholders equity in 2016 following the amendment to the terms of the Company's finance leases, unsecured bonds, convertible bond and Fleet Facility bank loan.
- Improved liquidity
  - including, establishment of a USD 25 million working capital facility , and sale for an initial USD 27.5 million and right to future revenue share from partial divestment of the Multi-Client library
- Reduced cost base
  - including, USD 39 million savings in 2015 as a result of a Cost Management Program, with further savings expected in 2016
- Disciplined investment strategy
  - including, USD 37.6 million reduction in CAPEX investments and investing only in highly prefunded Multi-Client projects, resulting in an increase in prefunding level to 86% in 2015 from 75% the previous year
- Revenue generation
  - including, industry leading backlog, USD 48.4 million increase in Multi-Client revenues in the year, extension of long-term bare boat and management contracts, as well as expanding into new operational regions

2. Key financials

	Year ended	
(In millions of USD)	**31-Dec-15**	**31-Dec-14**
Revenues	377.5	466.7
Cost of sales	(193.1)	(286.2)
EBITDA	142.9	150.1
EBIT (before impairments)	1.2	33.8
Impairments	(315.4)	(35.1)
EBIT (after impairments)	(314.3)	(1.3)
Net Financial Income/(Expenses)	(48.8)	(63.5)
Net profit / (loss) for the period	(374.1)	(78.6)
Earnings / (loss) per share (USD)	(5.59)	(0.15)
Net cash flows from operating activities	167.5	157.8
Total assets (period end)	848.2	1,239.2
Total liabilities (period end)	736.3	753.7
Total Equity (period end)	111.9	485.5
Equity Ratio	13%	39%
PP&E cash investment	15.1	52.7
Multi-Client projects cash investment	97.0	46.9
Total cash (period end)	68.5	73.7
Net interest bearing debt (period end)	588.1	609.4

3. Operations and markets

The marine seismic market continued to be challenging in 2015.This reflected a prolonged extension of the weakening of the market that began in the second half of 2014 following the start of the fall in the global oil price. The oil price decline was unexpected and came as a surprise to market analysts, economists and governments as well as the oil companies themselves. Oil companies reacted by cutting their exploration budgets in 2015 and have continued to cut budgets further for 2016. The downturn in the market created uncertainty and negative market sentiment, with pressure both on utilization and pricing. Tendering for contract work was highly competitive during 2015, though the industry has been proactive in reacting to the market supply and demand imbalance by retiring old tonnage and laying up a number of vessels. This resulted in a decrease of around a third in the number of 3D seismic vessels expected to be in operation in 2016 compared to 2015.

During the year, the Company continued to deliver first class technical and operational performance, leading to cost reductions due to improved operational efficiencies. Technical downtime was 3.1% for the year, compared to 2.2% the previous year. The vessel utilization of 84%, up from 77% the prior year, comprised 60% utilization on Contract and 24% on Multi-Client activity. Vessel utilization includes the vessel Vyacheslav Tikhonov, which was on a bareboat charter for both 2015 and 2014, and excludes the vessel Polarcus Nadia from 01 April 2015, the date she was cold-stacked.

The table below shows the geographical areas of where the Company's revenues were earned:

	Year ended	
(In millions of USD)	**31-Dec-15**	**31-Dec-14**
Africa	49.7	192.5
Americas	12.4	44.1
Asia and Australasia	244.6	127.8
Europe	56.8	99.4
Total revenue	**363.6**	**463.7**

Seismic operations in general are split between contract seismic, where data is acquired exclusively for an oil company, and Multi-Client, where the Company plans and undertakes a survey for its own account, subsequently marketing the final fully processed project data to multiple customers on a non-exclusive license basis. Unlike a contract survey, the Company typically owns the acquired data, or is granted exclusive marketing rights for it, for a period of ten or sometimes more years. Multi-Client revenues are substantially affected by events such as license rounds, acreage turn-over and farm-ins, new discoveries, and the availability of final data volumes from the data processing centers.

The Company invested USD 118.7 million in its Multi-Client library, compared to 59.8 million in 2014. Of the total investment, USD 97.0 million, or 82%, was cash paid, compared to USD 46.9 million, or 78%, the previous year. At the yearend the Company's Multi-Client library had a net book value of USD 50.8 million, compared to USD 88.7 million at the end of 2014. Total Multi-Client revenue recognized in the year was USD 92.8 million and library amortization was USD 69.3 million, compared to Multi-Client revenue of USD 35.1 million and amortization of USD 37.2 million in 2014. Multi-Client prefunding level was thus 86% in 2015, compared to 75% in 2014, and the Multi-Client amortization rate was 75% in 2015, compared to 84% in 2014.

During the year the Company partially divested a portion of its Multi-Client library by selling its Multi-Client projects in Northwest Europe and West Africa to TGS-NOPEC Geophysical Company ASA ("TGS") for an initial consideration of USD 27.5 million and a share in future revenues. A one-off impairment charge of USD 62.1 million was booked in 2015 relating to the sale of the Multi-Client projects. The calculation of the impairment ignored any upside from future revenue share due to the Company, as the amount and timing of that revenue share is uncertain.

4. Financial review

The consolidated financial statements of Polarcus Limited (the "Group") are prepared in accordance with International Financial Reporting Standards. A financial review of the Group is provided below.

Revenues

Revenues decreased 19% to USD 377.5 million in 2015 compared to USD 466.7 million in 2014, due to a decrease in proprietary contract revenue.

Contract revenue decreased by 35% to USD 270.8 million in 2015 compared to USD 419.2 million in 2014. The decrease was mainly driven by lower day rates and having one less vessel in operation.

Multi-Client revenue was USD 92.9 million in 2015, compared to USD 44.5 million in 2014. The 109% increase was due to an increase in prefunding revenue, driven by a combination of higher prefunding rates and more days spent on Multi-Client projects. The cash investment in Multi-Client was USD 97.0 million in 2015 compared to USD 47.0 million in 2014, resulting in a prefunding level for 2015 of 86% compared to 75% in 2014.

Other income of USD 13.9 million in 2015 relates to insurance claims for damaged in-sea equipment.

Operating expenses

Cost of sales decreased by 33% to USD 193.1 million in 2015 compared to USD 286.2 million in 2014. The decrease was mainly driven by reduced operating costs of USD 29.0 million in the year due to reduced fleet size following the cold stacking of Polarcus Nadia, as well as lower fuel prices and other cost savings. Excluding reimbursable costs, gross cost of sales decreased by 19% to USD 251.1 million in 2015 compared to USD 311.1 million in 2014. A bad debt expense of USD 7.9 million was recorded in 2015 which relates to amounts owed by four different customers.

General and administrative costs were USD 32.7 million in 2015 compared to USD 30.4 million in 2014. The increase was mainly driven by one-off legal and professional fees of USD 1.9 million which were incurred in 2015 relating to matters associated with the Company's financial restructuring.

EBITDA for the year decreased by 5% to USD 142.9 million compared to USD 150.1 million the previous year. EBITDA margin increased to 38% in 2015 compared to 32% in 2014.

Depreciation and amortization

Depreciation and amortization increased by 22% to USD 141.7 million in 2015 compared to USD 116.3 million in 2014. Of this, depreciation amounted to USD 85.7 million in 2015, compared to USD 84.4 million in 2014.

Amortization of the Multi-Client library was USD 69.3 million, or 75% of Multi-Client revenue for 2015, compared to USD 37.2 million, or 84%, in 2014.

EBIT (excluding impairments) decreased to USD 1.2 million in 2015 compared to USD 33.8 million in 2014 and EBIT margin decreased to 0% in 2015 compared to 7% in 2014.

Impairment

Impairment charges increased to USD 315.4 million in 2015 compared to USD 35.1 million in 2014. In addition to the USD 242 million impairment recognized in the fourth quarter, during 2015 the Company recorded an impairment of USD 62.1 million as a result of the sale of the majority of its Multi-Client library to TGS in the third quarter.

Equipment with carrying value USD 11.2 million was written off during 2015 following incidents that damaged the equipment beyond repair. As a result of the incidents, the Company recognized insurance claim revenue totaling USD 13.9 million in 2015.

Finance costs

Finance costs decreased by 28% to USD 61.1 million in 2015 compared to USD 85.3 million in 2014, mainly as a result of lower realized and unrealized foreign exchange loss and lower interest cost. The net interest expense was USD 53.9 million in 2015 compared to USD 60.9 million in 2014. The decrease was mainly due to lower interest bearing debt and at an overall lower average interest rate in 2015.

Finance income

Finance income decreased to USD 12.3 million in 2015 compared to USD 21.8 million in 2014. The reduction was mainly driven by a lower unrealized exchange gain arising as a result of the reduction in the US dollar value of the bond loan denominated in Norwegian Krone, and a lower gain on buyback of convertible bonds in the year compared to the previous year.

Changes in fair value of financial instruments

In 2015 the Company recorded a USD 9.0 million negative change in fair value of financial instruments, down from USD 13.3 million in 2014. This reflects the changes in the fair value of a cross currency swap that the Company entered into in July 2014 in relation to its NOK 350 million bond. The financial instrument swaps floating rate interest in Norwegian Krone based on NIBOR for a US dollar floating rate liability based on LIBOR, as well as a swap of the underlying currencies. The negative change in fair value is to a large extent covered by the unrealized exchange gains recorded in finance income that have arisen in the same periods as a result of the reduction in US dollar value of the NOK denominated bond.

Income tax

Corporate income tax increased to USD 1.1 million in 2015 compared to USD 0.2 million in 2014.

The Norwegian vessel owning companies are taxed in accordance with the Norwegian Tonnage Tax regime for shipping companies. The scheme entails no tax on profits. The Company classifies tonnage tax as cost of sales. In addition, the Company is exposed to revenue taxation in several jurisdictions, such as withholding tax. Such forms of taxation are not profit taxes and, therefore, are not recorded as corporate income tax but are classified by the Company either net of revenue or as costs of sales, dependent upon whether the Company is acting as principal or agent. The Company is subject to mobile employee taxes, which it pays to the local tax authorities in numerous jurisdictions that it operates in.

Net profit

Net loss, after impairments of USD 315.4 million, was USD 374.1 million in 2015 compared to a net loss, after impairments of USD 35.1 million, of USD 78.6 million in 2014.

Capital expenditure

Capital expenditure, excluding investments in the Multi-Client library, was USD 19.1 million in 2015 compared to USD 52.1 million in 2014. The capital expenditure in 2014 included the propulsion and streamer upgrade of Polarcus Naila.

Cash flow and liquidity

Net cash flow from operating activities was USD 167.5 million in 2015 compared to USD 157.8 million in 2014.

Net cash flow used in investing activities was USD 99.3 million in 2015 compared to USD 113.3 million in 2014. Payments for property, plant and equipment totaled USD 15.1 million in 2015 compared to USD 52.7 million in 2014. Payments for investments in the Multi-Client library increased to USD 97.0 million in 2015 compared to USD 46.9 million in 2014. Gross proceeds of USD 26 million and sales costs of USD 0.8 million gave net cash proceeds of USD 25.2 million in 2015 following the partial divestment of the Company's Multi-Client library.

Net cash flow from financing activities was an outflow of USD 77.6 million in 2015 compared to USD 32.2 million in 2014. Interest paid was USD 41.6 million in 2015 compared to USD 51.4 million in 2014. Restricted cash deposits increased by USD 6.3 million to USD 14.5 million in 2015 compared to a decrease of USD 12.2 million to USD 8.2 million in 2014.

Unrestricted cash held at 31 December 2015 was USD 54.0 million compared to USD 65.5 million at 31 December 2014. Total cash held at 31 December 2015 was USD 68.5 million compared to USD 73.7 million at 31 December 2014. In addition to the cash balances held, the Company has an undrawn working capital facility of USD 25 million at 31 December 2015. As of 31 December 2015 the Company had deposited USD 7.4 million as cash collateral for the cross currency swap that the Company entered into in July 2014 in relation to the NOK 350 million bond .The equivalent deposit in 2014 was USD 6.9 million.

Assets

Gross assets were USD 848.2 million at 31 December 2015 compared to USD 1,239.2 million at 31 December 2014. Non-current assets decreased to USD 686.7 million at the end of the year compared to USD 1,050.7 million at the end of 2014. The decrease is mainly due to the sale of a portion of the Company's Multi-Client project library during 2015 and an impairment of USD 242 million relating to the vessels, seismic equipment and intangible assets.

Total current assets were USD 161.4 million at 31 December 2015 compared to USD 188.4 million at 31 December 2014.

Liabilities

Total liabilities were USD 736.3 million at 31 December 2015 compared to USD 753.7 million at 31 December 2014.

Equity

Equity decreased to USD 111.9 million at 31 December 2015 compared to USD 485.5 million at 31 December 2014.

Parent company's non-consolidated financial statements

The non-consolidated financial statements of Polarcus Limited are prepared in accordance with International Financial Reporting Standards.

Revenues earned by the Parent company decreased to USD 74.6 million in 2015 from USD 77.6 million the year before. Operating expenses for the year were USD 131.7 million compared to USD 80.5 million in 2014. An impairment charge of USD 60.4 million was recognized in the year, of which USD 26.6 million related to intangible assets, USD 11.3 million related to the streamer pool, USD 18.8 million related to investment in subsidiaries and USD 3.7 million related to damaged in-sea equipment. Net financial expenses were USD 1.6 million in 2015 compared to USD 9.8 million the year before.

The Parent company recorded a loss of USD 58.8 million in 2015 compared to a loss of USD 12.7 million in 2014. The Board of Directors proposes to allocate the loss for the year to the retained earnings equity reserve.

The Parent Company's gross assets decreased to USD 746.0 million at 31 December 2015 compared to USD 810.2 million at 31 December 2014. Total non-current assets increased to USD 530.6 million from USD 431.6 million the previous year. Total current assets decreased to USD 215.4 million compared to USD 378.6 million at the end of 2014. Total cash increased to USD 29.9 million at 31 December 2015 compared to USD 20.0 million at 31 December 2014.

The Parent Company's total liabilities were USD 256.7 million at 31 December 2015 compared to USD 262.7 million at 31 December 2014.

5. Going concern

In accordance with Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirm that the financial statements have been prepared under the going concern assumption.

The rapid decline in oil prices and consequent cautious spending by oil companies has negatively impacted the Company's earnings over the past 18 months. During the fourth quarter 2014, the Company began addressing the increased liquidity risk caused by the weakening market situation by raising USD 35 million in new equity and implementing a cost management program, with the aim of reducing the 2015 cost base by USD 40 million (the "Cost Management Program"). Subsequently, in early 2015, the Group adopted a '2015 Agenda' which consisted of plans to address the three key areas of revenue generation, cost reduction and debt management. In line with the 2015 Agenda, the Group has implemented several measures during the last twelve months which have enabled the Company to significantly reduce its cost base, to gain market share in a difficult market and achieve a position where its operations are cash positive before debt service.

The most important steps under the Group's 2015 Agenda are as per below:

Cost Management

The Cost Management Program included targeted savings in employment costs, operating costs, operating efficiency initiatives and supply chain streamlining. During 2015 the Company recognized savings of USD 39 million as a direct result of the Cost Management Program. In addition, the Company has managed to reduce its fuel cost by USD 16 million in 2015 compared to the previous year, despite towing wider and larger spreads.

On 25 March 2015 the Company took the decision to cold-stack one of its vessels, Polarcus Nadia, as the Company could not be certain of securing sufficient backlog at acceptable rates for the whole fleet. Although the reduction in fleet size reduced the Company's revenue generating capacity, it also reduced its cost base both for operating costs and capital expenditure for the remaining fleet. As a result of the cold-stacking of Polarcus Nadia for three quarters of the year, the Company has achieved savings in operating costs of USD 29 million during 2015. In addition, savings of USD 10 million were recognized during 2015 as a result of reduced CAPEX spending by the Group as a result of redistributing certain marine and seismic equipment to other vessels in the fleet.

On 01 February 2016 the Company announced additional cost reductions and organizational changes that are expected to result in annualized overhead cost reductions of a further USD 7 million.

Partial divestment of Multi-Client projects library

In order to improve its liquidity position, during Q3 2015 the Company sold its Multi-Client projects in Northwest Europe and West Africa to TGS for a consideration of USD 27.5 million and future revenue share on library late sales. This transaction provided the Company with additional liquidity by monetizing a portion of the Multi-Client library. The sale transaction was completed in Q4 2015 except for a USD 1.5 million portion that relates to a joint-venture arrangement.

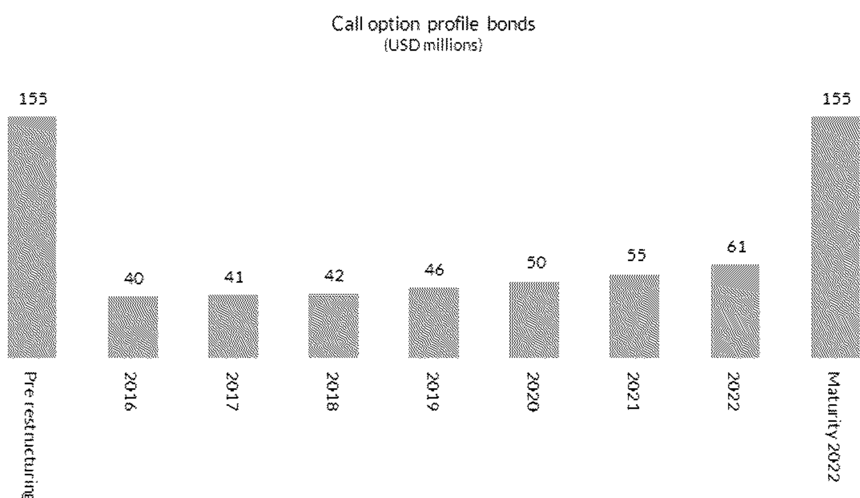
Financial restructuring

On 07 December 2015 the Company announced its decision to halt all payments of interest and amortization to all of its finance providers. Prior to such decision, the Company had initiated discussions with its finance providers, being the banks, lease providers and certain bond holders, in order to address the Company's long term financing structure. Subsequently, on 06 January 2016, the Company announced that the discussions with various finance providers had been successful and proposed a Restructuring plan. On 22 January 2016 a joint bond holders meeting approved the Restructuring plan and, subsequently, on 27 January 2016, an extraordinary general meeting of the Company's shareholders also approved the Restructuring plan. The Restructuring was completed and implemented during February 2016 by finalizing the documentation with all of the relevant financing parties.

The Restructuring provides the Company with significantly reduced debt service and an improved balance sheet. The Restructuring reduces the carrying value in the balance sheet of the Company's debt by USD 351 million in the first quarter 2016, as a result of renegotiated lease terms and the introduction of new call option prices for its outstanding non-convertible bonds. In addition, debt service payments during the next two years are reduced by approximately USD 140 million. The Restructuring resulted in an accounting gain of USD 178 million and an increase in share capital of USD 46 million in Q1 2016, largely as a result of a reduction in the carrying values of its debt liabilities, with the total increase to equity being USD 224 million.

As part of the amended terms of the bonds under the restructured debt, the Company has call options ranging from 33% to 50% of par value for A Tranches of the Unsecured bonds and B1 Tranches of the Convertible bonds, while the call options range from 24% to 36% for B Tranches of the Unsecured bonds and B2 Tranches of the Convertible bonds. The call option price is dependent on the year in which the Company calls the bonds. The blended call option for all tranches in 2018 is 27% of par value. If the Company exercises the call options, the principal repayments it will be required to make will be significantly lower than the nominal bond amounts.

The table below shows the call option profile of the bonds. As way of an example, if the Company exercises the call options in 2018, it will pay USD 42 million to extinguish the bonds with nominal value of USD 155 million, a USD 113 million saving for the Company.



The table below shows the call options and the coupon interest chargeable on the two tranches of the restructured bonds.

Year	"Tranche A"[1]	"Tranche B"[2]	"Tranche A"[1]	"Tranche B"[2]
	Call Price		Coupon interest rate	
2016	33%	24%	-	-
2017	34%	24.5%	-	-
2018 (interest from 1 July 2018)	35%	25%	3.50%	2.50%
2019	38%	27%	3.80%	2.70%
2020	41.5%	29.5%	4.15%	2.95%
2021	45%	32.5%	4.50%	3.25%
2022	50%	36%	5.00%	3.60%

[1] = "Tranche A" is what is referred to as Unsecured A Tranches and CB Tranche B1 in the Restructuring documents, that is the tranches owned by bondholders who did not chose the equity option in 2016.

[2] = "Tranche B" is what is referred to as Unsecured B Tranches and CB Tranche B2 in the Restructuring documents, that is the tranches owned by bondholders who chose the equity option in 2016.

As a result of non-payment of its debt service, announced by the Company on 07 December 2015, the Company was in default of its financing arrangements at 31 December 2015. For any debt for which the Company did not have the unconditional right to defer payment for at least a twelve month period, the debt has been classified as a current liability on the balance sheet date. On formal implementation of the financial restructuring in February 2016, the Company was no longer in default with its finance providers and the associated and renegotiated debt was re- classified as a non-current liability.

On 09 February 2016 the Company announced that it had booked a non-cash impairment charge totaling USD 242 million in Q4 2015. As a result, the book equity ratio and shareholders' equity to capital employed ratio were significantly reduced at 31 December 2015, falling below the equity-based loan covenants. On formal completion of the financial restructuring in February 2016, the Company recognized accounting gains that offset a material portion of the impairment charge and significantly increased equity, following which the Company complies with equity- based loan covenants.

The Company is subject to certain covenants as part of its debt financing, including a Debt Service Ratio ("DSR") covenant. Actual DSR for the purpose of the existing USD 410 million Fleet Bank Facility agreement was 2.6 for the 12 months ended 31 December 2015. Qualifying EBITDA was USD 171 million and interest and principal payments on external debt relevant for calculating the DSR totaled USD 65 million in the same 12 month period. The debt service will significantly reduce from 2016 onwards following completion of the financial restructuring. Additionally, the DSR covenant requirement is reduced to 1.25 for 2016, rising to 2.0 in 2017. The Company expects to be compliant with the DSR covenant during 2016.

Other covenants of the Fleet Bank Facility require the Company to maintain minimum absolute levels of equity as well as minimum book equity ratios and a minimum liquidity reserve of USD 25 million. For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 79 million at 31 December 2015, the working capital facility of USD 25 million is included. The Company is also subject to rolling covenants regarding Multi-Client capacity allocation and pre-funding requirements, as well as the above mentioned minimum debt service levels. The Company expects to be compliant with equity and Multi-Client based covenants during 2016.

The table below shows the Company's financial covenants following the completion of restructuring in 2016, showing the minimum requirements.

31-Dec-15		Adjusted 31-Dec-15[1]	31-Dec-14
Working capital - positive	94m	94m	129m
Book equity ratio - 25%	13%	47%	39%
Book equity ratio adjusted for MC library - 25%	8%	43%	34%
Free cash - USD 10m	79m	79m	65m

[1] = Figures adjusted for the accounting impact of the restructuring that was completed and booked in Q1 2016, as if the restructuring had been completed on 31 December 2015

Following implementation of the Restructuring in February 2016 the Company expects to comply with all loan covenants. The Company's financial projections are based on certain assumptions, including those related to contract wins, contract pricing and utilization in the future. The Company is dependent upon securing sufficient backlog in the future. The recently completed financial restructuring is expected to provide the Company with sufficient liquidity to operate even if the market pricing remains at the current low levels into 2018, after which time the Company is reliant upon an improvement in market conditions.

6. Financial risks

The financial risks to which the Company's financial assets and financial liabilities are exposed are market risk, credit risk and liquidity risk. The market risk the Company is exposed to is the risk that the fair value of future cash flows of its financial instruments - such as the bond loan denominated in NOK and the portion of the Company's debt that is at variable interest rates - fluctuate because of changes in foreign currency or interest rates. The Company's exposure to credit risk relates to its financial assets - such as amounts owed by customers and deposits held at banks - and is the risk that the counterparty defaults and does not meet its financial obligation to the Company. Liquidity risk is the risk that the Company will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the Company's daily operations or overall financial condition.

Currency risk

The majority of the Company's financial assets and liabilities are denominated in USD, the functional currency of the Company. As of 31 December 2015, only 4% of the Company's total financial assets and 6% of the total financial liabilities are held in currencies other than USD. Therefore, the exposure of the Company's financial assets and financial liabilities to changes in foreign exchange rates due to reasonably possible changes in foreign exchange rates against USD, with all other variables held constant, is not material to the Company's profit before tax. A change of +/-10% in the exchange rate between NOK and USD will have an impact of +/-USD 0.4 million.

The Company's activities are global and the foreign currency risk related to its operating activities may change from year-to-year depending on the different jurisdictions the Company operates in. In general, the majority of operating revenues and costs are denominated in USD.

The Company has one bond loan in issue in a foreign currency, the NOK 350 million bond loan. The currency risk on this foreign currency financial liability is hedged against through a cross currency swap agreement which the Company entered into at the same time as issuance of the bond.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings with floating interest rates.

(In millions of USD)	31-Dec-15	31-Dec-14
Total interest bearing debt	644.2	681.1
Interest bearing debt with variable interest rates	90.1	100.6
% of interest bearing debt with variable interest rates	14%	15%

The exposure of the Company's loans and borrowings at variable interest rates to reasonably possible changes in market interest rates, with all other variables held constant, is not material to the Company's profit before tax.

Credit risk

The Company is exposed to credit risk from its operating activities, primarily its accounts receivable, accrued revenue and from advance payments made to suppliers, and from its cash and cash equivalents deposited with banks.

(In millions of USD)	31-Dec-15	31-Dec-14
Receivable from customers		
Accounts receivable	26.4	58.2
Accrued revenue	32.4	14.8
Total receivable from customers	**58.8**	**73.1**
Cash and short-term deposits with banks	68.5	73.7
Advance payments to suppliers	3.3	1.1
Total	**132.9**	**147.9**

The Company provides its services only to recognized, credit worthy clients who are primarily multinational oil and gas companies, including companies owned in whole or in part by governments.

At the yearend the Company had a provision of USD 14.9 million (2014 - USD 6.6 million) for bad and doubtful debts related to overdue accounts receivables from four of its customers. At 31 December 2015 the Group's receivables from other customers were owed by a total of 17 different customers (2014 - 19 customers) and one (2014 - four) of these customers owed more than USD 5 million, accounting for 24% (2014 - 51%) of the total receivables from customers.

Liquidity risk

The following tables show the revised maturity profile of the Group's financial liabilities based on contractual payments following completion of the Restructuring in February 2016. These include accumulated amounts due under the pre-restructured debt terms accumulated up to 30 November 2015, payment of which fell due five days after completion of the Restructuring. The amounts disclosed in the table are undiscounted cash flows.

(In millions of USD)	Less than 1 Year	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Total
Total as at 31 December 2015	101.9	25.2	223.5	443.1	793.6
Total as at 31 December 2014	134.6	170.2	533.3	115.3	953.4

The contractual payments in the above maturity table assume the call options on the Senior and Convertible bonds are not called by the Company. The Company has call options ranging from 33% to 50% of par value for A Tranches of the Unsecured bonds and B1 Tranches of the Convertible bonds, while the call options range from 24% to 36% for B Tranches of the Unsecured bonds and B2 Tranches of the Convertible bonds. The call option is dependent on which year the Company calls the bonds. The blended call option for all tranches in 2018 is 27% of par value. If the Company exercises the call options, the principal repayments it will be required to make will be significantly lower than the amounts shown in the above maturity table.

7. People and the organization

Polarcus' head office is in Dubai, United Arab Emirates, and at the yearend the Company had additional offices in Houston, London, Moscow, Stavanger and Singapore, as well as a representation office in Rio de Janeiro.
At 31 December 2015 the Company had 475 employees of over 50 different nationalities, compared to 605 at 31 December 2014. Of the total employees, 352 work in the field as seismic and maritime crew onboard the vessels, compared to 473 the prior year. Across the year the average number of days of absence for sickness for the office population was 3 days per employee, the same as in 2014.

Polarcus is committed to being the employer of choice in the marine seismic business and to maintaining a human resource system that is open and fair. Polarcus aims to be a workplace with equal opportunities and has policies to ensure everyone has the same opportunities and rights and to prevent discrimination on any basis. Polarcus believes that being a global and sustainable organization requires people with a global mindset, and a culturally diverse workforce is key to this. The Company is committed to promoting from within based on proven talent and potential.

Polarcus is committed to promoting gender diversity throughout its business activities. At the yearend the female proportion of the employees was 27% in the office population and 4% in the field population, compared to 29% and 5% at the end of 2014, respectively. Of the current three members of the Executive Management team, none are female. Of the current six Directors on the Board, one is female. Working time arrangements and salary levels do not depend on gender.

8. Strategy

The Company's goal is to become the preferred provider of high-end towed marine seismic solutions from Pole to Pole through geophysical excellence and highly efficient operations with uncompromised safety and a minimal environmental footprint. The Company has implemented a corporate strategy to attain these goals.

The Company's strategy includes operating a fleet of ultra-modern vessels, investments in "green" technologies, its commitment to a pioneering environmental agenda, and focus on safety.

Polarcus is the only seismic contractor with DNV GL acknowledged Arctic/Cold weather operational procedures, and the sole operator of 3D seismic vessels with the highest-specification ice class notation. The Company's operations are global and Polarcus aims to be the service provider of choice in areas of high environmental sensitivity including the Arctic Ocean. The expansion of the industry into frontier and environmentally sensitive sea areas is today driving a much higher level of environmental compliance worldwide as new legislation on emissions to air and water are developed and introduced.

The Company's worldwide contract service capabilities encompass conventional 3D surveys, broadband data acquisition, sophisticated wide and multi-azimuth projects, and high density 4D production surveys.

9. Corporate Governance

Polarcus is committed to maintaining high standards of corporate governance and believes this is critical to its success and long term growth. The governance structure of Polarcus is designed to ensure sound and efficient decision making and to be appropriate to shareholders' expectations and to the size, business and history of the Polarcus Group. It also is designed to adhere to the Norwegian Code of Practice for Corporate Governance (the "Code") at any time applicable, Cayman Islands law and practice and the Memorandum and Articles of Association of Polarcus.

A report on Corporate Governance inclusive of internal control in accordance with the Norwegian Accounting Act 3- 3b and

details regarding Polarcus' compliance with the Code are provided in the document "Corporate Governance Report for the year 2015," available for download from www.polarcus.com.

At the start of 2015 the Board of the Company consisted of seven directors. On 02 February 2015 Ms. Hege Sjo left the Board, bringing the total number of directors to six.

The current Board provides diversified and valuable expertise and experience to the Company, including seismic expertise and experience relevant for the Company's core business as well as financial and investor related expertise.

The Board held six physical meetings, five phone meetings, ten update and discussion meetings, and executed eight written resolutions in 2015. The attendance of the board meetings in 2015 by the various directors is reflected in the table below:

Board Member	No. of Physical Meetings	No. of Phone Meetings	No. of Update and Discussion Phone Calls
Peter Rigg	6	5	14
Tore Karlsson	6	5	14
Carl Gustav Zickerman	5	5	14
Arnstein Wigestrand	6	5	14
Karen El-Tawil	6	5	14
Tom Kichler	6	5	14
Hege Sjo (resigned 2 February 2015)	-	1	-

Board Committees

The Board has established two board committees, (i) a combined corporate governance and remuneration committee, and (ii) an audit committee.

Corporate Governance and Remuneration Committee

At the start of the year, the corporate governance and remuneration committee consisted of Mr. Tore Karlsson, Mrs. Hege Sjo and Mrs. Karen El-Tawil. Following Mrs. Hege Sjo's departure from the Board on 02 February 2015, she was replaced by Mr. Peter Rigg on the corporate governance and remuneration committees. The committee is mandated to regularly review and update the Company's governance commitments and structure and to review proposals from the executive management on bonus schemes and other benefits as well as general principles for the Group's salary and allowance program. The proposals and recommendations of the corporate governance and remuneration committee are subject to approval by the Board.

Audit Committee

At the start of the year, the audit committee consisted of Mrs. Hege Sjo, Mr. Peter Rigg and Mr. Arnstein Wigestrand. Following Mrs. Hege Sjo's departure from the Board on 02 February 2015, she was replaced by Mr. Tom Kichler on the audit committee. The committee is mandated to regularly review the Company's proposals for quarterly and annual financial statements and various issues related to the statements, review new accounting principles and changes to existing accounting principles, supervise the budget process, review and evaluate the Company's internal control over financial reporting and, on behalf of the Board, liaise with the Company's auditor. The proposals and recommendations of the audit committee are subject to approval by the Board.

10. Corporate Social Responsibility (CSR)

Polarcus has defined its vision and core values as well as a set of commitments for its business operation (the "Commitments") and this material constitutes the foundation of Polarcus' CSR.
Polarcus' vision is

"to be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world".

The vision is rooted in the Company's core values of Responsibility, Commitments and Excellence.

The core values are reflected in the Company's sixteen overriding commitments within the following areas: (i) environment sustainability, (ii) health, safety and security, and (iii) ethics in business and the respect and promotion of human rights. To ensure compliance with the Polarcus Commitments, Polarcus has developed procedures, checklists and manuals, which provide the necessary reference, standards and instruction for responsibility in carrying out daily tasks. In accordance with the Company's requirements, reflecting ISM, ISPS, ISO 9001, ISO 14001, OSHAS 18001 certification requirements, all Company procedures are reviewed and, where applicable, revised annually.

A report on Polarcus' Corporate Social Responsibility describing Polarcus' compliance with its Commitments during 2015 is provided in the document "Corporate Social Responsibility for the year 2015," which can be downloaded from www.polarcus.com. Polarcus is not required to report on CSR in compliance with the Norwegian Accounting Act Section 3-3c.

11. Environmental, health, safety and quality (EHSQ)

EHSQ is at the core of every decision the Company makes and Polarcus has established procedures and practices to protect the environment and all people involved during the course of its business activities, both onshore and offshore. The Company believes its EHSQ systems, monitoring and management are among the best in the industry.

To ensure the Company's high EHSQ standards are maintained and to confirm it has implemented processes for continual improvement across all business areas, Polarcus has achieved certification to ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) since 2010 through Det Norske Veritas ("DNV GL"). In order to maintain these certifications, the Company is audited annually by DNV GL.

On an annual basis, the Company sets EHSQ improvement objectives for its fleet and personnel. The objectives are measured quarterly and apply to all levels of the Company. During 2015 the Company achieved 79% of its EHSQ improvement objectives, compared with 78% the previous year.

Polarcus monitors the training needs of all employees relating to EHSQ and implements an ongoing EHSQ training program for all its employees. During 2015 a total of 410 field and 90 office-based employees completed formal EHSQ training, compared to 468 and 128 in 2014, respectively. A total of 340 EHSQ related training sessions were held, compared to 316 in 2014. All new employees are required to conduct formal EHSQ training.

The Company's commitment to the environment has the goal of "Zero Spills" with regard to oil pollution of the marine environment and includes the commitment to recycle wherever possible, to minimize waste and emissions and to cause minimum negative impact on the environment. The Company recorded zero spills in 2015, the same as the previous year.

Fleet emission summary

The Company measures emissions of harmful gases from its fleet of vessels. Polarcus is the first and only seismic company in the industry to receive DNV GL "Vessel Emissions Qualification Statement" for measuring emissions. This qualifies the Company's emissions reporting methodology and the accuracy of data, verifying the ability to predict the exhaust emissions footprint for any project as well as provide actual emissions measurements.
Polarcus fleet emissions summary for 2011 to 2015 is as follows:

Figures in emissions per km²	2015	2014	2013	2012	2011
CO2 Emission (t)	1.58	2.89	2.53	2.42	3.36
NOx Emission (t)	0.015	0.021	0.018	0.018	0.022
SOx Emission (t)	0.001	0.002	0.002	0.002	0.004

Energy efficiency

Polarcus voluntarily participates in DNV GL's Triple-E™ rating initiative, an environmental rating scheme for ships based on verification of a ships environmental performance. As part of the rating process, the Company has implemented a ship energy efficiency management plan (SEEMP) to target reducing fuel consumption and CO2 emissions. In order to quantify the effectiveness of the SEEMP, an Energy Efficiency Operational Indicator (EEOI) is utilized. The EEOI is a measure of CO2 emitted per unit of work, or in the case of our seismic acquisition, CO2 emitted per square kilometer of acquired data. All of our vessels achieved and bettered the target EEOI values in 2015.

Health, safety and security

The Polarcus principles for health and safety are embodied in its belief that there should be "Zero Harm" to people and that all injuries are preventable. The Company works to identify and evaluate all potential health and safety risks in its operations, and encourages all employees to focus on the importance of responsibility and accountability for health, safety and security at work and at home.

The Company uses an online tool by which all employees, both offshore and onshore, can report any issues or concerns regarding environment, health, and safety issues.

In 2015 the Company's performance on the industry recognized reporting EHSQ measures was as follows:

	2015	2014	2013	2012	2011
Total exposure hours	4,286,147	4,750,846	4,751,337	4,033,812	2,772,348
Restricted work cases (RWC)	2	1	1	1	-
Medical treatment cases (MTC)	1	-	1	2	1
Lost time injury (LTI)	2	1	3	4	1
Lost time injury frequency (LTIF)	0.47	0.21	0.63	0.99	0.36
Total recordable case frequency	1.17	0.42	1.05	1.73	0.72
First aid cases (FAC)	54	60	73	107	47
Near miss (NM)	186	204	259	339	243
Non-conformance corrective action preventative action (NCCAPA)	11,554	13,532	13,691	12,690	8,847
Improvement suggestions	4,146	5,020	5,261	5,346	3,321

Quality

Polarcus is committed to quality in every aspect of its business in delivering Geophysical Excellence. The Company aims to deliver high quality services and products to its clients and stakeholders through safe, environmentally aware and efficient operations. Key to delivering quality is the Company's integrated Quality Management System ("MS"). The Company systematically reviews and updates its MS to ensure that it provides quality, remains current, and is always effective and efficient.

12. Outlook

The recent downturn in the seismic market has negatively impacted the industry, leading to a more unpredictable outlook.

The Company will continue to focus on business fundamentals during this prolonged low oil price environment, particularly efficient project execution, maximizing fleet utilization and securing backlog. During the past 12 months the Company has undergone a major transformation, including regionalizing the sales organization as part of an updated sales strategy, reducing its cost base by means of effectively implementing a cost management plan, and restructuring the balance sheet. Additionally, the Company has streamlined its executive management team from eight to three members, changing the CEO and the CFO in the process.

The Company continues to aim to improve and has identified and commenced its next stage of streamlining. This will include continuing focus on structurally simplifying the organization, acceleration of existing efforts to optimize geographical presence, leveraging technology and consolidating business and support processes.

The Company is well positioned to mitigate the effects of a challenging market and is ready to excel when the market turns. It has industry leading assets, including the youngest and most uniform 3D seismic fleet, combined with unrivalled environmental and artic capabilities. In fact, the Polarcus fleet has the highest ice class classifications and the lowest emissions of all marine seismic fleets worldwide. The Company is now the market leader in terms of operational cost, and the Company has been transformed to succeed as it enters a new era.

The Company will continue to focus on optimizing its spending and controlling the pace of its investments. The Company expects CAPEX investments of USD 14 million and Multi-Client investments of USD 50 million in 2016. The Multi-Client pre-funding level target is to be in excess of 105%.

The estimated value of backlog end-February 2016 was USD 210 million.

05 April 2016

Peter Rigg *Chairman*	Tore Karlsson *Board Member*	Carl-Gustav Zickerman *Board Member*
Thomas Kichler *Board Member*	Arnstein Wigestrand *Board Member*	Karen El-Tawil *Board Member*
Rod Starr *CEO*		

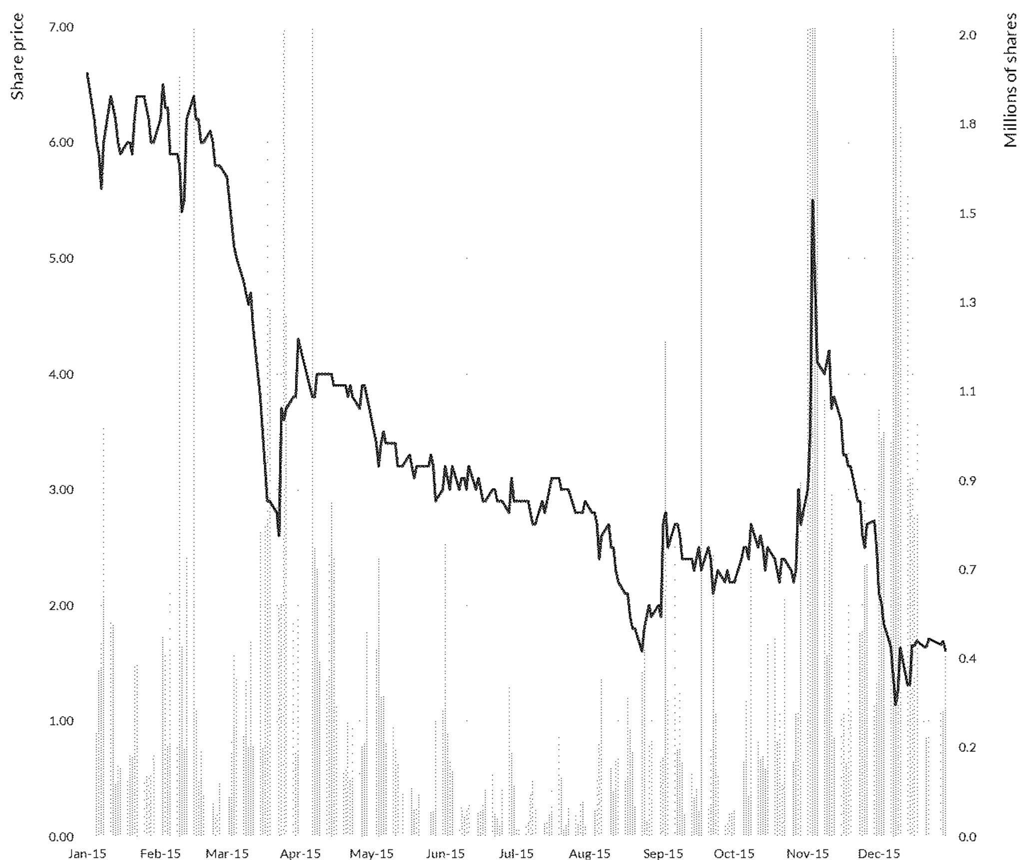
Share Information

Shares in Polarcus are listed on the Oslo Børs under the ticker symbol 'PLCS'. During the year of 2015, a total of 142 million Polarcus shares were traded at a value of NOK 490 million. This means that 213 percent of the total number of shares outstanding in Polarcus were traded during the period and almost 40 thousand share transactions were completed in Polarcus shares. At the end of the year 2015, Polarcus had a market capitalization of NOK 108 million.

Share Capital

The issued and paid up share capital of the Company as of 31 December 2015 was USD 13,396,274 divided into 66,981,368 shares at a par value of USD 0.20 each.

SEN


Share price
Millions of shares
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
2.0
1.8
1.5
1.3
1.1
0.9
0.7
0.4
0.2
0.0
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15

Consolidated financial statements

For the year ended 31 December 2015

39. Consolidated Statement of Comprehensive Income
40. Consolidated Statement of Financial Position
41. Consolidated Statement of Cash Flow
42. Consolidated Statement of Changes in Equity
43. Notes to the Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended 31-Dec-15	31-Dec-14
Revenues			
Contract revenue	5	270,757	419,185
Multi-Client revenue	5	92,819	44,535
Other income	5	13,895	2,989
Total Revenues		**377,471**	**466,709**
Operating expenses			
Cost of sales	23	(193,122)	(286,173)
General and administrative costs	24	(32,701)	(30,409)
Provision for onerous contracts	4	(8,803)	-
Depreciation and amortization	25	(141,688)	(116,317)
Impairments	26	(315,430)	(35,110)
Total Operating expenses		**(691,744)**	**(468,010)**
Operating profit		**(314,273)**	**(1,301)**
Share of profit/(loss) from joint ventures	8	(983)	(280)
Finance costs	27	(61,136)	(85,293)
Finance income	28	12,395	21,793
Changes in fair value of financial instruments	20	(9,013)	(13,310)
Profit before tax		**(373,011)**	**(78,392)**
Income tax expense	29	(1,093)	(243)
Net profit and total comprehensive income		**(374,105)**	**(78,635)**
Earnings per share attributable to the equity holders during the year *(In USD)*			
- Basic	30	(5.585)	(0.145)
- Diluted	30	(5.585)	(0.145)

Consolidated Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-15	31-Dec-14
ASSETS			
Non-current Assets			
Property, plant and equipment	6	634,419	927,815
Multi-Client project library	7	50,828	88,731
Investment in joint ventures	8	1,220	2,203
Intangible assets	9	255	31,969
Total Non-current Assets		**686,721**	**1,050,718**
Current Assets			
Other current assets	10	66,549	56,480
Accounts receivable	3	26,391	58,233
Restricted cash	11	14,519	8,236
Cash and bank	12	53,976	65,488
Total Current Assets		**161,434**	**188,437**
TOTAL ASSETS		**848,156**	**1,239,156**
EQUITY and LIABILITIES			
Equity			
Issued share capital	13	13,396	13,396
Share premium	13	532,222	532,222
Other reserves	15	32,556	33,149
Retained earnings/(loss)		(466,309)	(93,302)
Total Equity		**111,865**	**485,465**
Non-current Liabilities			
Unsecured bonds	16	-	130,407
Convertible bonds	17	-	96,336
Long-term finance lease	18	-	165,278
Other interest bearing debt	19	644	236,345
Other financial liabilities	20	22,324	13,310
Total Non-current Liabilities		**22,968**	**641,676**
Current Liabilities			
Unsecured bonds	16	124,018	-
Convertible bonds	17	96,607	-
Long-term finance lease	18	166,018	8,394
Other interest bearing debt	19	256,911	44,358
Other accruals and payables	21	39,661	40,206
Accounts payable		30,109	19,056
Total Current Liabilities		**713,323**	**112,015**
TOTAL EQUITY and LIABILITIES		**848,156**	**1,239,156**

Consolidated Statement of Cash Flows

(In thousands of USD)	Notes	Year ended 31-Dec-15	31-Dec-14
Cash flows from operating activities			
Profit/(loss) for the year		(374,105)	(78,635)
Adjustment for:			
Depreciation and amortization	25	141,688	116,317
Impairments	26	315,430	35,110
Changes in fair value of financial instruments	20	9,013	13,310
Employee share option expenses	13	505	2,890
Interest expense	27	55,055	62,229
Interest income	28	(799)	(779)
Effect of currency (gain)/loss		(4,785)	(6,662)
Gain on buyback of convertible bonds	17	(1,204)	(4,096)
Share of (profit)/loss from joint ventures	8	983	280
Working capital adjustments:			
Decrease/(Increase) in current assets		22,284	25,597
Increase/(Decrease) in trade payables and accruals		3,428	(7,736)
Net cash flows from operating activities		**167,494**	**157,826**
Cash flows from investing activities			
Payments for property, plant and equipment		(15,125)	(52,727)
Proceeds from the disposal of Multi-Client projects		25,197	-
Payments for Multi-Client project library		(96,969)	(46,895)
Payments to acquire intangible assets		(12,439)	(13,631)
Net cash flows used in investing activities		**(99,336)**	**(113,252)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	13	-	34,891
Transaction costs on issue of shares	13	-	(1,260)
Net proceeds from the issue of senior bonds	16	-	56,102
Repayment of bond loans	17	(777)	(58,734)
Receipt from sale lease-back fund	18	-	20,000
Repayment of lease liabilities	18	(7,653)	(6,559)
Repayment of other interest bearing debt	19	(15,144)	(30,287)
Interest paid		(41,632)	(51,411)
Other finance costs paid		(6,372)	(1,023)
Decrease/(Increase) in restricted cash	11	(6,282)	12,235
Security deposit related to currency swaps	10, 20	(510)	(6,890)
Interest received	28	799	779
Net cash flows from financing activities		**(77,571)**	**(32,156)**
Effect of foreign currency revaluation on cash		(2,098)	(6,975)
Net increase in cash and cash equivalents		**(11,512)**	**5,443**
Cash and cash equivalents at the beginning of the year		65,488	60,045
Cash and cash equivalents at the end of the year		**53,976**	**65,488**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as of 01 January 2015	**669,813,679**	**13,396**	**532,222**	**33,149**	**(93,302)**	**485,465**
Total comprehensive loss for the year		-	-	-	(374,105)	(374,105)
Employee stock options (refer to Note 13.1 and 15)		-	-	505	-	505
Other movements* (refer to Note 15)				(1,098)	1,098	-
Consolidation of share capital						
On 22 November 2015 (at 10:1 from USD 0.02 to USD 0.20 per share)	(602,832,311)	-	-	-	-	-
Balance as at 31 December 2015	**66,981,368**	**13,396**	**532,222**	**32,556**	**(466,309)**	**111,865**

*Other movements represent the fair value of employee stock options unexercised and expired and the equity component of convertible bonds repurchased and cancelled.

For the year ended 31 December 2014

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as of 01 January 2014	**507,221,179**	**10,144**	**501,843**	**38,533**	**(22,942)**	**527,579**
Total comprehensive loss for the year		-	-	-	(78,635)	(78,635)
Employee share options (refer to Note 13.1 and 15)		-	-	2,890	-	2,890
Other movements* (refer to Note 15)		-	-	(8,275)	8,275	-
Issue of share capital						
October 2014 at NOK 1.40 (USD 0.21) per share	162,592,500	3,252	31,639	-	-	34,891
Transaction costs on issue of shares		-	(1,260)	-	-	(1,260)
Balance as at 31 December 2014	**669,813,679**	**13,396**	**532,222**	**33,149**	**(93,302)**	**485,465**

*Other movements represent the fair value of employee stock options unexercised and expired and the equity component of convertible bonds repurchased and cancelled.

Notes to the Consolidated Financial Statements

1 General information

The consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group") for the Year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 05 April 2016.

Polarcus Limited is a pure play marine geophysical company with a pioneering environmental agenda, specializing in high-end towed streamer data acquisition from Pole to Pole.

Polarcus Limited is incorporated in the Cayman Islands with its registered office at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Group has its main administration office in Dubai, United Arab Emirates which is the domicile of the Group.

The Group currently operates a fleet of six high end 3D vessels, *Polarcus Naila, Polarcus Asima, Polarcus Alima, Polarcus Amani, Polarcus Adira* and *Vyacheslav Tikhonov. Polarcus Nadia*, one of the vessels from the Group's fleet has been cold-stacked effective 25 March 2015.

1.1 Going concern, liquidity risk and loan covenants

These consolidated financial statements for the year ended 31 December 2015 have been prepared using the going concern assumption.

The rapid decline in oil prices and consequent cautious spending by oil companies has negatively impacted the Company's earnings since the second half of 2014. During the fourth quarter 2014, the Company began addressing the increased liquidity risk caused by the weakening market situation by raising USD 35 million in new equity and implementing a cost management program, with the aim of reducing the 2015 cost base by USD 40 million (the "Cost Management Program"). Subsequently, in early 2015, the Group adopted a '2015 Agenda' which consisted of plans to address the three key areas of revenue generation, cost reduction and debt management. In line with the 2015 Agenda, the Group has implemented several measures during the year 2015 which have enabled the Company to significantly reduce its cost base, to gain market share in a difficult market and achieve a position where its operations are cash positive before debt service.

The most important steps under the Group's 2015 Agenda are as per below:

Cost Management

The Cost Management Program included targeted savings in employment costs, operating costs, operating efficiency initiatives and supply chain streamlining. During 2015 the Company recognized savings of USD 39 million as a direct result of the Cost Management Program. In addition. the Company has managed to reduce its fuel cost by USD 16 million in 2015 compared to the previous year, despite towing wider and larger spreads.

On 25 March 2015 the Company took the decision to cold-stack one of its vessels, *Polarcus Nadia*, as the Company could not be certain of securing sufficient backlog at acceptable rates for the whole fleet. Although the reduction in fleet size reduced the Company's revenue generating capacity, it also reduced its cost base both for operating costs and capital expenditure for the remaining fleet. As a result of the cold-stacking of *Polarcus Nadia* for three quarters of the year, the Company has achieved savings in operating costs of USD 29 million during 2015. In addition, savings of USD 10 million were recognized during 2015 as a result of reduced CAPEX spending by the Group as a result of redistributing certain marine and seismic equipment to other vessels in the fleet.

On 01 February 2016 the Company announced additional cost reductions and organizational changes that are expected to result in annualized overhead cost reductions of a further USD 7 million.

Partial divestment of Multi-Client projects library

In order to improve its liquidity position, during Q3 2015 the Company sold its Multi-Client projects in Northwest Europe and West Africa to TGS for a consideration of USD 27.5 million and future revenue share on library late sales. This transaction provided the Company with additional liquidity by monetizing a portion of the Multi-Client library. The sale transaction was completed in Q4 2015 except for a USD 1.5 million portion that relates to a joint-venture arrangement. Also refer to Note 7 *Multi-Client project library* for further details.

Financial restructuring

On 07 December 2015 the Company announced its decision to halt all payments of interest and amortization to all of its finance providers. Prior to such decision, the Company had initiated discussions with its finance providers, being the banks, lease providers and certain bond holders, in order to address the Company's long term financing structure. Subsequently, on 06 January 2016, the Company announced that the discussions with various finance providers had been successful and proposed a Restructuring plan (the "Restructuring"). On 22 January 2016 a joint bond holders meeting approved the Restructuring plan and, subsequently, on 27 January 2016, an extraordinary general meeting of the Company's shareholders also approved the Restructuring plan. The Restructuring was completed and implemented on 25 February 2016 by finalizing the documentation with all of the relevant financing parties.

The Restructuring provides the Company with a significantly reduced debt service and an improved balance sheet. The Restructuring reduces the Company's debt level significantly with renegotiated lease terms and the introduction of new call option prices for its outstanding non-convertible bonds corresponding to a potential debt reduction of USD 280 million. In addition, debt service payments

during the next two years are reduced by approximately USD 140 million. The Restructuring resulted in an accounting gain of USD 177.6 million in Q1 2016, largely as a result of a reduction in the carrying values of its debt liabilities.

Refer to Note 32 *Subsequent events* for details of the revised terms as finalized with different financing parties. Also refer to Note 3.1.3 *Liquidity risk* for the revised maturity profile of the Group's financial liabilities based on contractual payments following completion of the Restructuring.

Covenants

As a result of non-payment of its debt service, announced by the Company on 07 December 2015, the Company was in default of its financing arrangements as of 31 December 2015. For any debt for which the Company did not have the unconditional right to defer payment for at least a twelve month period, the debt has been classified as a current liability in the statement of financial position as of 31 December 2015. On formal implementation of the financial restructuring on 25 February 2016, the Company is no longer in default with its finance providers and the associated and renegotiated debt was re-classified as non-current liabilities for the reporting period beginning 01 January 2016.

The Company booked a non-cash impairment charge totaling USD 242 million in Q4 2015 (refer to Note 26 *Impairments* for details). As a result, the book equity ratio and shareholders' equity to capital employed ratio were significantly reduced at 31 December 2015, falling below the equity-based loan covenants. On formal completion of the financial restructuring on 25 February 2016, the Company recognized accounting gains of USD 177.6 million that significantly increased the equity, following which the Company is in compliance with the equity-based loan covenants.

The Debt Service Ratio ("DSR") covenant requirement through year 2015 was 1.6 for Q1, 1.75 for Q2 and Q3 and 2.0 for Q4 2015. The proceeds from the sale of the Multi-Client project library to TGS is added to EBITDA for the purpose of calculating DSR.

Actual DSR for the purpose of the existing USD 410 million Fleet Bank Facility agreement was 2.6 for the 12 months ended 31 December 2015. Qualifying EBITDA was USD 170 million and interest and principal payments on external debt relevant for calculating the DSR totaled USD 65 million in the same 12 month period. The debt service will significantly reduce from 2016 onwards following the completion of the Restructuring. Additionally, the DSR covenant requirement is reduced to 1.25 for 2016, rising to 2.0 in 2017. The Company expects to be compliant with the DSR covenant during 2016.

Other covenants of the Fleet Bank Facility require the Company to maintain minimum absolute levels of equity as well as minimum book equity ratios and a minimum liquidity reserve of USD 25 million. For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 79 million at 31 December 2015, the working capital facility of USD 25 million is included. The Company is also subject to rolling covenants regarding Multi-Client capacity allocation and pre-funding requirements, as well as the above mentioned minimum debt service levels. The Company expects to be compliant with equity and Multi-Client based covenants during 2016.

The table below shows the Company's financial covenants following the completion of restructuring in 2016, showing the minimum requirements.

	Actual as at 31-Dec-15	Adjusted for restructuring effect 31-Dec-15*	31-Dec-14
Working capital - positive	94m	94m	129m
Book equity ratio - 25%	13%	47%	39%
Book equity ratio adjusted for MC library - 25%	8%	43%	34%
Free cash - USD 10m	79m	79m	65m

*Figures adjusted for the accounting impact of the restructuring that was completed and accounted in Q1 2016, as if the restructuring had been completed on 31 December 2015.

Following implementation of the Restructuring in February 2016 the Company expects to comply with all loan covenants.

Future outlook

The Company's financial projections are based on certain assumptions, including those related to contract wins, contract pricing and utilization in the future. The Company is dependent upon securing sufficient backlog in the future. The recently completed financial restructuring is expected to provide the Company with sufficient liquidity to operate even if the market pricing remains at the current low levels into 2018, after which time the Company is reliant upon an improvement in market conditions.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies below. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000) except where otherwise indicated.

2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.3 Changes in accounting policies

2.3.1 Classification of lost or damaged in-sea equipment

With effect from 01 January 2015, the Group discloses write-downs of damaged or lost in-sea equipment as impairments. In the earlier periods, such charges were recorded as depreciation and explained in the note on depreciation as disposal of equipment. The change in presentation has been implemented with retrospective effect, meaning figures for comparative periods have been changed to reflect the change in classification.

2.3.2 Classification of bad debt expenses

With effect from 01 January 2015, the Group discloses bad debt expenses, if any, as part of Cost of sales in the statement of comprehensive income. In the earlier periods, bad debt costs were disclosed as a separate line item. The change in presentation has been implemented with retrospective effect, meaning figures for comparative periods have been changed to reflect the change in classification.

2.3.3 New and amended accounting standards and interpretations

The Group applied for the first time certain accounting standards and amendments, which are effective for annual periods beginning on or after 01 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Such accounting standards and amendments applied for the first time in 2015 are summarised below:

- Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions*
- IFRS 2 *Share-based Payment*
- IFRS 3 *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IAS 24 *Related Party Disclosures*
- IFRS 3 *Business Combinations*
- IFRS 13 *Fair Value Measurement*

Although these new standards, amendments and various annual improvements were applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group.

2.3.4 Future changes in accounting policies

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting period beginning on 01 January 2016 or later periods but which the Group has not early adopted. The new standards, amendments and interpretations relevant for the group are listed below:

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

Amendments to these standards, effective 01 January 2016, prohibits the use of a revenue-based depreciation or amortization method. These amendments will have a prospective impact to the Company's financial statements as the Company currently applies revenue-based amortization to its Multi-Client data libraries. As a result of the amendments, the Company will apply a straight-line amortization over four years from the date of completion of a Multi-Client project. There will be no change to the amortization method during the prefunding stage.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 01 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 *Leases*

Effective 01 January 2019, IFRS 16 *Leases* will replace IAS 17 *Leases*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Effective 01 January 2019, all leases that the Group enters in to as a lessee will result in the Group obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. IFRS 16 is expected to have significant impact in the Group's financial statements mainly due to the lease arrangements that the Group has entered into for two of its vessels, *Polarcus Nadia* and *Polarcus Naila*. The Group plans to adopt the new standard on the required effective date.

2.4 Consolidation

2.4.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included as sales, general and administrative costs. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in sales, general and administrative costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

2.4.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. Joint arrangements are classified into one of two types, joint operations and joint ventures. The Group determines the type of joint arrangement in which it is involved by considering its rights and

obligations. The Group assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

For its interest in a joint operation, the Group recognises its share of assets held and liabilities incurred jointly and its share of revenue and expenses arising from the joint operation. The Group's share of assets, liabilities, revenues and expenses relating to its interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into a transaction with a joint operation in which the Group is a joint operator, such transactions are considered as conducted with other parties to the joint operation. Accordingly, the Group recognises the gain or losses resulting from such transactions only to the extent of other parties' interests in the joint operation.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group recognizes its interest in joint ventures using the equity method. Under the equity method, the investment in the joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The income statement reflects the Group's share of the results of operations of the joint venture. When there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. The joint venture uses the same accounting policies as the Group.

After application of the equity method, the Group determines whether there is any objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group compares the recoverable amount of the joint venture to its carrying value in order to assess whether there is an impairment.

Upon loss of significant influence over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the Group's income statement.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, (the presentation currency). The parent and all the subsidiaries have USD as their functional currency.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is presented net of discounts, rebates, returns and sales taxes or duty. The Group defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

The Group's revenue recognition policy on different types of revenue is described below:

2.6.1 Sales of Multi-Client projects library

Pre-funding

Revenue secured prior to the completion of data processing and receipt of all deliverables of a Multi-Client project is recognized as pre-funding revenue. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications and access data as it is being acquired at discounted prices. The Group recognizes pre-funding revenue as the services are performed on a proportional performance basis provided that other revenue recognition criteria are met. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date.

Late sales

Revenue secured after completion of all data processing and receipt of all deliverables of a Multi-Client project is recognized as late sales. The Group grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the Multi-Client project library. The customer's license payment is fixed and determinable and typically is required at the time that the license is granted. The Group recognizes revenue for late sales 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 and collection is reasonably assured.

2.6.2 Proprietary sales/contract sales

The Group performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Group recognizes the revenue from proprietary/contract sales as the services under the contract are performed 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 recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied. Any fees paid to the Group on mobilising to or demobilising from a proprietary project is considered as part of the total revenue for that project, hence included in the revenue recognised over the term of such project.

2.6.3 Other services

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

2.7 Property, Plant and Equipment

Property, Plant and Equipment is recorded at cost less accumulated depreciation and any impairment charge. Cost includes expenditure that is directly attributable to the acquisition, construction or installation of the items, including borrowing costs capitalized according to the Group's policy which is described further below.

2.7.1 Useful life and depreciation

Depreciation is calculated on a straight-line basis over the useful life of the asset once the asset is ready for use. The estimated useful life of major assets is as follows:

Seismic vessels	30 Years
Seismic equipment	3-30 Years
Maritime equipment	5-30 Years
Furniture and fixtures	3-5 Years
Office IT equipment	3-5 Years

Each component of a vessel with a cost significant to the total cost is separately identified and depreciated on a straight-line basis over that component's useful life, less residual value. Subsequent expenditures and major renovations and inspections are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Drydocking and classification costs for vessels are capitalized and depreciated over the period until the next expected drydocking, normally 30 months. When vessels are acquired or constructed, a proportion of the acquisition cost is capitalized as drydocking and depreciated over the period until next expected drydocking.

The assets' residual values and useful lives are reviewed at least annually and subsequently adjusted if appropriate. Adjustments, where applicable, are made on a prospective basis. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are presented net in the income statement.

2.8 Multi-Client projects library

The Multi-Client projects library comprises seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the Multi-Client projects library, including transit costs (moving a vessel from one location to another) and borrowing costs, when capitalization criteria are met. A Multi-Client project is valued at cost less accumulated amortization, or at recoverable amount, if lower. The Group reviews the Multi-Client projects library for potential impairment at each balance sheet date.

When establishing amortization rates for the Multi-Client projects library, management bases its views on estimated future sales of each individual project. Sales estimates are adjusted over time in relation to the development of the market. The principle on which the Multi-Client project is amortized is based on the assumption that the cost of the project will be recoverable by future revenue earned from the future sale of the data licenses. The amortization rate is calculated by dividing the net costs (net book value plus expected future costs) of the project by the expected future revenues from sales of the data licenses. Each project is placed into one of the amortization categories with 5% intervals ranging from 40-95%. A project remains in the same amortization category unless subsequent changes to the amount of expected future revenue from a project would result in a different amortization rate becoming appropriate, in which case the project is moved to the relevant category.

The Group also applies a minimum amortization (also referred to as 'time amortization') policy. This policy specifies the maximum net book value allowed for a project as a percentage of its original book value at the end of each calendar year following completion. All surveys have a 5-year amortization profile starting in the year after completion, as follows:

Year after survey completion	Maximum net book value
Year 0 *	100%
Year 1	80%
Year 2	60%
Year 3	40%
Year 4	20%
Year 5	0%

* Year 0 is the calendar year in which the project is completed.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an impairment indication. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the income statement under 'Depreciation and amortisation'.

2.10 Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

2.10.1 Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

2.10.2 Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2.11 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except for borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred from the borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining qualifying assets, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on those assets. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing costs incurred during that period.

2.12 Transit costs

Transit costs are costs related to moving a vessel from one location to another. Transit costs are capitalized when it is probable that future economic inflows from the project(s) to which the vessel transits are sufficient to recover the costs of transit. If the project(s) is not able to recover all of the costs which could be capitalized or deferred, only the costs that are recoverable are capitalized or deferred. The transit costs related to Multi-Client projects are capitalized as part of the Multi-Client projects library. Transit costs on exclusive surveys are deferred and charged to expense based upon the percentage of completion of the project.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents that are restricted for the Group's use are disclosed separately in the consolidated balance sheets and are classified as current or non-current depending on the nature of the restrictions.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.15 Employee benefits

2.15.1 Pension plan

The Group has set up a pension scheme for majority of its employees under which the Group on a monthly basis contributes 8% of an employee's base salary to the pension fund. No mandatory contribution is required from the employees. The amount contributed to the scheme is ring-fenced in favour of the employees through a trust. The vesting period of the fund is 5 years and each applicable employee is enrolled into the scheme at the end of his/her probation period. The employees have an option to contribute their own funds to the scheme and the Group matches such contributions with an additional maximum 2% employer contribution.

For employees who are not enrolled into the above pension scheme, the Group recognizes a provision for pensions payable to the employees based on the contractual obligation between each employee and the Group. The accrued pension liability calculated based on the contractual obligation varies from 21 days to 1 month's basic salary for each year completed *pro rata* based on date of joining of each employee.

2.15.2 Bonus plans

The Group recognizes a provision for bonuses where bonuses are a contractual obligation or where there is a past practice that has created a constructive obligation.

The Group recognizes a liability and an expense for bonuses prescribed in the employment contracts.

2.15.3 Share-based compensation

The Group has different share option plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted measured at grant date.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.16 Derivative financial instruments and hedging

The Group uses derivative financial instruments to reduce risk exposure related to fluctuations in foreign currency rates and interest rates. Such derivative financial instruments are initially recognized in the consolidated balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and any ineffective hedges are taken directly to the income statement.

The Group applies either fair value or cash flow hedge accounting when a transaction meets the specified criteria. To qualify for hedge accounting, the instrument should be designated as a hedge at inception of a hedge relationship. At the time a financial instrument is designated as a hedge, the Group documents the relationship between the hedging instrument and the hedged item. Documentation includes risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been "highly effective" in offsetting changes in the fair value or cash flows of the hedged item. Hedge accounting will be discontinued when (a) the Group determines that a derivative is not, or has ceased to be, highly effective as a hedge, (b) the derivative expires, or is sold, terminated or exercised, (c) the hedged item matures or is sold or repaid, or (d) a forecast transaction is no longer deemed highly probable.

2.17 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes party to the contractual obligations of the instrument and are initially recognized at fair value. Financial assets and liabilities are classified as per below.

2.17.1 Financial assets and liabilities measured at fair value in profit or loss

This includes the financial assets and liabilities held for trading and financial assets and liabilities measured at fair value upon initial recognition with change in fair value recognized through the consolidated income statement. Subsequent to initial recognition, financial assets and liabilities in this category are measured at fair value at the end of each reporting period with unrealized gains and losses being recognized through profit or loss.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on financial assets held for trading are recognized in profit or loss.

2.17.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Group and includes loans and receivables, loans and borrowings, and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in this category are initially recognized at fair value, net of directly attributable transaction costs. After initial measurement financial assets and liabilities in this category are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. The EIR amortisation is included in finance income for receivables and finance cost for borrowings. Losses arising from impairment of accounts receivable are recognized in operating expenses.

Convertible bonds

Convertible bonds are separated into a debt liability and an equity component based on the terms of the contract.

On issuance of the convertible bonds, the fair value of the debt liability excluding conversion option is measured at the fair value of expected cash flows at inception and is recorded under non-current liabilities in the balance sheet. The debt liability component is amortized to the redemption value over the bond life, accruing interest at the effective rate. The rest of the convertible bond issue proceeds are recorded as equity.

Transaction costs are apportioned between the debt liability and equity components of the convertible bonds based on the allocation of the proceeds of the debt liability and equity components when the instruments are initially recognized.

2.17.3 Financial assets and liabilities measured at fair value through other comprehensive income

This category includes 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, financial assets and liabilities in this category are measured at fair value with unrealized gains or losses being recognized in other comprehensive income. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recognized in profit or loss.

The fair values of quoted financial assets and financial liabilities are based on current bid/ask prices. If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models.

The Group assesses at each reporting date 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 considered as an indicator that the instrument is impaired. If any 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 impairment loss on that financial asset previously recognized in profit and loss – is removed from shareholders' equity and recognized in profit or loss. Impairment losses recognized in profit and loss on equity instruments are not reversed through the profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the profit or loss.

2.18 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use and is determined 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale.

2.19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, diluted potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g. share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively.

2.20 Consolidated statement of cash flows

The Group's consolidated statement of cash flows is prepared using the indirect method. Cash flows from operating activities are incorporated as a part of the cash flow statement and the cash flows are divided into operating activities, investing activities and financing activities. In the cash flow statement the net profit is adjusted for non-cash items, for example depreciation and non-cash movements in accounts payable and receivables. Any cash flows that have been recorded as part of the net profit but which are investing or financing in nature are removed from operating cash flows and presented as part of investing or financing cash flows. All amounts presented in both the investing cash flows and financing cash flows sections of the cash flow statement are pure cash flows only.

2.21 Taxation

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method and temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Norwegian vessel owning subsidiaries are taxed in compliance with the tonnage tax regime for shipping companies in Norway. This scheme entails no tax on profits or tax on dividends from companies within the scheme. Tonnage tax paid under the tonnage tax regime is classified as an operational expense. Net finance income for companies taxed under the tonnage tax regime is adjusted in accordance with the regime regulations and taxed at a rate of 27%.

3 Financial risk

3.1 Financial risk management

The Group's principal financial liabilities are loans and borrowings, and trade and other payables. The main purpose of the loans and borrowings is to finance the Group's investments in property, plant and equipment, plus provide support for its operations. The Group's principal financial assets are trade and other receivables, and cash and bank deposits, which are mainly derived directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and the risk management program focuses on minimizing potential adverse effects on the Group's financial performance and position. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

3.1.1 Financial market risk

Financial market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market price risks that the Group is exposed to are interest rate risk and currency risk.

Foreign currency risk

The Group's financial assets and liabilities that are exposed to the risk of changes in foreign exchange rates relates primarily to the following:

(In thousands of USD)	31-Dec-15	31-Dec-14
Financial assets		
Cash and bank		
NOK	35	25,201
GBP	689	919
EUR	673	706
AUD	175	2,895
Other foreign currencies (total of 8 different currencies)	2,428	623
Total cash and bank denominated in foreign currencies	**4,000**	**30,343**
Cash and bank denominated in USD	*49,976*	*35,145*
Restricted cash denominated in USD	*14,519*	*8,236*
Accounts receivable		
Accounts receivable denominated in foreign currencies	-	10,962
Accounts receivable denominated in USD	*26,391*	*47,271*
Financial liabilities		
NOK	39,345	46,067
Total loans and borrowings denominated in foreign currencies	**39,345**	**46,067**
Loans and borrowings denominated in USD	*604,853*	*635,051*

In addition to the above financial assets and liabilities, the Group had some other current financial assets and accounts payable denominated in foreign currencies at 31 December 2015 and under standard credit terms (where applicable). Due to the short-term nature of these financial assets and liabilities, the foreign currency risk is considered low.

As of 31 December 2015, only 4% of the Group's total financial assets and 6% of the total financial liabilities (approx.) are held in currencies other than USD. Therefore, the exposure of the Group's financial assets and financial liabilities to changes in foreign exchange rates due to reasonably possible changes in foreign exchange rates against USD, with all other variables held constant, is not material on the Group's profit before tax. A change of +/-10% in the exchange rate between NOK and USD will have an impact of +/-USD 0.4 million.

The Group's activities are global and the foreign currency risk related to its operating activities may change from year-to-year depending on the different jurisdictions the Group operates in. In general, the majority of operating revenues and costs are denominated in USD.

The Company has entered into a cross currency interest rate swap agreement for its liability under the NOK 350 million bond loans to swap the fixed interest rate NOK obligations under this bond loan into USD floating rate obligations (also refer to Note 16.2 and Note 20).

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

(In thousands of USD)	31-Dec-15	31-Dec-14
Total interest bearing debt	644,198	681,118
Interest bearing debit with variable interest rates	90,092	100,563
% of interest bearing debt with variable interest rates	14%	15%

The exposure of the Group's loans and borrowings at variable interest rates to reasonably possible changes in market interest rates, with all other variables held constant, is not material on the Group's profit before tax.

The effective interest rate used for accounting purpose and maturity of the Group's loans and borrowings are as follows:

(In thousands of USD)	Effective interest rate (%) as of 31-Dec-15	Effective interest rate (%) after restructuring*	Maturity as of 31-Dec-15	Revised maturity after restructuring *	31-Dec-15	31-Dec-14
Convertible bonds (refer to Note 17)	9.42	13.58	Apr-18	Dec-22	96,607	96,336
8% unsecured bonds (refer to Note 16.1)	8.72	20.37	Jun-18	Dec-22	84,673	84,340
NOK 350 million unsecured bond (refer to Note 16.2)	8.61	18.81	Jul-19	Dec-22	39,345	46,067
Long-term finance lease (refer to Note 18)**	10.85	-	Q4-19	Q4-21	166,018	173,672
Fleet bank facility Tranche 1 (refer to Note 19.1)	8.22	6.68	Aug-22	Aug-22	32,811	35,330
Fleet bank facility Tranche 1 (refer to Note 19.1)	5.86	4.15	Aug-22	Aug-22	15,284	16,389
Fleet bank facility Tranche 2 (refer to Note 19.1)	4.76	4.15	Mar-23	Mar-23	35,463	38,107
Fleet bank facility Tranche 3 (refer to Note 19.1)	6.57	5.6	Mar-24	Mar-24	82,359	87,989
Fleet bank facility Tranche 4 (refer to Note 19.1)	6.64	5.6	Jun-24	Jun-24	86,771	87,641
Liability for seismic equipment (refer to Note 19.3)	1.81	1.81	Apr-17	Apr-17	4,867	2,927
Liability for patent rights (refer to Note 19.2)		-	-	-	-	12,321
Total interest bearing debt					**644,198**	**681,118**

*The maturity and effective interest rates above represent the revised terms as per the Restructuring completed on 25 February 2016. Refer to Note 32 *Subsequent events* for details of the Restructuring.

**Long-term finance lease was reclassified as Operational lease effective Q1 2016 as a result of the Restructuring. Refer to Note 32.1.5 *Sale and lease back* for further details.

3.1.2 Credit risk

The Group is exposed to credit risk from its operating activities, primarily its accounts receivable, accrued revenue and from advance payments made to suppliers, and from its cash and cash equivalents deposited with banks.

The Group provides its services only to recognized clients who are primarily multinational oil and gas companies, including companies owned in whole or in part by governments. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or higher are accepted by the Group. Credit risk from balances with banks and financial institutions is managed by the Group's senior management.

The Group's maximum exposure to credit risk for the components of the balance sheet is as follows:

(In thousands of USD)	31-Dec-15	31-Dec-14
Receivable from customers		
Accounts receivable	41,249	64,796
Provision for bad debts	(14,858)	(6,563)
Net accounts receivable	**26,391**	**58,233**
Accrued revenue*	32,364	14,823
Total receivable from customers	**58,755**	**73,056**
Cash and short-term deposits with banks	68,495	73,724
Advance payments to suppliers*	3,348	1,090
Total	**130,598**	**147,869**

*included under 'Other current assets' in the consolidated statement of financial position.

As at 31 December 2015, the Group had a provision of USD 14.9 million for bad and doubtful debts related to the overdue accounts receivable from four of its customers (USD 6.6 million - from two customers - as at 31 December 2014). The Group's remaining receivables as at 31 December 2015 were owed by a total of 17 different customers (2014 – 19 customers) and 1 of these customers (2014 – 4 customers) owed more than USD 5 million, accounting for 24% (2014 – 51%) of the total receivables from customers. USD 11.9 million of the net accounts receivable was overdue as of 31 December 2015, of which USD 6.7 million was overdue for 1-30 days, USD 2.8 million for 31-60 days and USD 2.4 million for more than 60 days.

3.1.3 Liquidity risk

The objective of the Group's liquidity risk management is to maintain sufficient cash and have access to funding through an adequate amount of committed credit facilities. The senior management monitors its risk of shortage of funds using both short-term and long-term cash flow forecasts and other business planning tools.

As of 31 December 2015, the Group was in default of principal and interest payments on all of its financing arrangements except USD 0.6 million liability related to seismic equipment (refer to Note 19.3). The Group was also in breach of certain financial covenants related to different financing arrangements. As a result, all of the Groups financial liabilities except USD 0.6 million related to the seismic equipment (refer to Note 19.3) was payable immediately upon demand and was reclassified as 'Current liabilities' in the consolidated statement of financial position as of 31 December 2015.

On 25 February 2016 the Group completed the Restructuring, as a result of which, revised payment terms were agreed with various financing parties for the Group's financial liabilities that were in default and due on demand as of 31 December 2015. Also refer to Note 32.1 *Closing of the Restructuring*. The following tables show the revised maturity profile of the Group's financial liabilities based on contractual payments following completion of the Restructuring. These include accumulated amounts due under the pre-restructured debt terms accumulated up to 30 November 2015, payment of which fell due five days after completion of the Restructuring. The amounts disclosed in the table are undiscounted cash flows.

(In thousands of USD)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Total
Unsecured bond repayments	-	-	-	-	-
Interest payments on senior bonds	3,961	-	-	-	3,961
Convertible bond repayments	-	-	-	-	-
Interest payments on Convertible bonds	2,586	344	999	999	4,927
Operating lease payments	2,135	1,593	1,610	1,610	6,948
Other long term debt repayments	9,681	1,046	966	970	12,663
Interest payments on other long term debt	7,314	2,612	3,869	3,201	16,996
Accounts payable	26,762	-	-	-	26,762
Other payables	29,672	-	-	-	29,672
Total	**82,111**	**5,595**	**7,443**	**6,780**	**101,929**

(In thousands of USD)	Less than 1 Year	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Total
Unsecured bond repayments	-	-	-	142,883	142,883
Interest payments on senior bonds	3,961	-	4,846	7,420	16,227
Convertible bond repayments	-	-	17,119	84,781	101,900
Interest payments on Convertible bonds	4,927	3,994	11,445	5,444	25,810
Operating lease payments	6,948	6,388	63,787	18,638	95,760
Other long term debt repayments	12,663	730	90,862	163,394	267,649
Interest payments on other long term debt	16,996	14,051	35,393	20,546	86,986
Accounts payable	26,762	-	-	-	26,762
Other payables	29,672	-	-	-	29,672
Total	**101,929**	**25,163**	**223,452**	**443,105**	**793,649**

The contractual payments in the above maturity table assume the call options on the Senior and Convertible bonds are not called by the Company. The Company has call options ranging from 33% to 50% of par value for A Tranches of the Unsecured bonds and B1 Tranches of the Convertible bonds, while the call options range from 24% to 36% for B Tranches of the Unsecured bonds and B2 Tranches of the Convertible bonds. The call option is dependent on which year the Company calls the bonds. The blended call option for all tranches in 2018 is 27% of par value. If the Company exercises the call options, the principal repayments it will be required to make will be significantly lower than the amounts shown in the above maturity table. The table below shows the call prices on the two tranches of the restructured bonds.

Year	Tranche A*	Tranche B*
2016	33%	24%
2017	34%	24.5%
2018 (interest from 1 July 2018)	35%	25%
2019	38%	27%
2020	41.5%	29.5%
2021	45%	32.5%
2022	50%	36%

*Tranche A refers to the tranches owned by bondholders who did not chose the equity option in 2016.

**Tranche B refers to the tranches owned by bondholders who chose the equity option in 2016.

Also refer to Note 32.1 *Closing of the Restructuring* for the details of revised terms under each financing arrangement post-restructuring.

3.2 Capital management

For the purpose of the Group's capital management, capital includes all equity attributable to the equity holders of the parent company. The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its loans and borrowings that define capital structure requirements. The Company is subject to dividend restrictions under certain of its financing arrangements.

The covenants of some of the financing arrangement require the Group to maintain minimum absolute levels of equity as well as minimum book equity ratios, and minimum amount of free cash balance. Senior management monitors performance against the covenants to ensure that the Group is in compliance with these requirements.

The Group considers both capital and net interest bearing debt as relevant components of funding, and hence, part of its capital management. The Group aims to have funding of a level appropriate to its objectives, strategy and risk profile. The Group monitors its capital structure on the basis of total equity to total assets ratio and at 31 December 2015 the Group had a book equity ratio of 13% (2014 – 40%). As referred to in Note 1.1 *Going concern, long term financing structure and liquidity*, the Group's book equity ratio as of 31 December 2015 was negatively impacted by the USD 242 million non-cash impairment charges. On formal completion of the financial restructuring on 25 February 2016, the Company recognized accounting gains of USD 177.8 million that significantly increased the equity subsequent to which the book equity ratio is approximately 45%.

The Group calculates its net interest bearing debt as its total loans and borrowings less free cash and any restricted cash balances relating to loans and borrowings. The Group's net interest bearing debt at 31 December 2015 was USD 588 million (2014 – USD 609 million).

4 Critical accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Judgments

In the process of applying the Group's accounting policies, management must sometimes make judgments which may have a significant impact on the amounts recognized in the consolidated financial statements. During the year, the following key judgement regarding joint operations made by the management had a significant impact on the financial statements.

Joint arrangements

In applying IFRS 11 regarding joint arrangements, the Company has applied considerable judgment as to whether certain arrangements the Company had entered into are joint operations or joint ventures. During the year 2015, the Company had four different joint arrangements, related to different Multi-Client projects undertaken by the Company and its different partners. The Company has determined that all four of these different joint arrangements meets the definition of *joint operations* as the Company and other parties to the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangement. There have been no separate legal entities established for undertaking any of these four joint operations. Also refer to Note 31.4 *Transactions with joint operators* for further details.

In addition to the above mentioned four joint operations, as of 31 December 2015, the Group had an investment in one joint venture. The investment in joint ventures represent the Group's 50% equity investment in Polarcus Nigeria Limited ("PNL"), an entity jointly controlled by the Group. Refer to Note 8 *Investment in joint ventures* for further details of this arrangement.

Estimates and assumptions

Certain amounts included in or affecting the financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time when the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex estimates, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as forecasts as to how these might change in the future.

The following is a summary of estimates that could have a material effect on the Group's financial statements.

4.1 Assessment of impairment

4.1.1 Impairment assessment of vessels, seismic equipment and intangible assets

The Group assesses its property, plant & equipment and intangible assets for possible impairment upon the occurrence of impairment indicators. As of 31 December 2015 the market capitalization of the Company was approximately USD 10 million, which was significantly less than the Company's book equity value, which is an impairment indicator in accordance with IAS 36 *Impairment of assets*. Therefore, the Company performed an impairment test on the carrying value totalling USD 874 million of the seismic vessels and equipment (refer to Note 6) and the license for steering technology for marine seismic streamers (see Note 9). The impairment test based on the Value in Use (VIU) method indicated an impairment of USD 215.6 million on seismic vessels and equipment and USD 26.6 million on streamer steering licenses (total USD 242.2 million). Also refer to Note 26 *Impairments*.

The Group used the VIU method for the impairment test as the FVLCD (Fair Value Less Costs of Disposal) method is not considered defendable on a standalone basis in the current market which has no observable transactions. The VIU calculation is based on the net present value of future cash flows the Company expects to generate using the assets in their current condition. The four most significant assumptions used in the VIU test – revenue day rate, OPEX day rate, utilization and discount rate – are supported by actual historically achieved rates by the Company over the past five years. The assumptions used in the forecasted cash flows are based primarily on externally available information, where possible, and historically achieved rates and amounts. Where such historical or external data is not available, then the assumptions may be based on management's expectations about the future.

For impairment testing, the assets are separated into three CGUs, being the i) Fleet (excl. *Polarcus Nadia and Vyacheslav Tikhonov*), ii) *Polarcus Nadia* and iii) *Vyacheslav Tikhonov*. For impairment testing in 2014, *Polarcus Nadia* was included in the Fleet CGU. In 2015, the vessel was cold stacked and as a result, the cash flows of the vessel are not interchangeable with the remaining vessels. Hence, as at 31 December 2015, *Polarcus Nadia* is a separate CGU.

The key assumptions used in the VIU calculation are highly sensitive to relatively small negative changes in those assumptions. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Company's expectations about the next five years. Estimating future cash flows requires management to make estimates about forecasts of future revenue and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about the demand for the Company's products and services, future market conditions and future technological developments.

The VIU test involves estimates about key assumptions during the five year period following the balance sheet date, so 2016 to 2020 inclusive. The key assumptions used in year five, or 2020, are then used as a terminal value for the remaining period the Company expects to use the assets being tested for impairment. An annual growth rate of 2.5% is employed to the net cash inflow of the terminal values in 2020 until the last year the Company expects to generate cash flows from the assets.

The table below summarizes the key assumptions used in the VIU test, including the Company's achieved five year historical average. The table shows what the impact would be to the impairment amount of USD 242 million that was booked in 2015, should one of the key assumptions vary from the rate used in the VIU test. The change in the impairment amount could be positive or negative, depending on which way the key assumption factor changes.

(In thousands of USD)	Company historical 5-yr average 2011 - 2015	5-yr average 2016 - 2020 used in VIU test	Terminal rate used in VIU test	Sensitivity of terminal rate	Sensitivity of terminal rate	Change in impairment
Revenue day rate	245,000	202,000	250,000	10%	+/- 25,000	+/- 280 million
OPEX day rate	127,000	124,000	133,000	10%	+/- 13,300	+/- 200 million
Utilization	82%	80%	80%	500bp	75% - 85%	+/- 175 million
Discount rate	N/A	11.44%	11.44%	100 bp	10.44% - 12.44%	+/- 55 million

If the assumed revenue day rate changed (positively or negatively) by 10%, then the impairment charge would have been either nil or USD 522 million. If the assumed OPEX day rate changed by 10% then the impairment charge would have been either USD 42 million or 442 million. If the assumed vessel utilization changed by five percentage points then the impairment charge would have been USD 67 million or USD 417 million. If the assumed discount rate changed by one percentage point then the impairment would charge would have been either USD 187 million or USD 297 million.

4.1.2 Impairment assessment of Multi-Client projects library

During the year 2015, the Company sold its Multi-Client assets in Northwest Europe and West Africa in return for a consideration of USD 27.5 million, plus a share of future revenue shares dependent on certain revenue thresholds. On the date of entering into the sale agreement, the Company recorded an impairment of USD 62.1 million, reducing the carrying value of the library sold to its recoverable value. Refer to Note 7 *Multi-Client project library* for further details.

As at 31 December 2015, due to the impairment indicators as mentioned in 4.1.1 above, the Group performed an impairment test on the remaining value of its Multi-Client project libraries on a project-by-project basis, using the VIU method. The VIU calculation involves estimating all future cash inflows and outflows of a project and discounting those cash flows to net present value (NPV). Where the NPV is less than the carrying value of the project then an impairment charge is recognized.

In order to calculate the VIU, management reviewed future cash flow forecasts for each projects in detail using a risk weighted cash flow method, whereby probabilities of occurring are assigned to the cash flows. A discount rate of 11.44% was used.

As a result of the impairment test no impairment was recorded as the recoverable amounts of the Group's remaining Multi-Client projects were higher than their carrying values. For sensitivity testing purposes, even if the discount rate used changed by one percentage point, the VIU test would still indicate no impairment. If the discount rate increased by five percentage points, the VIU would indicate an impairment of USD 0.2 million.

4.2 Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are based on management's estimates of the expected useful lives and estimated residual values at the end of an asset's useful life. These estimates are subject to change based on changes in the market conditions including technological development, changes in the extent or manner of use of an asset and strategic considerations.

4.3 Amortization of the Multi-Client projects library

In determining the annual amortization rates applied to the Multi-Client projects library, management considers expected future sales and market developments and past experience. The estimates of future sales depend on variables such as political risk, license periods, geographic location, general economic conditions, etc. Changes in these variables may potentially affect the estimated future sales and the amortization rates significantly from year to year.

To the extent that such revenue estimates prove to be higher than actual revenue, for example due to reliance on too optimistic assumptions, the Group's subsequent operations will reflect lower profitability resulting from increased amortization rates applied to the Multi-Client projects library in later years, or from the Multi-Client projects library being subject to minimum amortization and/or impairment.

4.4 Provision for onerous contracts

IAS 37 *Provisions, contingent liabilities and contingent assets* requires that if an entity has a contract that is onerous, the present obligation under the contract should be recognized and measured as a provision. An onerous contract is one under which the unavoidable costs of meeting the obligations under the contract exceed the revenue expected to be received under it.

In determining whether a contract is onerous, the expected costs to deliver the project are deducted from the contractual revenue. The costs to deliver the projects include the vessel OPEX and the depreciation of the equipment required to deliver the project. For the calculation of provision for onerous contracts, the Group includes seismic survey projects for which the Group had a legal and/or constructive obligation at the balance sheet date to deliver the contract.

At the yearend, the Company had two onerous contracts for which a total provision of USD 8.8 million has been recognized in the statement of financial position, with a corresponding cost on a separate line in the consolidated income statement. One of these projects was completed during Q1 2016 and the other project is expected to be completed before end of Q2 2016.

5 Segment information

The chief operating decision maker of the Group reviews Proprietary contracts and Multi-Client as separate operating segments. The Company reviews these as two separate operating segments as the two units may undertake projects with different risk profiles and associated cash flows. The Company has two separate business units for these two segments and assesses the performance of each business unit on their respective financial performance.

As these two segments meet the aggregation criteria as prescribed under IFRS 8 *Operating segments*, they are combined into one segment called 'Marine'. These two segments meet the aggregation criteria under IFRS 8.12 based on the following assessments made by the Group:

In the long-term, the Company expects similar gross margins on Contract and Multi-Client operations. IFRS 8.12(a) requires that the nature of the products and services need to be similar for segment aggregation to be acceptable. In both Proprietary contracts and Multi-Client, the customer receives the same data set. The only difference being legal ownership of the data set. Under Proprietary contracts, the customer legally owns the data set, while under Multi-Client, the Company retains legal ownership and the customer receives access to the data set. IFRS 8.12(b) requires that the nature of the production process to be similar. Regardless of whether or not the Company is performing a Proprietary contract or Multi-Client survey, the production process is identical. IFRS 8.12(c) requires that the type or class of customer for

the products or services to be similar. Under both Contract and Multi-Client, the Company's customers are similar. The Company's customers are oil and gas companies, and there is no difference in the sub-set of customers that purchase contract or Multi-Client data. IFRS 8.12(d) requires that the methods used to distribute the products or provide the service to be similar. For Proprietary contracts and Multi-Client pre-funding customers, the methods used to distribute the product are the same. The method used to distribute the product is different for Multi-Client late sales. The Multi-Client late sales that the Company has achieved historically is significantly lower compared to the Multi-Client prefunding revenues (During 2015 90% of total Multi-Client sales were prefunding – 2014 79%). IFRS 8.12(e) requires the nature of the regulatory environment to be similar. There is no significant difference in the regulatory environment for Proprietary contract and Multi-Client.

Other business activities of the Group including bareboat charter and management services are reported under 'Other'. The Group's general administration overheads are also included under 'Other'.

	Year ended 31-Dec-15			Year ended 31-Dec-14		
(In thousands of USD)	**Marine**	**Other**	**Total**	**Marine**	**Other**	**Total**
Revenues						
Proprietary contracts*	215,438	-	215,438	365,866	-	365,866
Multi-Client prefunding	83,554	-	83,554	35,102	-	35,102
Multi-Client late sales	9,265	-	9,265	9,433	-	9,433
Bare boat charter (Operating leases)*	-	24,008	24,008	-	25,368	25,368
Management fees*	-	31,312	31,312	-	27,951	27,951
Other income (Insurance claims)**	-	13,895	13,895	-	2,989	2,989
Total Revenues	**308,257**	**69,214**	**377,471**	**410,401**	**56,308**	**466,709**
Operating costs	(189,726)	(36,096)	(225,822)	(280,905)	(35,677)	(316,582)
Provision for onerous contracts	(8,803)	-	(8,803)	-	-	-
EBITDA	**109,727**	**33,118**	**142,845**	**129,497**	**20,630**	**150,127**
Depreciation and amortization	(64,139)	(8,275)	(72,414)	(70,940)	(8,150)	(79,090)
Multi-Client amortization	(69,274)	-	(69,274)	(37,228)	-	(37,228)
Impairments	(315,430)	-	(315,430)	(35,110)	-	(35,110)
Operating profit (EBIT)	**(339,116)**	**24,843**	**(314,273)**	**(13,782)**	**12,480**	**(1,302)**
Net financial income/(expenses)	-	(58,738)	(58,738)	-	(77,091)	(77,091)
Profit/(loss) before tax	**(339,116)**	**(33,895)**	**(373,011)**	**(13,782)**	**(64,610)**	**(78,392)**

*Disclosed as 'Contract revenue' in the consolidated statement of comprehensive income.
**Other income represents income recognised from insurance claims related to loss of in-sea equipment.

	Year ended 31-Dec-2015			Year ended 31-Dec-2014		
(In thousands of USD)	**Marine**	**Other**	**Total**	**Marine**	**Other**	**Total**
Total assets	746,409	100,527	846,936	1,089,117	147,835	1,236,953
Investments in joint ventures	1,220	-	1,220	2,203	-	2,203
Cash investments in long-term assets*	124,533	-	124,533	113,252	-	113,252

*Includes investments in property, plant and equipment, Multi-Client library and intangible assets.

5.1 Geographic information

The Group's operating revenues earned from external customers worldwide are grouped as per below based on the territory of services provided:

	Year ended	
(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Africa	49,735	192,467
Americas	12,418	44,050
Asia and Australasia	244,579	127,781
Europe	56,843	99,422
Total revenue	**363,576**	**463,720**

At the end of the periods reported, the property, plant and equipment were geographically located as per below:

(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Africa	182,783	383,706
Americas	-	155,604
Asia and Australasia	282,517	263,910
Europe	169,118	124,595
Total	**634,419**	**927,815**

The Group had seven vessels included in property, plant and equipment as of 31 December 2015 (seven as of 31 December 2014). These vessels were located in different geographical locations as at the yearend. Other non-current assets included in the property, plant and equipment are furniture, fixtures and office equipment all of which are located at the Group's office in Dubai, United Arab Emirates.

5.2 Revenues from key customers

During the year ended 31 December 2015 the Group provided its services to 43 different customers worldwide (46 during year 2014). Revenue earned from the largest two of these customers amounted to 40% of the Group's total operating revenue earned during the year 2015 (18% during year 2014).

	Year ended	
(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Customer 1	111,274	43,191
Customer 2	34,787	39,880
Other customers	217,515	380,649
Total revenue	**363,576**	**463,720**

6 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
Year ended 31 December 2015			
Costs			
Balance as of 01 January 2015	1,228,409	3,458	1,231,868
Additional capital expenditures	19,008	25	19,034
Disposals	(20,985)	(421)	(21,406)
Balance as of 31 December 2015	1,226,433	3,063	1,229,496
Depreciation and impairments			
Balance as of 01 January 2015	301,274	2,779	304,053
Depreciation for the year	85,410	278	85,688
Impairments	215,568	-	215,568
Disposals	(9,930)	(302)	(10,232)
Balance as of 31 December 2015	592,322	2,755	595,077
Carrying amounts			
As of 01 January 2015	927,136	679	927,815
As of 31 December 2015	**634,111**	**308**	**634,419**
Carrying amounts held under finance lease as of 31 December 2015	127,392	-	127,392
Pledged assets as of 31 December 2015	632,204	-	632,204
Year ended 31 December 2014			
Costs			
Balance as of 01 January 2014	1,188,209	3,182	1,191,392
Additional capital expenditures	51,586	281	51,867
Disposals	(11,386)	(5)	(11,391)
Balance as of 31 December 2014	1,228,409	3,458	1,231,868
Depreciation and impairments			
Balance as of 01 January 2014	216,262	2,329	218,590
Depreciation for the year	83,876	450	84,326
Impairments	6,237	-	6,237
Disposals	(5,101)	-	(5,101)
Balance as of 31 December 2014	301,274	2,779	304,053
Carrying amounts			
As of 01 January 2014	971,948	854	972,802
As of 31 December 2014	**927,136**	**679**	**927,815**
Carrying amounts held under finance lease as of 31 December 2014	174,010	-	174,010
Pledged assets as of 31 December 2014	878,379	-	878,379

7 Multi-Client projects library

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Balance at the beginning of the year	88,731	88,704
Investments during the year	100,189	49,539
Capitalized depreciation (Note 25)	18,507	10,304
Amortization (Note 25)	(69,274)	(37,228)
Impairments (Note 26)	(62,128)	(22,588)
Disposals	(25,197)	-
Balance at the year end	**50,828**	**88,731**

On 28 June 2015 the Company entered into a sales agreement with TGS for the sale of its Multi-Client assets in Northwest Europe and West Africa in return for a cash consideration of USD 27.5 million and future revenue share on library late sales. USD 1.5 million of this transaction relates to the Group's share of Multi-Client assets owned by Polarcus Nigeria Limited, a joint venture owned 50% by the Company (refer to Note 8 *Investment in joint ventures*). The sale transaction was completed in Q4 2015 except for the USD 1.5 million that relates to the joint-venture. The costs to sell amounted to USD 0.8 million, giving a net consideration of USD 25.2 million for the libraries sold. On the date of entering into the sales agreement, the carrying value of the libraries classified as held for sale was USD 87.3 million, excluding the libraries owned by the joint venture and, thence, the Company recorded an impairment of USD 62.1 million.

8 Investment in joint ventures

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Balance at the beginning of the year	2,203	2,483
Share of loss	(983)	(280)
Balance at the year end	**1,220**	**2,203**

As of 31 December 2015 the Group had an investment in one joint venture. The investment represents the Group's 50% equity investment in Polarcus Nigeria Limited ("PNL"), an entity jointly controlled by the Group and Ashbert Limited ("Ashbert"). The principal activity of PNL is to develop a towed marine 3D Multi-Client seismic business in Nigeria including the brokerage of certain existing 3D seismic data sets. The principle place of business of PNL is Nigeria, which is also its country of registration.

Summarised financial information of PNL is as follows:

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Non-current assets	3,000	4,613
Cash and cash equivalents	6	136
Total assets	**3,006**	**4,749**
Financial current liabilities	295	315
Other current liabilities	243	-
Equity	2,467	4,434
Total equity and liabilities	**3,006**	**4,749**
Revenues	-	248
Operating expenses	(276)	(381)
Amortization of Multi-Client library	-	(400)
Impairment of Multi-Client library	(1,613)	-
Finance costs	(81)	(64)
Finance income	2	37
Total comprehensive loss	**(1,967)**	**(560)**

9 Intangible assets

(In thousands of USD)

	Licenses	Other	Total
Year ended 31 December 2015			
Costs			
Balance as of 01 January 2015	37,411	2,336	39,747
Additions during the year	-	94	94
Balance as of 31 December 2015	37,411	2,429	39,841
Amortization and impairment losses			
Balance as of 01 January 2015	6,008	1,769	7,778
Amortization for the year	4,827	405	5,232
Impairments	26,576	-	26,576
Balance as of 31 December 2015	37,411	2,174	39,586
Carrying amounts			
As of 01 January 2015	31,403	566	31,969
As of 31 December 2015	**-**	**255**	**255**
Year ended 31 December 2014			
Costs			
Balance as of 01 January 2014	37,411	2,038	39,449
Additions during the year	-	298	298
Balance as of 31 December 2014	37,411	2,336	39,747
Amortization and impairment losses			
Balance as of 01 January 2014	1,181	1,529	2,710
Amortization for the year	4,827	240	5,067
Balance as of 31 December 2014	6,008	1,769	7,778
Carrying amounts			
As of 01 January 2014	36,230	509	36,739
As of 31 December 2014	**31,403**	**566**	**31,969**

10 Other current assets

(In thousands of USD)	31-Dec-15	31-Dec-14
Accrued revenue	32,386	14,829
Cash collateral for swaps	7,400	6,890
Advance to employees	1,121	1,623
Withholding taxes receivable	-	1,150
Insurance receivables	6,516	2,834
Advance to suppliers	3,348	1,090
Deposits	256	232
VAT and other indirect taxes receivable	1,029	1,797
Other receivables	751	-
Total other current financial assets measured at amortized cost	**52,807**	**30,444**
Other investments	529	529
Prepaid expenses	6,803	8,582
Deferred transit cost	-	7,804
Inventories onboard the vessels	6,409	9,121
Total	**66,549**	**56,480**

Other investments, deferred transit costs and prepaid expenses are measured at cost.

Inventories onboard the vessels are measured at the lower of cost and net realisable value and on a FIFO (first in, first out) basis.

11 Restricted cash

(In thousands of USD)	31-Dec-15	31-Dec-14
Long-term loan instalment retention accounts	2,139	6,200
Payment guarantee escrow accounts	9,380	-
Other short term deposits	3,000	2,037
Total	**14,519**	**8,236**

12 Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments.

(In thousands of equivalent USD)	31-Dec-15	31-Dec-14
United States Dollars	49,976	35,145
Norwegian Kroner	35	25,201
Australian Dollars	175	2,895
British Pounds	689	919
Euros	673	706
Egyptian Pounds	970	9
Brazilian Reals	720	83
Other currencies	738	531
Total	**53,976**	**65,488**

13 Share capital and share options

The Company's authorized share capital at the beginning of the year ended 31 December 2015 was USD 18,570,000 divided into 928,500,000 shares at par value of USD 0.02 each. The issued and paid up share capital at the beginning of the period was USD 13,396,274 divided into 669,813,679 shares, each with a par value USD 0.02. On 22 November 2015, an Extraordinary General Meeting of the Company resolved to consolidate the shares of the Company so that 10 old shares became 1 new share. After the share consolidation, the nominal value of the shares is USD 0.20. As of 31 December 2015 the authorized share capital of the Company is USD 18,570,000 divided into 92,850,000 shares at par value of USD 0.20. The issued and paid up share capital of the Company as of 31 December 2015 is USD 13,396,274 divided into 66,981,368 shares at par value of USD 0.20.

(In thousands of USD except for number of shares)

	Number of shares	Issued share capital	Share premium	Total
Balance as at 01 January 2014	**507,221,179**	**10,144**	**501,843**	**511,988**
Proceeds from shares issued during October 2014	162,592,500	3,252	31,639	34,891
Transaction cost in issue of shares	-	-	(1,260)	(1,260)
Balance as at 31 December 2014	**669,813,679**	**13,396**	**532,222**	**545,619**
Consolidation of share capital				
On 22 November 2015 (at 10:1 from USD 0.02 to USD 0.20 per share)	(602,832,311)	-	-	-
Balance as at 31 December 2015	**66,981,368**	**13,396**	**532,222**	**545,619**

As part of the Restructuring, on 06 January 2016, an Extraordinary General Meeting of the Company approved an increase in and amendment to the authorized share capital of the Company. Subsequently, the Company's authorised share capital is USD 19,353,682 divided into 92,850,000 shares of a nominal or par value of USD 0.20 each and 602,832,312 Class B shares of a nominal or par value of USD 0.0013 each. During Q1 2016, upon completion of the Restructuring, the Company issued a total of 463,491,579 Class B shares of a nominal or par value of USD 0.0013 each to the bondholders having chosen Option B. The new shares represent approximately 87% of the voting shares of the Company post such issue.

Assuming full conversion of convertible bond loan and share options, the total number of shares issued would increase by 7,882,208 shares.

Dilutive Instrument	**Number of equivalent shares**
Shares associated with convertible bonds	4,631,818
Shares associated with the stock options	3,250,390
Total	**7,882,208**

Apart from potential shares that could be issued under the terms of the share option plan or convertible bonds, the board of directors have no restrictions on issuing remaining authorized share capital. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

13.1 Employee share options

13.1.1 2008 Share option plan

In 2008 the Company implemented an employee share option plan ("2008 plan") under which a total of 625,000 shares could be granted to the employees of companies within the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to acceptance of the employment offer. The options vest three years after grant date and can be exercised up to five years after the grant date. The exercise of the options is conditional on the employee completing three years of service (the vesting period) and being an employee of the Group at the exercise date. The options are only available for settlement in equity.

The total fair value of options granted up to 31 December 2015 under the 2008 plan is USD 4.9 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2015		Year ended 31-Dec-2014	
	Number	WAEP (USD)	Number	WAEP (USD)
Outstanding at 01 January	1,370,000	1.06	2,150,000	1.62
Granted during the year	-	-	-	-
Reduction in numbers due to consolidation of shares (10:1)	(1,233,000)		-	-
Expired During the year	(83,000)		(560,000)	
Forfeited during the year	(21,000)		(220,000)	
Outstanding as of 31 December	**33,000**	**13.05**	**1,370,000**	**1.06**
Exercisable as at 31 December	33,000	13.05	1,370,000	1.06
Exercised during the year	-	-	-	-

The range of exercise prices for options outstanding under the 2008 Scheme as of 31 December 2015 is USD 9.19 – USD 14.10. The weighted average remaining contractual life as of 31 December 2015 is 0.25 years.

13.1.2 2010 Share option plan

In the 2010 annual general meeting, another employee share option plan ("2010 plan") was approved under which a maximum number of 750,000 shares could be granted to the employees of the Group. The plan has a 6 years duration with part exercise possibility at the first, second and third anniversary after the grant of the options. The exercise price for each option was set to the volume weighted average price for which the shares have been traded at Oslo Stock Exchange in the period of 30 trading days immediately prior to the date options are granted plus 10% for options exercisable after one year, plus 20% for options exercisable after two years and 30% for options exercisable thereafter. The aggregate number of options granted to a particular employee when multiplied by the volume weighted average trading price 30 days prior to the grant date cannot exceed 150% of the employee's base salary each year and 300% of base salary in aggregate during the duration of the plan. The options are exercisable upon a change of control event (above 50%).

The total fair value of options granted up to 31 December 2015 under the 2010 plan is USD 3.2 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2015		Year ended 31-Dec-2014	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	6,125,400	7.94	6,339,900	7.94
Granted during the year	-	-	-	-
Reduction in numbers due to consolidation of shares (10:1)	(5,512,860)			
Forfeited during the year	(74,650)		(214,500)	
Outstanding as of 31 December	**537,890**	**79.83**	**6,125,400**	**7.94**
Exercisable as at 31 December	537,890	79.83	6,125,400	7.94
Exercised during the year	-		-	

The range of exercise prices for options outstanding under the 2010 plan as of 31 December 2015 is NOK 66.78 – NOK 101 (USD 7.57 – USD 11.45). The weighted average remaining contractual life of options outstanding under this plan as of 31 December 2015 is 0.67 years.

13.1.3 2012 Share option plan

On 26 April 2012 the Board of Directors of the Company approved another employee share option plan ("2012 plan") under which a maximum number of 1,400,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The options vest three years after grant date and can be exercised up to five years after the grant date. The exercise of the options is conditional on the employee completing three years of service (the vesting period) and being an employee of the Group at the exercise date.

Total fair value of options granted up to 31 December 2015 under the 2012 plan is USD 4.1 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2015		Year ended 31-Dec-2014	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	13,475,000	5.52	12,590,000	5.67
Reduction in numbers due to consolidation of shares (10:1)	(12,127,500)			
Granted during the year	115,000	37.00	1,600,000	4.38
Forfeited during the year	(163,000)		(715,000)	
Outstanding as of 31 December	**1,299,500**	**50.50**	**13,475,000**	**5.52**
Exercisable as at 31 December	840,500	56.40	-	-
Exercised during the year	-	-	-	-

The following table lists the inputs to the models used for the valuation of new options granted under 2012 share option plan:

	31-Dec-15	31-Dec-14
Dividend yield (%)	0%	0%
Expected volatility (%)	59%	57%
Risk-free interest rate (%)	1.73%	2.45%
Expected life of option (years)	5	5
Weighted average price (NOK)	37.00	4.38

The range of exercise prices for options outstanding under the 2012 plan as of 31 December 2015 is NOK 3.7 – NOK 58.6 (USD 0.42 – USD 6.65). The weighted average remaining contractual life as of 31 December 2015 is 1.98 years.

13.1.4 2014 Share option plan

On 13 May 2014 the Board of Directors of the Company approved a new employee share option plan ("2014 plan') under which a maximum number of 1,500,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The plan has a 7 years duration with part exercise possibility at the second, third and fourth anniversary after the grant of the options. The options under this plan can be exercised only if the price for which the Shares are traded (calculated as the volume weighted average price for which the Company's shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) is at least 30% above the exercise price at one time during the option period.

Total fair value of options granted up to 31 December 2015 under the 2014 plan is USD 1. 4 million calculated using the Black-Scholes model.	Year ended 31-Dec-2015		Year ended 31-Dec-2014	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	7,450,000	4.34	-	-
Reduction in numbers due to consolidation of shares (10:1)	(6,705,000)			
Granted during the year	650,000	42.40	7,450,000	4.34
Forfeited during the year	(15,000)			
Outstanding as of 31 December	**1,380,000**	**24.92**	**7,450,000**	**4.34**
Exercisable as at 31 December	-	-	-	-
Exercised during the year	-	-	-	-

The following table lists the inputs to the models used for the valuation of new options granted under 2014 share option plan:

	31-Dec-15	31-Dec-14
Dividend yield (%)	0%	0%
Expected volatility (%)	59%	57%
Risk-free interest rate (%)	1.54% - 1.93%	2.72%
Expected life of option (years)	7	7
Weighted average share price (NOK)	42.40	4.34

The weighted average remaining contractual life of options outstanding under 2014 plan as of 31 December 2015 is 5.82 years. Exercise price for these outstanding options is NOK 2.40 – NOK 43.80 (USD 0.27 – USD 4.97).

The fair value of the options under the above four plans are estimated by a tree implementation of the Black Scholes formula for the pricing of equity call options. The inputs to the valuation model includes expected dividend yield for the Company's shares, expected volatility, risk-free market interest rate and expected life of the options.

The expected life of the options is based on the maturity date and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the historical volatility of the share price since the Company's shares were available for public purchase and reflects the assumption that historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

For the year ended 31 December 2015 the Group recognized an expense of USD 0.5 million for employee share options (USD 2.9 million during year 2014).

14 Other financial assets and liabilities

14.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-15	31-Dec-14
Accounts receivables	26,391	58,233
Other current financial assets (Note 10)	52,807	30,444
Total assets measured at amortized cost	**79,198**	**88,677**

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-15	31-Dec-14
Bond loans		
2.875% Convertible bonds (refer to Note 17)	96,607	96,336
8% unsecured bonds (refer to Note 16.1)	84,673	84,340
NOK 350 million unsecured bonds (refer to Note 16.2)	39,345	46,067
Total bond loans	220,625	226,744
Other interest bearing debt		
Fleet bank facility (refer to Note 19.1)	252,688	265,456
Liability for patent rights (refer to Note 19.2)	-	12,321
Liability for seismic equipment (refer to Note 19.3)	4,867	2,927
Total other interest bearing debt	257,555	280,703
Other financial liabilities		
Finance lease liabilities (refer to Note 18)	166,018	173,672
Accounts Payable	30,109	19,056
Total other financial liabilities	196,127	192,728
Total financial liabilities measured at amortized cost	**674,307**	**700,175**

Also refer to Note 3.1.3 *Liquidity risk*.

14.2 Fair values

(in thousands of USD)	Fair value level	31-Dec-15 Carrying Amount	31-Dec-15 Fair value	31-Dec-14 Carrying Amount	31-Dec-14 Fair value
Financial assets					
Cash and deposits		53,976	53,976	73,724	73,724
Accounts receivables		26,391	26,391	58,233	58,233
Total		**80,367**	**80,367**	**131,957**	**131,957**
Financial liabilities					
Accounts payable		30,109	30,109	19,056	19,056
2.875% convertible bond (Note 17)	Level-1	96,607	21,654	96,336	74,620
8% senior unsecured bonds (Note 16.1)	Level-1	84,673	9,955	84,340	36,784
NOK 350 million senior unsecured bond (Note 16.2)	Level-1	39,345	4,600	46,067	26,127
Other interest bearing debt (Note 19)	Level-2	257,555	245,355	280,703	259,595
Finance lease liabilities (Note 18)	Level-2	166,018	37,205	173,672	101,845
Total		**674,307**	**348,878**	**700,175**	**518,027**

Cash and deposits, accounts receivables and payables, and other current financial assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of senior and convertible bonds are measured at a rate prescribed by The Norwegian Securities Dealers Association based upon the secondary market prices of the respective securities. The fair value of the finance lease liabilities are assumed to be the same fair value multiple as the convertible bond, as both instruments have security in similar assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

14.3 Financial guarantees

The Group has a USD 20 million guarantee facility from DNB Bank under which the bank issues payment and performance guarantees on behalf of the Group in relation to the Group's operating activities. As of 31 December 2015 the total value of guarantees issued under this facility is USD 6.6 million and the average remaining lifetime of the guarantees is eight months (USD 7.9 million as of 31 December 2014 with average lifetime of three months).

15 Other reserves

(In thousands of USD)	31-Dec-15	31-Dec-14
Balance as at 01 January	33,149	38,533
Employee stock options (refer to Note 13.1)	505	2,890
Other movements (transfer to Retained earnings)		
Fair value of employee stock options unexercised and expired	(651)	(3,805)
Equity component of convertible bonds repaid	(447)	(4,469)
Balance as at the yearend	**32,556**	**33,149**

16 Unsecured bonds

16.1 USD 95 million 8% bonds

On 07 June 2013 the Group issued 475 senior unsecured bonds at par value USD 200,000 per bond, total USD 95 million, with coupon interest of 8% per annum. The net proceeds after deducting transactions costs were USD 93.1 million. Interest for these bonds were payable semi-annually in arrears on 07 June and 07 December each year. As per the original terms, the bonds mature five years from the date of the issue. On 15 July 2014, the Company had repurchased USD 9.4 million of these bonds. As of 31 December 2015, the nominal value of outstanding bonds under the 8% senior unsecured bonds is USD 85.6 million.

	Years ended		Accumulated from inception	
(In thousands of USD)	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Balance at 01 January / on issue	84,340	93,266	93,083	93,083
Unpaid accrued interest at 01 January	569	633	-	-
Issue costs amortized	333	474	990	657
Interest payable accrued	7,225	7,224	18,881	11,657
Actual interest paid	(3,800)	(7,287)	(14,887)	(11,087)
Buyback	-	(9,400)	(9,400)	(9,400)
Unpaid interest included in Other accruals and payables	(3,994)	(569)	(3,994)	(569)
Balance at the yearend	**84,673**	**84,340**	**84,673**	**84,340**

16.2 350M NOK Senior unsecured bonds

On 08 July 2014 the Company issued 350 senior unsecured bonds at par value of NOK 1,000,000 per bond, totalling NOK 350 million with coupon interest rate of 3 months NIBOR + 7.25%. Effective the same date, the Company swapped the issued amount into USD floating rate obligations, resulting in an effective interest rate of 7.73%. Interest for these bonds is payable quarterly in arrears on 08 January, 08 April, 08 July and 08 October each year. As per the original terms, the bonds mature five years from the date of issue.

(In thousands of USD)	Years ended 31-Dec-15	Years ended 31-Dec-14	Accumulated from inception 31-Dec-15	Accumulated from inception 31-Dec-14
Balance at 01 January / on issue	46,067	56,102	56,102	56,102
Unpaid accrued interest at 01 January	1,132	-	-	-
Issue costs amortized	161	75	236	75
Interest payable accrued	4,164	2,138	6,302	2,138
Actual interest paid	(4,507)	(1,006)	(5,513)	(1,006)
Unrealized foreign exchange gain	(6,882)	(10,110)	(16,993)	(10,110)
Unpaid interest included in Other accruals and payables	(790)	(1,132)	(790)	(1,132)
Balance at the yearend	**39,345**	**46,067**	**39,345**	**46,067**

The carrying and fair value of the above two senior bond financial liabilities are as per below:

(In thousands of USD)	31-Dec-15 Carrying amount	31-Dec-15 Fair value	31-Dec-14 Carrying amount	31-Dec-14 Fair value
95M USD 8% Senior unsecured bonds	84,673	9,955	84,340	36,784
350M NOK Senior unsecured bonds	39,345	4,600	46,067	26,127
Total	**124,018**	**14,555**	**130,407**	**62,911**

As of 31 December 2015 the Company is in default of USD 3.8 million interest payment due on the USD 95 million 8% bonds. Such default also results in a cross default as per the terms of the 350M NOK senior unsecured bonds. Therefore, the above outstanding liability under the senior unsecured bonds is classified as 'Current liabilities' in the consolidated statement of financial position as of 31 December 2015.

16.3 Restructuring of the unsecured bonds

On 22 January 2016 a joint bond holders meeting approved the Group's restructuring plan. The Restructuring was subsequently completed and implemented on 25 February 2016. Under the terms of Restructuring, Polarcus is given the option ("call option") to early redeem the bonds at a discounted price and the bondholders in the Company's senior unsecured bonds were offered the choice to allocate their unsecured bonds to Unsecured A Tranches and/or Unsecured B Tranches.

Unsecured A Tranches - Bondholders allocating bonds to this tranche accepted a reduction to the call option prices for the bonds in the range 33% to 50% of par value, dependent on which year the Company calls the bonds, and certain other changes, but otherwise kept the nominal amount of the current bonds and which are separated into a new tranche A under the respective unsecured bond loan.

Unsecured B Tranches - Bondholders allocating bonds to this tranche converted approximately 0.5% of the bonds allocated to this tranche into new shares, accepting a reduction to the call option prices for the bonds in the range 24% to 36% of par value, dependent on which year the Company calls the bonds, and certain other changes. Bondholders allocating bonds to this tranche otherwise kept 99.5% of the bonds allocated to this tranche (with new call option price as above) which have been separated into a new tranche B under the respective unsecured bond loans.

The maturity date of the unsecured bonds was extended to 30 December 2022. Interest on the restructured unsecured bonds accrues from 01 July 2018 with semi-annual interest payments, subject to the Company being able to service its bank debt in full at the time of any such payment.

If 50% or more of the bonds are called or repaid, a write down of the principal amounts of all unsecured tranches to the prevailing call price at that time would be carried out. In such an event, the Unsecured A Tranches and the Unsecured B Tranches of the respective unsecured bonds would be merged. The merged tranches would receive an adjusted coupon varying from 6% p.a. in 2016 to 14% p.a. in 2022, calculated on the new lower principal amount and the price at which any further call may be exercised would be fixed at the same new lower principal amount.

Subsequent to the Restructuring, all accrued interest on the unsecured bonds up to and including 30 November 2015 was settled during Q1 2016.

The key terms of the unsecured senior bonds subsequent to the Restructuring are as per below:

	95M USD bonds	350M NOK bonds
Nominal value of unsecured A tranches	USD 16.6 million	NOK 78.0 million
Nominal value of unsecured B tranches	USD 68.7 million	NOK 270.6 million
Number of shares issued for B tranches	265,384,592	118,260,837
Interest rates range - Tranche A	3.5% to 5% p.a	
Interest rates range - Tranche B	2.5% to 3.6% p.a	
Call price range 2016 - 2022 - Tranche A	33% to 50% of par value	
Call price range 2016 - 2022 - Tranche B	24% to 36% of par value	

Also refer to Note 3.1.3 *Liquidity risk* and Note 32 *Subsequent events* for further details of the Restructuring.

17 Convertible bonds

On 27 April 2011, the Group issued 1,250 senior secured convertible bonds at par value USD 100,000 per bond, total USD 125 million, with coupon interest of 2.875% per annum. The net proceeds after deducing transaction costs were USD 121.9 million. The interest is payable semi-annually in arrears on 27 April and 27 October each year. As per the original terms, the bonds mature five years from issue date and the bondholders had the right to convert the bonds into a total of 80,770,225 shares at a conversion price of USD 1.54 per share.

On issue of the bonds in 2011, the Group recognised the bonds using split accounting, whereby the net proceeds were split between a financial liability of USD 95.3 million and an equity component of USD 26.6 million. The equity component is recognized within equity as 'Other reserves'.

Effective 14 April 2015, the bond holders of the convertible bonds approved certain amendments to the original terms which consisted of the following:

- The maturity date of the bonds was extended until the earlier of 27 April 2018 (24 months extension), and 2 months prior to the maturity of the guarantees issued by the commercial banks securing the Fleet Bank Facility (the "Fleet Bank Guarantees"), currently June 2017. Provided that the financing parties have not committed to extend the Fleet Bank Guarantees prior to 27 April 2017, the Bond Issue shall mature on 27 April 2017.
- Increase of interest rate to 5.6% per annum (from 2.875% per annum), payable quarterly, from April 2015.
- Introduction of quarterly repayment instalments of USD 2.5 million, payable from April 2016 and quarterly thereafter.

On 29 October 2015 the Company bought back convertible bonds of nominal value USD 2.1 million at a price of 37%. The repurchased bonds were subsequently cancelled from the registry. The Group recorded a net gain of USD 1.2 million on the repurchase of these bonds, net of discount received and previously unamortized placement fees (also refer to Note 28 *Finance income*). Subsequently, the outstanding nominal value of the convertible bonds as of 31 December 2014 was USD 104 million. The Company had, in 2014, bought back convertibles bonds of USD 21 million. As of 31 December 2015, outstanding nominal value of the convertible bonds is USD 101.9 million.

	Years ended		Accumulated from inception	
(In thousands of USD)	**31-Dec-15**	**31-Dec-14**	**31-Dec-15**	**31-Dec-14**
Balance at 01 January / on issue	96,336	109,535	95,271	95,271
Unpaid accrued interest at 01 January	499	599	-	-
Issue costs and equity portion amortized	2,371	7,802	24,436	22,065
Interest payable accrued	5,320	3,546	18,450	13,130
Actual interest paid	(4,869)	(3,647)	(17,501)	(12,632)
Buyback	(2,100)	(21,000)	(23,100)	(21,000)
Unpaid interest included in Other accruals and payables	(950)	(499)	(950)	(499)
Balance at the yearend	**96,607**	**96,336**	**96,607**	**96,336**

The carrying and fair value of the liability component of the convertible bond is as per below:

	31-Dec-15		31-Dec-14	
(In thousands of USD)	Carrying amount	Fair value	Carrying amount	Fair value
USD 125 million convertible bonds	96,607	21,654	96,336	74,620

As of 31 December 2015 the Company is in default of the outstanding loan to book value covenant under the terms of the convertible bonds by USD 1.5 million. Therefore the outstanding liability under the above convertible bonds was classified as 'Current liabilities' in the consolidated statement of financial position as of 31 December 2015.

17.1 Restructuring of the convertible bonds

Subsequent to the Restructuring that was completed and implemented on 25 February 2016, the convertible bonds were separated into three tranches, CB Tranche A, CB Tranche B1 and CB Tranche B2. CB Tranche A consists of 70% of the original bonds, with extended maturity to 30 March 2022 and adjusted amortization profile. The remaining 30% of the original bond comprises CB Tranche B1 and CB Tranche B2, which in principle carry the same terms as the unsecured bonds as summarized above under Note 16.3 *Restructuring of the senior bonds* (CB Tranche B1 equal to the Unsecured A Tranches and CB Tranche B2 equal to the Unsecured B Tranches). Subsequent to the Restructuring, all accrued interest on the convertible bonds up to and including 30 November 2015 was settled during Q1 2016. The number of shares issued to new CB Tranche B2 bonds subsequent to the restructuring was 79,846,150.

The key terms of the convertible bonds subsequent to the Restructuring are as per below:

Nominal value of CB Tranche A	USD 71.3 million
Nominal value of CB Tranche B1	USD 9.8 million
Nominal value of CB Tranche B2	USD 20.7 million
Number of shares issued for B tranches	79,846,150
Interest - CB Tranche A	5.6% p.a
Interest rates range - CB Tranche B1	3.5% to 5% p.a
Interest rates range - CB Tranche B2	2.5% to 3.6% p.a
Call price range - CB Tranche B1	33% to 50% of par value
Call price range - CB Tranche B2	24% to 36% of par value
Conversion price for CB Tranche A	USD 15.40 per share
Number of shares from conversion	4,631,818

Also refer to Note 32 *Subsequent events* for further details of the Restructuring.

18 Long-term finance lease

The vessels *Polarcus Nadia* and *Polarcus Naila* are subject to a sale and leaseback arrangement entered into with GSH2 Seismic Carrier I AS (the 'Lessor'), whereby the vessels were sold by the Group to the Lessor for a sum of USD 180 million (USD 90 million per vessel) and immediately leased back by the Group for a minimum period of ten years from the delivery dates of the vessels from the shipyard. The sale price was paid to the Group in instalments throughout the vessel construction period. *Polarcus Nadia* and *Polarcus Naila* were delivered on 15 December 2009 and 15 February 2010 respectively. The day rate per vessel for the duration of the charter was initially set at USD 35,000, payable monthly in arrears. The Group had call options to repurchase the vessels at set prices on the 7th, 8th, 9th and 10th anniversary of the vessel delivery dates.

On 27 June 2013 an addendum to the sale and leaseback agreement was signed, whereby the charter day rates were reduced. Following the addendum the day rate per vessel was reduced to USD 32,650 for a period of three months commencing on 1 July 2013 for *Polarcus Nadia* and from 1 August 2013 for *Polarcus Naila*. Thereafter, the rate is further reduced to USD 31,500 for a period of four years and USD 34,500 for the remainder of the charter hire periods.

Effective 15 July 2014, the Company entered into another addendum to the sale and lease-back arrangement for *Polarcus Naila* (the "Vessel"). Accordingly, the parties to the arrangement agreed to increase the charter hire under the terms of the bareboat charter by USD 8,600 per day as a consequence of the owner of the Vessel, GSH2 Seismic Carrier I AS, financing the USD 20 million propulsion and productivity enhancement of the Vessel.

As of 31 December 2015 the Group is in default of lease payments for the month of December 2015 totalling USD 2.2 million. This results in an 'event of default' as per the terms of the finance lease arrangement. Therefore the outstanding liability under the finance lease as of 31 December 2015 is classified as 'Current liabilities' in the consolidated statement of financial position.

(In thousands of USD)	Year ended 31-Dec-15			Year ended 31-Dec-14		
	Lease of *Polarcus Nadia*	Lease of *Polarcus Naila*	Total	Lease of *Polarcus Nadia*	Lease of *Polarcus Naila*	Total
Balance of liability at 01 January	77,034	96,637	173,671	79,996	80,234	160,230
Additions	-	-	-	-	20,000	20,000
Principal payments	(3,006)	(4,647)	(7,653)	(2,962)	(3,597)	(6,559)
Finance cost - interest charge	8,198	9,542	17,740	8,536	9,096	17,632
Actual interest paid	(7,515)	(8,755)	(16,270)	(8,536)	(9,096)	(17,632)
Unpaid interest included in Other accruals and payables	(683)	(787)	(1,470)			
Balance at the yearend	**74,028**	**91,990**	**166,018**	**77,034**	**96,637**	**173,671**
Of which:						
Current liability portion	74,028	91,990	166,018	3,300	5,094	8,394
Non-current liability	-	-	-	73,734	91,543	165,277

18.1 Restrucuturing of lease arrangement

As part of the Restructuring that was completed and implemented on 25 February 2016, the charter rates for *Polarcus Nadia* and *Polarcus Naila* reduced to USD 8,000 and USD 9,500 respectively for the period from 01 December 2015 to 31 December 2017. From 01 January 2018, rates will increase to USD 26,700 and USD 31,500, subject to the Company being able to service its bank debt in full at the time of such increase. The purchase options were removed from the sale-leaseback agreements. Furthermore, the term of the charter periods under the charter parties are extended by two years. The owner of the two leased vessels is also granted a renegotiation right from 01 January 2018 on certain specified conditions. As a result of the changes in lease terms, the leases are reclassified from financial leases to operational leases in Q1 2016.

Future minimum operating lease payments under the revised terms are as follows:

(In thousands of USD)	***Polarcus Nadia***	***Polarcus Naila***	**Total**
Within one year from 31 December 2015	3,176	3,772	6,948
After one year but not more than five years	32,183	37,992	70,175
More than five years	8,117	10,521	18,638
Total	**43,476**	**52,284**	**95,760**

19 Other interest bearing debt

Other interest bearing debt consists of three different financing arrangements as of 31 December 2015 (4 different financing arrangements as of 31 December 2014):

(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Fleet bank facility - Tranche 1 - USD 80 million (Note 19.1 below)	48,095	51,719
Fleet bank facility - Tranche 2 - USD 55 million (Note 19.1 below)	35,463	38,107
Fleet bank facility - Tranche 3 - USD 114 million (Note 19.1 below)	82,359	87,989
Fleet bank facility - Tranche 4 - USD 114 million (Note 19.1 below)	86,771	87,641
Liability for patent rights (Note 19.2 below)	-	12,321
Liability for seismic equipment (Note 19.3 below)	4,867	2,927
Total	**257,555**	**280,703**
Of which:		
Current liability portion	256,911	44,358
Non-current liability	644	236,345

19.1 Fleet bank facility

In October 2011, the Group entered into a loan facility (the "Fleet Bank Facility") of USD 410 million with DNB and DVB Bank SE, Nordic Branch, together with Garanti-instituttet for Eksportkreditt (GIEK) and Eksportfinans ASA. This facility was drawn in five different tranches, partly financing five of the Group's vessels: Tranche 1 - *Polarcus Asima* (USD 80 million), Tranche 2 - *Polarcus Alima* (USD 55 million), Tranche 3 - *Polarcus Amani* (USD 114 million), Tranche 4 - *Polarcus Adira* (USD 114 million) and Tranche 5 - *Polarcus Samur* (USD 47 million). During 2013, subsequent to the sale of *Polarcus Samur*, the Group made a full repayment of the balance outstanding under Tranche 5 of the Fleet bank facility.

All tranches have a repayment profile over 12 years from the date of drawdown of the individual tranche. The interest rate on Tranche 2 is floating, and on Tranches 3 and 4 the interest rate is fixed. Tranche 1 is split into two elements: a USD 55 million portion with fixed interest rate and the remaining USD 25 million at floating interest rate.

During April 2015, the Group entered into certain amendments to the Fleet bank facility agreements. The amendments included a freeze of loan principal repayments from 01 March 2015 to 01 September 2015. The total freeze amounts to USD 15 million, which will be added to the last repayment date for the relevant loans.

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Balance as at 01 January	265,456	295,229
Unpaid accrued interest as at 01 January	1,264	1,498
Amortized fees	(2,374)	514
Principal repayments	(10,394)	(30,287)
Interest payable accrued	14,585	16,017
Interest paid during the year	(12,685)	(16,250)
Unpaid accrued interest (Refer to Note 21)	(3,164)	(1,264)
Balance at the yearend	**252,688**	**265,456**

As of 31 December 2015, the Group is in default of interest and principal payments totalling USD 6.7 million related to the Fleet bank facility. Therefore, the outstanding liabilities under all tranches of the Fleet bank facility as of 31 December 2015 are classified as 'Current liabilities' in the consolidated statement of financial position.

19.1.1 Restructuring of the Fleet bank facility

As part of the Restructuring that was completed and implemented on 25 February 2016, the Fleet bank facility was extended from 30 June 2017 to 30 June 2022. There will be no principal payments until 01 January 2018, while interest payments will continue as normal. Certain terms and conditions of the bank facility, including the covenants, are reset to take account of the current market environment. All accrued interest and amortization due up to and including 30 November 2015 was paid in Q1 2016 subsequent to the completion of the Restructuring.

19.2 Liability related to patent rights

On 3 October 2013 the Group entered into an agreement to purchase a worldwide license related to steering technology for marine seismic streamers for a total purchase price of USD 40 million, payable in three equal instalments over two years. The first instalment of USD 13 million was paid upon signing the agreement and the second instalment was paid in October 2014. The third and last instalment was paid in October 2015. Also refer to Note 9 *Intangible assets.*

(In thousands of USD)	31-Dec-15	31-Dec-14
Balance as at 1 January / at the inception	12,320	23,689
Accrued interest at 1 January	247	476
Arrangement fees amortized	25	63
Finance costs-Interest charge	741	1,674
Interest paid	(988)	(1,902)
Principal repayments	(12,346)	(11,431)
Unpaid interest included in Other accruals and payables (Refer to Note 21)	-	(247)
Balance at the yearend	-	**12,320**

19.3 Liability related to seismic equipment

During years 2014 and 2015, the Company purchased seismic equipment totaling USD 10.7 million under an instalment scheme from Sercel Inc. A down payment of 10% was made on different purchase dates, with 55% of the remaining value payable in the first 12 months in equal instalments and the remaining 35% payable during the subsequent 12 months in equal instalments. No interest is payable for the first 12 months after which an interest rate of 8% per annum is payable on the outstanding balance. Effective interest rate of this arrangement is calculated at 1.81%. The outstanding liability and the repayments made during the year under this arrangement are as per below:

(In thousands of USD)	31-Dec-15	31-Dec-14
Balance as at 01 January / at the inception	2,927	-
Additions	7,437	3,252
Down payments	(744)	(325)
Finance costs-Interest charge	110	-
Interest paid	(110)	-
Monthly principal payments	(4,753)	-
Balance at the yearend	**4,867**	**2,927**

20 Other financial liabilities

On 08 July 2014 the Company entered into a cross currency interest rate swap agreement for its liability under the NOK 350 million bond loans (also refer to Note 16.2). The Group has not applied hedge accounting for this instrument. The change in fair value of this instrument since inception is recorded in the consolidated statement of comprehensive income.

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Carrying amount and fair value at the beginning of the year	13,310	-
Change during the year	9,013	13,310
Carrying amount and fair value at the year end	**22,324**	**13,310**

As part of the cross currency swap agreement, when the mark-to-market value of the swap is in excess of USD 14.5 million negative, the Group is required to pay such excess as cash collateral to the issuing bank (DNB). A total amount of USD 7.4 million was paid to DNB as cash collateral as at 31 December 2015 (USD 6.9 million as of 31 December 2014). This amount is recorded under 'Other current assets' in the consolidated statement of financial position (Note 10 *Other current assets*).

21 Other accruals and payables

(In thousands of USD)	31-Dec-15	31-Dec-14
Accrued interest	10,368	3,711
Provision for onerous contracts	8,803	-
Accrued operating expenses	6,586	18,777
Accrued Multi-Client processing costs	5,865	2,920
Accrued taxes payable	3,806	1,433
Employee accruals and payable	2,855	5,084
Deferred revenue	1,373	5,971
Payable to joint operations partners	5	2,310
Total	**39,661**	**40,206**

21.1 Employee related accruals and payables

(In thousands of USD)	31-Dec-15	31-Dec-14
Accrued salaries	2,537	4,614
Accrued pension	241	280
Unused balance of crew welfare fund	77	189
Total	**2,855**	**5,084**

22 Operating lease - Group as lessor

The Group has entered into a Bareboat Charter Party Agreement (BBCP) for hire out of one of its vessels, *Vyacheslav Tikhonov* to SCF Sakhalin Supply Limited. The lease is non-cancellable for the five years commencing from 18 August 2011. The lessee has a purchase option that became exercisable on the third and each subsequent anniversary of the commencing date.

On 12 February 2016 the Company announced a three-year extension of the BBCP to August 2019. The extension includes a rebate of USD 1.4 million for 2015 and a reduction in the day rate from 01 January 2016 for the duration of the extension.

The future minimum rental receivables (undiscounted) under non-cancellable operating leases at 31 December are as follows:

(In thousands of USD)	31-Dec-15	31-Dec-14
Within one year	14,454	25,368
After one year but not more than five years	37,937	15,985
Total	**52,391**	41,353

23 Cost of sales

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Gross cost of sales (excl. reimbursable)	251,097	311,030
Capitalized to Multi-Client	(84,115)	(40,748)
Net deferred transit adjustment	7,804	(313)
Cost of sales (excl. reimbursable)	174,786	269,968
Reimbursable cost	6,021	9,604
Restructuring costs	4,400	-
Bad debt expense	7,916	6,600
Total	**193,122**	**286,173**

24 General and administrative costs

General and administrative costs consist of the following:

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Salaries and other employee benefits	19,820	19,644
Other general and administrative expenses	12,881	10,765
	32,701	**30,409**

24.1 Salaries and other employee benefits

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Salaries	73,246	76,385
Social security costs	519	582
Pension costs	3,175	4,254
Other benefits	15,124	17,241
Crew travel related costs	9,575	10,140
Vessel crew salaries and benefits included in Cost of sales	(69,213)	(70,404)
Other employees' costs allocated to Cost of sales	(12,606)	(17,793)
Project related personnel costs capitalized	-	(761)
Net salaries and other employee benefits included in the general and administrative costs	**19,820**	**19,644**

The Group offers a fixed base salary to all employees. Some employees are also provided with a housing allowance and car allowance depending upon their location of employment and grade.

The Group has an element of variable compensation through a performance-related bonus scheme. Based on overall performance of the Group against certain pre-defined metrics together with performance against individual and team-specific goals, the employees can benefit from a variable compensation in the range of 8% to 60% of annual base salary, dependent upon the employee's grade. Based on the Group's overall performance against the pre-defined metrics, the Group has not accrued for any bonus costs for the year ended 31 December 2015 (also no bonus costs accrued for year 2014).

All employees of the Group are offered a comprehensive employee health protection plan.

The Group has implemented a share option program for key employees whose performance will have a significant positive impact on the overall success of the Company. For more details about the share option program Refer to Note 13.1 *Employee share options*.

The Group has set up a pension savings scheme for the majority of its employees under which the Group on a monthly basis contributes up to 8% of an employee's base salary to the pension savings fund. No mandatory contribution is required from the employees. The amount contributed to the scheme is ring-fenced in favour of the employees through a trust. The vesting period of the fund is 5 years and each applicable employee is enrolled into the scheme at the end of his or her probation period. The employees has an option to contribute own funds to the scheme. During year 2015 the Group matched such contributions with an additional maximum 2% employer contribution. Effective 01 March 2016, the Group will not make such additional employer contribution for the employees who elects to make an optional employee contribution to the pension plan. During the year ended 31 December 2015 the Group paid USD 3.26 million (2014 – USD 4.15 million) to the pension scheme.

For employees who are not enrolled into the above pension scheme, the Group recognizes a provision for pension payable based on the contractual obligation between each employee and the Group. The accrued pension liability calculated based on the contractual obligation varies from 21 days to 1 month's basic salary for each year completed *pro rata* based on date of joining of each employee. As of 31 December 2015 the Group has recognized a liability of USD 0.13 million towards such pension payable (USD 0.28 million as of 31 December 2014).

24.2 Remuneration of the auditors

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Audit fees – Parent company and consolidated financial statements	178	218
Audit fees - subsidiaries	91	94
Audit related services	64	54
Tax advisory services	31	72
Total	**364**	**438**

25 Depreciation and amortization

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Depreciation of seismic vessels and equipment	85,410	83,876
Depreciation of office equipment	278	450
Amortization of Multi-Client data library	69,274	37,228
Amortization of other intangible assets	5,232	5,067
Depreciation capitalized to Multi-Client library	(18,507)	(10,304)
Total	**141,688**	**116,317**

26 Impairments

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Impairment of seismic vessels and equipment	215,568	6,237
Impairment of Multi-Client library	62,128	22,588
Impairment of patents and licenses	26,576	-
Impairment of damaged equipment	11,158	6,285
Total	**315,430**	**35,110**

Also refer to Note 4.1 *Assessment of impairment.*

27 Finance costs

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Interest expenses on senior bonds	10,762	14,907
Interest expenses on convertible bonds	8,127	9,616
Interest expenses on lease arrangements	17,740	17,632
Interest expenses on other long-term debt	17,240	18,704
Net interest expenses	**53,869**	**60,859**
Other finance costs	1,186	1,369
Realized currency exchange loss	2,385	12,962
Unrealized currency exchange loss	3,696	10,102
Total	**61,136**	**85,293**

28 Finance income

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Interest income from deposit with banks	724	755
Realized exchange gain	2,031	1,873
Unrealized exchange gain	8,361	15,045
Gain on buyback of convertible bonds	1,204	4,096
Other finance income	75	24
Total	**12,395**	**21,793**

USD 6.7 million of the unrealised exchange gain for year 2015 represents the gain on revaluation of the NOK 350 million senior bond liabilities (USD 10.1 million in year 2014).

29 Income tax expense

The Group's major components of income tax expense are as follows:

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Current income tax:		
Current income tax charge	2,000	-
Adjustments in respect of income tax of previous years	(907)	243
Income tax expense	**1,093**	**243**

No tax expense is included in other comprehensive income or directly in equity.

The Group's income tax payable is as follows:

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Income tax liability at 01 January	-	1,596
Income tax expense for the year	2,000	-
Adjustments in respect of income tax of previous years	(907)	243
Income tax paid during the year	(71)	(1,839)
Income tax liability at 31 December	**1,022**	**-**

Income tax payable is included within 'Other accruals and payables' in the consolidated statement of financial position.

The Group conducts business in a number of jurisdictions and whether or not income tax is due may depend on a number of different variables, including, but not limited to, the existence of tax treaties, the number of days an entity is present in a jurisdiction in total over the fiscal year (as opposed to the duration of a particular survey), changes to and interpretations of tax regulations. Income tax liabilities are recorded based on the Group's best estimates about such variables.

The Group's effective tax rate is sensitive to the geographic mix of earnings.

Effective tax rate:

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Accounting profit/(loss) before tax	(373,011)	(78,392)
Income tax expense	1,093	243
Effective income tax rate	-	-

Tax on the Group's profit before tax differs from the amount that would have been recognized if the corporation tax rate applicable in the Cayman Islands of 0% had been used. The following is a reconciliation of the profit before tax to the income tax expense:

	Year ended	
(In thousands of USD)	31-Dec-14	31-Dec-14
Profit/(loss) before tax	(373,011)	(78,392)
Tax expense at Cayman Isles corporation tax rate 0%	-	-
Recognized income tax expense	-	-
Difference	-	-
Taxes in foreign countries	2,000	-
Adjustments for previous years (relates to foreign countries)	(907)	243
Difference	1,093	243

The Group has no assets or liabilities with associated deferred taxes. The Group has no recognised deferred tax assets or liabilities. The Group has tax losses carried forward of Australian Dollars 7.5 million in Australia, Singapore Dollars 2.1 million in Singapore, USD 3.5 million in Suriname and NOK 267.6 million in Norway. No deferred tax assets relating to these tax losses have been recognized due to the uncertainty of the timing and amount of tax losses that will be utilized in the future.

The Group conducts business in a number of different tax jurisdictions and income tax expenses recognized by the Group are dependent upon the tax rules and regulations of the jurisdictions where the income was earned. Income tax rates imposed by the taxing authorities in which the Group has operated in during the year 2015 vary from 0% to 35% (2014 – 0% to 35%).

In a number of jurisdictions in which the Group operates, the Group's operating activities are not subject to profit taxes (i.e. income tax). Instead, the jurisdiction typically charges other forms of tax, such as withholding taxes on revenues or tonnage tax. Such forms of tax are not profit taxes and, therefore, are not recorded as income tax expenses.

Withholding taxes on revenues are recognized by the Group either net of revenue or as vessel operating costs in the income statement, dependent upon whether the Group is acting as principle or agent for the taxation jurisdiction.

The Norwegian vessel owning subsidiaries are taxed in compliance with the tonnage tax regime for shipping companies in Norway. This scheme entails no tax on profits or tax on dividends from companies within the scheme. Tonnage tax paid under the tonnage tax regime is classified as an operational expense. Net finance income for companies taxed under the tonnage tax regime is adjusted in accordance with the regime regulations and taxed at a rate of 27%.

The Group's income tax, withholding taxes (WHT) and tonnage tax expenses, based on the location of the tax jurisdiction the amounts are charged are as follows:

	Year ended 31-Dec-2015				Year ended 31-Dec-2014			
(In thousands of USD)	Income Tax	WHT*	Tonnage tax**	Total	Income tax	WHT*	Tonnage tax**	Total
Africa	700	1,592	-	2,292	-	2,521	-	2,521
Americas	17	-	-	17	6	-	-	6
Asia	-	1,854	-	1,854	1	-	-	1
Europe	376	-	4	380	236	-	9	245
Total	**1,093**	**3,446**	**4**	**4,543**	**243**	**2,521**	**9**	**2,773**

*Recorded net of revenues or as Cost of sales in the consolidated statement of comprehensive income.

** Recorded as Cost of sales in the consolidated statement of comprehensive income.

30 Earnings per share

30.1 Basic

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year.

	Year ended	
(In USD)	**31-Dec-15**	**31-Dec-14**
Profit/(Loss) attributable to equity holders of the Company	(374,104,692)	(78,634,921)
Weighted average number of ordinary shares issued	66,981,368	541,903,463
Basic earnings per share	(5.585)	(0.145)

30.2 Diluted

The Company has no potential shares outstanding at the yearend dates that has a dilutive effect on the earnings per share. The share options that have been granted to selected employees as of the end of reporting period (refer to Note 13.1) and the convertible bonds giving the bond holders a right to convert the bonds to equity shares (refer to Note 17) have an anti-dilutive effect for the periods reported.

31 Related parties

31.1 Subsidiaries

This set of consolidated financial statements includes the financial statements of Polarcus Limited and the following subsidiaries:

Name of the subsidiary	Country of Incorporation	Equity interest as at 31-Dec-2015	Equity interest as at 31-Dec-2014
Polarcus DMCC	UAE	100%	100%
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Norway AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus 1 Ltd.	Cayman Islands	100%	100%
Polarcus 2 Ltd.	Cayman Islands	100%	100%
Polarcus 6 Ltd.	Cayman Islands	100%	100%
Polarcus MC Ltd	Cayman Islands	100%	100%
Polarcus Samur Ltd.	Cayman Islands	100%	100%
Polarcus Seismic Limited	Cayman Islands	100%	100%
Polarcus Selma Ltd.	Cayman Islands	100%	100%
Polarcus do Brasil Ltda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus UK Limited	United Kingdome	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus Multi-Client (CY) Ltd.	Cyprus	100%	100%
Polarcus Asia Pacific Pte. Ltd	Singapore	100%	100%
Polarcus France SAS	France	100%	-
Polarcus Nigeria Limited*	Nigeria	50%	50%

*The Company's investment in Polarcus Nigeria Limited is accounted for as a joint venture using the equity method. Refer to Note 2.4.2 *Joint arrangements* and Note 8 *Investment in joint ventures.*

31.2 Transactions with related parties

Ashbert Limited ("Ashbert") owns 50% of Polarcus Nigeria Limited ("PNL") together with the Group (refer to Note 8 *Investment in joint ventures*). During the year ended 31 December 2015, the Group has paid USD 0.09 million to Ashbert towards sales commission on the Group's revenue from proprietary contracts in Nigeria. No such commission was paid during 2014.

The Group had no other major transactions with related parties during the year ended 31 December 2015.

31.3 Transactions with joint ventures

(In thousands of USD)	Year ended 31-Dec-15	31-Dec-14
Management services provided to PNL	-	55
Receivable from PNL for management services	-	220
Other receivable from PNL to Group	243	26

31.4 Transactions with joint operators

During 2014, the Group had entered into two different joint operation arrangements related to two of its Multi-Client projects. The first arrangement had one other joint operator and the second has two other joint operators. One joint operator was common for both the arrangements. The Group had 70% share in one of these joint operations and 25% share in the other. The Group's share in these two Multi-Client projects were sold to TGS as part of the agreement that the Group entered into on 28 June 2015 for the sale of its Multi-Client assets

in Northwest Europe and West Africa (refer to Note 7 *Multi-Client projects library*). Subsequent to such sales, the Group holds no further interests in these two joint operations.

On 15 December 2015, the Group had entered into a new joint operation agreement related to one of its Multi-Client projects in Australia. The Group has 70% share in the revenue, costs, assets and liabilities related to this project.

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Revenue from services provided to joint operations*	1,039	6,957
Receivable/(payable) to Joint operator-1 (related to sold projects)	143	(111)
Receivable/(payable) to Joint operator-2 (related to sold projects)	(5)	(1,657)
Receivable/(payable) to Joint operator-3	365	-

*To the extent of other joint operators' interest. Also refer to Note 2.5.2 *Joint arrangements*.

31.5 Key management compensation

The salaries and other benefits of the key management personnel for the periods reported are shown below:

(In thousands of USD)

		Paid in year 2015					
		Salaries	Bonus	Other Allowances	Total paid salary and benefits	Benefits paid to pension plan	Stock options expensed
Rolf Ronningen	Chief Executive Officer	727	-	22	749	10	59
Roderick Albert Starr	Chief Executive Officer	887	-	122	1,009	38	9
Tom Henrik Sundby	Chief Financial Officer	312	-	143	456	42	44
Duncan Eley	Chief Operating Officer	297	-	182	479	40	47
Carl Peter Zickerman	Executive Vice President	412	-	197	610	46	44
Other members of executive management (3 employees)		1,010	-	459	1,469	103	131
		2,264	-	2,507	4,772	278	334

'Salaries' above includes USD 0.9 million of severance payments made to two key management personnel upon end of their service during year 2015 and USD 0.5 million paid to the new CEO as his sign-on payment. Roderick Albert Starr assumed the role of CEO on 05 February 2015, replacing Rolf Ronningen who retired from his service effective the same date.

(In thousands of USD)

		Paid in year 2014					
		Salaries	Bonus	Other benefits	Total paid salary and benefits	Payments to pension plan	Stock options expensed
Rolf Ronningen	Chief Executive Officer	499	222	142	863	57	151
Tom Henrik Sundby	Chief Financial Officer	338	139	151	628	39	109
Duncan Eley	Chief Operating Officer	321	108	194	623	36	123
Carl Peter Zickerman	Executive Vice President	447	161	196	804	42	109
Other members of executive management (includes 4 employees)		1,137	376	639	2,152	130	450
		2,743	1,006	1,322	5,071	304	942

Upon termination by the Company of the employment of any member of the Key Management (other than for cases of gross misconduct), the member is entitled to a severance payment equal to 12 months base salary plus expected benefits (i.e. cash remuneration including any anticipated bonuses, all allowances, and all other benefits currently provided to the employee).

31.6 Board remuneration

The total remuneration paid by the Company to its Board of Directors was as follows:

(In thousands of USD)

	Director since	Director until	Paid for the year 2015	Paid for the year 2014
Peter M. Rigg, *Chairman*	20-Jun-08	-	113	128
Carl-Gustav Zickerman	17-Dec-07	-	48	41
Tore Karlsson	20-Jun-08	-	48	60
Arnstein Wigestrand	29-Apr-13	-	56	67
Karen El-Tawil	13-Feb-14	-	48	48
Thomas Kichler	13-Feb-14	-	56	48
Hege Sjo	20-Jun-08	02-Feb-15	5	76
Total			**373**	**468**

32 Subsequent events

32.1 Closing of the Restructuring

On 06 January 2016, the Company announced that discussions with various finance providers had been successful and proposed a Restructuring plan. On 22 January 2016 a joint bond holders meeting approved the Restructuring plan and, subsequently, on 27 January 2016, an extraordinary general meeting of the Company's shareholders also approved the Restructuring plan. The Restructuring was completed and implemented on 25 February 2016 by finalizing the documentation with all different financing parties.

The Restructuring provides the Company with a significantly reduced debt service and an improved balance sheet. In Q1 2016 the Restructuring reduced the carrying value of the Company's interest bearing debt in the statement of financial position by approximately USD 351 million, following renegotiated lease terms and the introduction of new call option prices for the bonds. In addition, debt service cash payments during the next two years are reduced by approximately USD 140 million. The Restructuring resulted in an accounting gain of USD 178 million in Q1 2016. The main changes to the financing terms as a result of the Restructuring are listed below.

The Company's pro-forma statement of financial position as of 31 December 2015 as adjusted for the effects of the Restructuring is as per below:

(In approximate thousands of USD)	As of **31-Dec-15**	Effects of restructuring	Adjusted for restructuring effects **31-Dec-15**
ASSETS			
Non-current assets	686,721	(127,392)[1]	559,329
Current assets	163,724	-	163,724
TOTAL ASSETS	**850,445**	**(127,392)**	**723,053**
EQUITY and LIABILITIES			
Equity	113,775	223,875	337,650
Non-current liabilities	22,968	291,530	314,498
Current liabilities	713,702	(642,797)[2]	70,905
TOTAL EQUITY and LIABILITIES	**850,445**	**(127,392)**	**723,053**

[1] The reduction in non-current assets is due to the reclassification of the leases related to the vessels *Polarcus Nadia* and *Polarcus Naila* from finance lease to operating lease.

[2] Out of the USD 642,797,000 reduction in the 'Current liabilities' shown above, approximately USD 351,267,000 represents the reduction in the carrying value of the Company's interest bearing debt and USD 291,530,000 represents reclassification of the interest bearing debt from 'Current liabilities' to 'Non-current liabilities'.

32.1.1 Fleet bank facility (Also refer to Note 19.1)

The Company's Fleet bank facility was extended from 30 June 2017 to 30 June 2022. There will be no loan amortization until 01 January 2018, while interest payments will continue as normal. Certain terms and conditions of the bank facility, including the covenants, are reset to take account of the current market environment. In particular, the minimum liquidity covenant is reduced from USD 25 million to USD 10 million, providing the Company with additional financial flexibility for its future operations. All accrued interest and amortization due up to and including 30 November 2015 was paid in Q1 2016 subsequent to the completion of the Restructuring.

32.1.2 Working capital facility

The working capital facility is extended to 01 July 2018, while the terms were amended to make access to the facility easier. As of 31 December 2015 the Group had not drawn any amounts from this working capital facility.

32.1.3 Convertible Bonds (Also refer to Note 17)

The convertible bonds are separated into three tranches, CB Tranche A, CB Tranche B1 and CB Tranche B2. CB Tranche A consists of 70% of the original bond, with extended maturity to 30 March 2022 and adjusted amortization profile. The remaining 30% of the original bond comprises CB Tranche B1 and CB Tranche B2, which in principle carry the same terms as the unsecured bonds as summarized below (CB Tranche B1 equal to the Unsecured A Tranches below and CB Tranche B2 equal to the Unsecured B Tranches below). All accrued interest on the convertible bonds up to and including 30 November 2015 was settled during Q1 2016.

The Company recorded an accounting gain of USD 68 million during Q1 2015 from the restructuring of the convertible bonds.

32.1.4 Unsecured bonds (Also refer to Note 16)

Bondholders in the Company's unsecured bonds were offered the choice to allocate their unsecured bonds to Unsecured A Tranches and/or Unsecured B Tranches.

Unsecured A Tranches - Bondholders allocating bonds to this tranche accepted a reduction to the call option prices for the bonds in the range 33% to 50% of par value, dependent on which year the Company calls the bonds, and certain other changes, but otherwise kept the nominal amount of the current bonds and which are separated into a new tranche A under the respective unsecured bond loan.

Unsecured B Tranches - Bondholders allocating bonds to this tranche converted approximately 0.5% of the bonds allocated to this tranche into new shares, accepting a reduction to the call option prices for the bonds in the range 24% to 36% of par value, dependent on which year the Company calls the bonds, and certain other changes. Bondholders allocating bonds to this tranche otherwise kept 99.5% of the bonds allocated to this tranche (with new call option price as above) which have been separated into a new tranche B under the respective unsecured bond loans.

The maturity date of the unsecured bonds was extended to 30 December 2022 and the minimum liquidity covenant required by the bonds was reduced from USD 25 million to USD 10 million. Interest accrues from 01 July 2018 with semi-annual interest payments, subject to the Company being able to service its bank debt in full at the time of any such payment.

If 50% or more of the bonds are called or repaid, a write down of the principal amounts of all unsecured tranches to the prevailing call price at that time would be carried out. In such an event, the Unsecured A Tranches and the Unsecured B Tranches of the respective unsecured bonds would be merged. The merged tranches would receive an adjusted coupon varying from 6% p.a. in 2016 to 14% p.a. in 2022, calculated on the new lower principal amount and the price at which any further call may be exercised would be fixed at the same new lower principal amount.

On 9 March 2016, the Company issued 463,491,579 Class B shares of a nominal or par value of USD 0.0013 each to the bondholders that selected Option B. The new shares represent approximately 87% of the voting shares of the Company following the share issue.

All accrued interest on the unsecured bonds up to and including 30 November 2015 was settled during Q1 2016. The Company recorded an accounting gain of USD 71 million during Q1 2015 from the restructuring of the unsecured bonds.

The table below shows the call options and the coupon interest chargeable on the two tranches of the restructured bonds.

Year	"Tranche A"[1]	"Tranche B"[2]	"Tranche A"[1]	"Tranche B"[2]
	Call Price		Coupon interest rate	
2016	33%	24%	-	-
2017	34%	24.5%	-	-
2018 (interest from 1 July 2018)	35%	25%	3.50%	2.50%
2019	38%	27%	3.80%	2.70%
2020	41.5%	29.5%	4.15%	2.95%
2021	45%	32.5%	4.50%	3.25%
2022	50%	36%	5.00%	3.60%

[1] = "Tranche A" is what is referred to as Unsecured A Tranches and CB Tranche B1 in the Restructuring documents, that is the tranches owned by bondholders who did not chose the equity option in 2016.

[2] = "Tranche B" is what is referred to as Unsecured B Tranches and CB Tranche B2 in the Restructuring documents, that is the tranches owned by bondholders who chose the equity option in 2016.

32.1.5 Sale and leaseback (Also refer to Note 18)

The charter rates for the vessels *Polarcus Nadia* and *Polarcus Naila* were reduced by approximately 75% from current levels until 01 January 2018, with an increase thereafter representing a reduction of approximately 20% from current levels, subject to the Company being able to service its bank debt in full at the time of any such increase. The purchase options were removed from the sale-leaseback agreements. Furthermore, the term of the charter periods under the charter parties are extended by two years until 2021. The owner of the two leased vessels is also granted a renegotiation right from 01 January 2018 on certain specified conditions. As a result of the changes in lease terms, the leases are reclassified from financial leases to operational leases in Q1 2016. The lease reclassification reduced the group's financial indebtedness by USD 167 million.

The Company recorded an accounting gain of USD 39 million from the restructuring of sale and lease back arrangement.

32.1.6 Changes in the Share capital

As part of the Restructuring, on 6 January 2016, an Extraordinary General Meeting of the Company approved an increase in and amendment to the authorized share capital of the Company. Subsequently, the Company's authorised share capital is USD 19,353,682 divided into 92,850,000 shares of a nominal or par value of USD 0.20 each and 602,832,312 Class B shares of a nominal or par value of USD 0.0013 each. During Q1 2016, upon completion of the Restructuring, the Company issued in total 463,491,579 Class B shares of a nominal or par value of USD 0.0013 each to the bondholders having chosen Option B. The new shares represent approximately 87% of the voting shares of the Company post such issue. Following the issuance of the Class B shares and the registration of the share capital increase, the Company has a total issued share capital of USD 13,998,812.65 divided into 66,981,368 shares of a nominal or par value of USD 0.20 each and 463,491,579 Class B shares of a nominal or par value of USD 0.0013 each. All shares have equal rights in all respects, including with respect to voting and dividends.

32.2 Organizational changes

On 01 February 2016 the Company announced certain cost reductions and organizational changes, which are expected to result in annualized savings of USD 7 million, excluding one-off implementation costs. Chief Financial Officer, Tom Henrik Sundby left the employment with the Company effective 01 March 2016 and, Hans-Peter Burlid was promoted to the position of Chief Financial Officer from Vice President Finance & Investor Relations role.

32.3 Bareboat agreement for *M/V Vyacheslav Tikhonov*

On 12 February 2016 the Company announced a three-year extension of the Bareboat Charter Party Agreement (BBCP) for Vyacheslav Tikhonov between Polarcus Selma Limited and SCF Sakhalin Supply Limited to August 2019. The extension includes a rebate of USD 1.4 million for 2015 and a reduction in the day rate from 1 January 2016 for the duration of the extension. Also refer to Note 22 *Operating lease – Group as a lessor.*

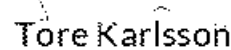
32.4 Purchase of in-sea equipment

On 22 March 2016 the Company purchased a complete marine seismic in-sea acquisition system from Dolphin Geophysical AS for a price of USD 11.5 million. The Streamer Package comprises 12 x 8100m active streamers and all peripheral in-sea equipment. The purchase is partly financed through a loan of USD 8 million.

33 Authorization of financial statements

The consolidated financial statements for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the directors on 05 April 2016.

Peter Rigg
Chairman

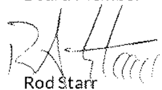

Tore Karlsson
Board Member

Carl-Gustav Zickerman
Board Member

Thomas Kichler
Board Member

Arnstein Wigestrand
Board Member

Karen El-Tawil
Board Member


Rod Starr
CEO

Parent company financial statements

For the year ended 31 December 2015

85. Statement of Comprehensive Income
86. Statement of Financial Position
87. Statement of Cash Flows
88. Statement of Changes in Equity
89. Notes to the Financial Statements

Statement of Comprehensive Income

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-15	31-Dec-14
Revenues			
Operating revenues		69,013	77,588
Other income		5,587	4
Total revenues	2	**74,600**	**77,592**
Operating expenses			
Cost of sales	11	(47,037)	(54,005)
General and administrative costs	12	(8,219)	(10,951)
Depreciation and amortization	13	(16,068)	(14,018)
Impairments	14	(60,360)	(1,521)
Total Operating expenses		**(131,684)**	**(80,495)**
Operating loss		**(57,084)**	**(2,904)**
Financial expenses			
Finance costs	15	(26,979)	(34,829)
Finance income	16	34,375	38,348
Changes in fair value of financial instruments	9	(9,013)	(13,310)
Net financial expenses		**(1,617)**	**(9,792)**
Loss for the period before tax		**(58,701)**	**(12,695)**
Income tax expense		(54)	(21)
Loss for the period/Comprehensive loss after tax		**(58,755)**	**(12,716)**

Statement of Financial Position

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	31-Dec-15	31-Dec-14
ASSETS			
Non-current assets			
Property, plant and equipment	3	31,669	48,222
Intangible assets	4	-	31,403
Investment in subsidiaries	5	3,703	17,670
Investment in joint ventures	1, 5	1,220	2,800
Long-term loan to subsidiaries	17	493,978	331,510
Total non-current assets		**530,571**	**431,605**
Current assets			
Short-term loan to subsidiaries	17	59,575	172,615
Receivable from subsidiaries	17	37,470	107,969
Other current assets	6	11,903	7,055
Accounts Receivable	17	76,561	70,969
Restricted cash		9,350	-
Cash and bank		20,543	20,006
Total current assets		**215,402**	**378,614**
TOTAL ASSETS		**745,973**	**810,219**
EQUITY and LIABILITIES			
Equity			
Issued share capital	1	13,396	13,396
Share Premium	1	532,222	532,222
Other reserves	1	32,556	33,149
Retained earnings/(loss)		(88,921)	(31,264)
Total equity		**489,253**	**547,503**
Non-current liabilities			
Unsecured bonds	1, 7	-	130,407
Convertible bonds	1, 7	-	96,336
Other interest bearing debt	8	644	1,177
Other financial liabilities	9	22,324	13,310
Total non-current liabilities		**22,968**	**241,230**
Current liabilities			
Unsecured bonds	1, 7	124,018	-
Convertible bonds	1, 7	96,607	-
Other interest bearing debt current portion	8	4,223	14,071
Other accruals and payables	10	8,375	7,210
Accounts payable		530	205
Total Current Liabilities		**233,752**	**21,486**
TOTAL EQUITY and LIABILITIES		**745,973**	**810,219**

Statement of Cash Flows

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-15	31-Dec-14
Cash flows from operating activities			
Loss for the period		(58,755)	(12,716)
Adjustment for:			
Depreciation and amortization	13	16,068	14,018
Impairment	14	60,360	1,521
Changes in fair value of financial instruments	9	9,013	13,310
Stock Options compensation provision		449	2,619
Effect of currency (gain)/loss		(6,840)	(12,545)
Interest expense	15	20,888	27,492
Interest income	16	(22,255)	(19,640)
Gain on buyback of convertible bonds	16	(1,204)	(4,096)
Working capital adjustments:			
Decrease/(Increase) in current assets		(9,932)	631
Increase/(Decrease) in trade and other payables and accruals		(1,797)	(6,143)
Net cash flows used in operating activities		**5,996**	**4,451**
Cash flows from investing activities			
Decrease/(Increase) in restricted cash		(9,350)	13,036
Payments for property, plant and equipment		(3,027)	(11,148)
Payments for intangible assets	8	(13,333)	(13,333)
Investment in subsidiaries	5	(3,205)	-
Decrease/(increase) in intercompany receivables		21,127	(9,219)
Net cash flows (used in) from investing activities		**(7,788)**	**(20,664)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		-	34,891
Transaction costs on issue of shares		-	(1,260)
Proceeds from the issuance of senior bonds		-	56,102
Repayment of bond loans	1	(777)	(58,734)
Repayment of other interest bearing debt	1	(4,752)	-
Interest paid		(12,803)	(17,978)
Other finance costs paid		(1,040)	-
Interest income	16	22,255	19,640
Security deposit related to currency swaps	9	(510)	(6,890)
Net cash flows from (used in) financing activities		**2,372**	**25,772**
Effect of foreign currency revaluation on cash		(44)	(1,093)
Net increase/(decrease) in cash and cash equivalents		**537**	8,466
Cash and cash equivalents at the beginning of the period		20,006	11,540
Cash and cash equivalents at the end of the period		**20,543**	**20,006**

Statement of Changes in Equity

(Unconsolidated Parent Company)

For the year ended 31 December 2015

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as at 01 January 2015	669,813,679	13,396	532,222	33,149	(31,264)	547,503
Total comprehensive income for the year		-	-	-	(58,755)	(58,755)
Employee share options		-	-	505	-	505
Other movements*		-	-	(1,098)	1,098	-
Consolidation of share capital						
On 22 November 2015 (at 10:1 from USD 0.02 to USD 0.20 per share)	(602,832,311)					
Balance as at 31 December 2015	**66,981,368**	**13,396**	**532,222**	**32,556**	**(88,921)**	**489,253**

*Other movements represent the fair value of employee stock options unexercised and expired and the equity component of convertible bonds repurchased and cancelled.

For the year ended 31 December 2014

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as at 01 January 2014	507,221,179	10,144	501,843	38,533	(26,822)	523,699
Total comprehensive income for the year		-	-	-	(12,716)	(12,716)
Employee share options		-	-	2,890	-	2,890
Other movements*		-	-	(8,275)	8,275	-
Issue of share capital						
October 2014 at NOK 1.40 (USD 0.21) per share	162,592,500	3,252	31,639	-	-	34,891
Transaction costs on issue of shares		-	(1,260)	-	-	(1,260)
Balance as at 31 December 2014	**669,813,679**	**13,396**	**532,222**	**33,149**	**(31,264)**	**547,503**

*Other movements represent the fair value of employee stock options unexercised and expired and the equity component of convertible bonds repurchased and cancelled.

Notes to the financial statements

(Unconsolidated Parent Company)

1 General information and summary of significant accounting principles

Polarcus Limited (the "Company") is a holding company. In addition to owning the subsidiaries, the Company conducts a part of the external debt financing of Polarcus Group (the "Group") and provides loans to other Group companies. The Company owns in-sea equipment and related licenses and rents it to other Group companies. The Company also employs offshore personnel who work onboard the vessels owned by other Polarcus Group companies.

The Company's accounting principles are consistent with the accounting principles of the Group, as described in Note 2 of the Group's consolidated financial statements for the year ended 31 December 2015. Note disclosures for the Company that are similar to the information available in the consolidated financial statements are not repeated in these financial statements. This relates in particular to the notes in the consolidated financial statements on *Share capital and share premium* (both Note 13), *Other reserves* (Note 15), *Unsecured bonds* (Note 16), *Convertible bonds* (Note 17), *Investments in joint ventures* (Note 8) and *Going concern, liquidity risk and loan covenants* (Note 1.1).

Shares in the subsidiaries, investment in joint ventures and receivables from and loans provided to the subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value of the investment in the subsidiaries and joint ventures, the Company recognizes impairment charges on investments in subsidiaries and joint ventures (refer to Note 14 *Impairments* for the details of impairment charges recorded during the year ended 31 December 2015). If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term intercompany receivables.

2 Revenues

The Company's revenues are earned mainly from leasing out seismic equipment and provision of offshore employees' services to other Group companies.

	Year ended	
(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Crewing services provided to Group companies	49,346	60,223
In-sea equipment leased to Group companies	19,666	17,310
Miscellaneous income	-	54
Other income (insurance claims)	5,587	4
Total	74,600	77,592

3 Property, plant and equipment

(In thousands of USD)

	In-sea equipment
Year ended 31 December 2015	
Costs	
Balance at 01 January 2015	85,494
Additional capital expenditures	9,720
Disposals	(6,052)
Balance as of 31 December 2015	89,162
Depreciation and impairment losses	
Balance at 01 January 2015	37,272
Depreciation for the period	11,241
Impairments	11,259
Disposals	(2,279)
Balance as of 31 December 2015	57,493
Carrying amounts	
As of 01 January 2015	48,222
As of 31 December 2015	**31,669**
Year ended 31 December 2014	
Costs	
Balance at 01 January 2014	74,287
Additional capital expenditures	14,075
Disposals	(2,867)
Balance as of 31 December 2014	85,494
Depreciation and impairment losses	
Balance at 01 January 2014	29,428
Depreciation for the period	9,191
Disposals	(1,346)
Balance as of 31 December 2014	37,272
Carrying amounts	
As of 01 January 2014	44,859
As of 31 December 2014	**48,222**

4 Intangible assets

(In thousands of USD)

	Licenses
Year ended 31 December 2015	
Costs	
Balance as of 01 January 2015	37,411
Additions during the period	-
Balance as of 31 December 2015	37,411
Amortization and impairment losses	
Balance as of 01 January 2015	6,008
Amortization for the period	4,827
Impairments	26,576
Balance as of 31 December 2015	37,411
Carrying amounts	
As of 01 January 2015	31,403
As of 31 December 2015	-
Year ended 31 December 2014	
Costs	
Balance as of 01 January 2014	37,411
Additions during the period	-
Balance as of 31 December 2014	37,411
Amortization and impairment losses	
Balance as of 01 January 2014	1,181
Amortization for the period	4,827
Balance as of 31 December 2014	6,008
Carrying amounts	
As of 01 January 2014	36,230
As of 31 December 2014	**31,403**

5 Investment in subsidiaries and joint ventures

(In thousands of USD)	31-Dec-15	31-Dec-14
Unquoted equity shares in subsidiaries at cost	20,875	17,670
Unquoted equity shares in joint ventures at cost	2,800	2,800
Total	**23,675**	**20,470**
Impairments	(18,752)	-
Carrying value at the yearend	**4,923**	**20,470**

The Company's direct investment in different subsidiaries as of 31 December 2015 is as follows:

(In thousands of USD)

Name of the Subsidiary	Country of Incorporation	Equity interest as of 31-Dec-15*	Equity investments at cost	
			31-Dec-15	31-Dec-14
Polarcus DMCC	UAE	100%	54	54
Polarcus 1 Ltd	Cayman Islands	100%	-	-
Polarcus 2 Ltd	Cayman Islands	100%	-	-
Polarcus Samur Limited	Cayman Islands	100%	-	-
Polarcus Selma Limited	Cayman Islands	100%	3,649	3,649
Polarcus MC Limited	Cayman Islands	100%	9,400	9,400
Polarcus 6 Ltd	Cayman Islands	100%	760	760
Polarcus Seismic Limited	Cayman Islands	100%	-	-
Polarcus UK Limited	United Kingdome	100%	-	-
Polarcus Norway AS	Norway	100%	7,012	3,807
Polarcus Multi-Client (CY) Ltd	Cyprus	100%	-	-
Polarcus Asia Pacific Pte. Ltd	Singapore	100%	-	-
Polarcus Nigeria Limited	Nigeria	50%	2,800	2,800
Total			**23,675**	**20,470**
Impairments			(18,752)	-
Carrying value at the yearend			**4,923**	**20,470**

* Voting rights are equivalent to shareholding for all companies.

Impairment of investment in subsidiaries above represents 100% of the Company's investment at cost in Polarcus MC Limited, Polarcus 6 Limited and Polarcus Norway AS and USD 1.58 million of its investment in Polarcus Nigeria Limited.

The Company is the ultimate parent company for the subsidiaries of directly owned subsidiaries. The non-direct subsidiaries as of 31 December 2015 is as per below:

Name of the subsidiary	Country of incorporation	Equity interest as at 31-Dec-15	Equity interest as at 31-Dec-14
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus do Brasil Ltda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus France SAS	France	100%	100%

For details of transactions and balances with subsidiaries see Note 15 *Related parties*.

6 Other current assets

(In thousands of USD)	31-Dec-15	31-Dec-14
Cash collateral for swaps	7,400	6,890
Insurance claims receivable	3,253	47
Prepaid expenses and deposits	1,251	119
Total	**11,903**	**7,056**

7 Other financial assets and liabilities

7.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-15	31-Dec-14
Accounts receivables	78,258	70,969
Receivable from subsidiaries	41,654	107,969
Loans to subsidiaries	553,553	504,125
Other current financial assets	11,903	7,056
Total financial assets measured at amortized cost	**685,368**	**690,119**

Financial liabilities measured at amortized cost are as per below:

(in thousands of USD)	31-Dec-15	31-Dec-14
USD 95 million 8% bonds (refer to Note 16.1 in the consolidated financial statements)	84,673	84,340
NOK 350 million senior unsecured bond (refer to Note 16.2 in the consolidated financial statements)	39,345	46,067
Convertible bonds (refer to Note 17 in the consolidated financial statements)	96,607	96,336
Other interest bearing debt (refer to Note 8 below)	4,867	15,247
Accounts payable	530	205
Total financial liabilities measured at amortized cost	**226,022**	**242,196**

7.2 Fair values

	31-Dec-15		31-Dec-14	
(in thousands of USD)	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and deposits	29,893	29,893	20,006	20,006
Accounts receivables	78,258	78,258	70,969	70,969
Receivable from subsidiaries	41,654	41,654	107,969	107,969
Long-term loan to subsidiaries	493,978	493,978	331,510	331,510
Short-term loan to subsidiaries	59,575	59,575	172,615	172,615
Total	**703,358**	**703,358**	**703,069**	**703,069**
Financial liabilities				
8% senior unsecured bonds	84,673	9,955	84,340	36,784
NOK 350 million senior unsecured bond	39,345	4,600	46,067	26,127
2.875% Convertible bonds	96,607	21,654	96,336	74,620
Other long-term debt	4,867	4,867	15,247	15,247
Accounts payable	530	530	205	205
Total	**226,022**	**41,606**	**242,196**	**152,984**

Cash and deposits, accounts receivables and payable, and short-term payables, receivables and loans to subsidiaries approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of long-term loans to subsidiaries approximate their carrying amounts as the interest rates charged on the loans are at floating rates based on the prevailing market rate.

The fair values of senior and convertible bonds are measured at a rate prescribed by The Norwegian Securities Dealers Association based upon the secondary market prices of the respective securities.

The fair value of other long-term debt approximates their carrying amounts as there have been no significant changes in the market rates for similar debt financing between the date of securing the debt financing and the yearend.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

8 Other interest bearing debt

8.1 Liability related to patent rights

On 03 October 2013 the Company entered into an agreement to purchase a worldwide license related to steering technology for marine seismic streamers for a total purchase price of USD 40 million, payable in three equal instalments over two years. The first instalment of USD 13 million was paid upon signing the agreement and the second instalment was paid in October 2014. The third and last instalment was paid in October 2015.

(In thousands of USD)	31-Dec-15	31-Dec-14
Balance as at 01 January / at the inception	12,320	23,689
Accrued interest at 01 January	247	476
Arrangement fees amortized	25	63
Finance costs-Interest charge	741	1,674
Interest paid	(988)	(1,902)
Principal repayments	(12,346)	(11,431)
Unpaid interest included in Other accruals and payables	-	(247)
Balance at the yearend	-	**12,320**

8.2 Liability related to seismic equipment

During year 2014 and 2015, the Company had purchased seismic equipment totalling USD 10.7 million under an instalment scheme from Sercel Inc. A down payment of 10% was made on different purchase dates, 55% of the remaining value is payable in first 12 months in equal instalments and the remaining 35% is payable in next 12 months in equal instalments. No interest is payable for the first 12 months after which an interest rate of 8% per annum is payable on the outstanding balance. Effective interest rate of this arrangement is calculated at 1.81%. The outstanding liability and the repayments made during the year under this arrangement are as per below:

(In thousands of USD)	31-Dec-15	31-Dec-14
Balance as at 01 January / at the inception	2,927	-
Additions	7,437	3,252
Down payments	(744)	(325)
Finance costs-Interest charge	110	-
Interest paid	(110)	-
Monthly principal payments	(4,753)	-
Balance at the yearend	**4,867**	**2,927**
Of which:		
Current liability portion	4,223	1,750
Non-current liability	644	1,177

9 Other financial liabilities

On 08 July 2014 the Company entered into a cross currency interest rate swap agreement for its liability under the NOK 350 million bond loans (also refer to Note 16.2 in the consolidated financial statements). The Company has not applied hedge accounting for this instrument. The change in fair value of this instrument since inception is recorded in the consolidated statement of comprehensive income.

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Carrying amount and fair value at the beginning of the year	13,310	-
Change during the year	9,013	13,310
Carrying amount and fair value at the year end	**22,324**	**13,310**

As part of the cross currency swap agreement, when the mark-to-market value of the swap is in excess of USD 14.5 million negative, the Company is required to pay such excess as cash collateral to the issuing bank (DNB). A total amount of USD 7.4 million was paid to DNB as cash collateral as at 31 December 2015 (USD 6.9 million as of 31 December 2014). This amount is recorded under 'Other current assets' in the statement of financial position.

10 Other accruals and payables

(In thousands of USD)	31-Dec-15	31-Dec-14
Employee accruals and payables	2,642	4,345
Accrued interest	5,733	2,447
Accrued miscellaneous expenses	-	418
Total	**8,375**	**7,210**

10.1 Employee related accruals and payable

(In thousands of USD)	31-Dec-15	31-Dec-14
Accrued salaries	2,617	4,272
Accrued pension	25	72
Total	**2,642**	**4,345**

11 Cost of sales

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Employee salaries and other benefits	43,811	51,876
Other operational expenses	3,226	2,129
Total	**47,037**	**54,005**

12 General and administrative costs

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Salaries and other employee benefits	2,621	5,666
Other general and administrative expenses	5,598	5,285
Total	**8,219**	**10,951**

12.1 Salaries and other employee benefits

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Salaries and bonus	39,903	47,611
Social security costs	191	314
Pension costs	1,624	2,775
Other benefits	3,338	5,163
Crew travel related costs	1,377	1,680
Employee salaries and benefits included in cost of sales (refer to Note 11)	(43,811)	(51,877)
Total	**2,621**	**5,666**

The Company offers a fixed base salary to all employees. The Company has an element of variable compensation through a performance-related bonus scheme. Based on overall performance of the Company against certain pre-defined metrics together with performance against individual and team-specific goals, the employees can benefit from a variable compensation in the range of 8% to 60% of annual base salary where the bonus level depends upon the employee's grade.

All employees of the Company are offered a comprehensive employee health protection plan.

The Company has implemented a share option program for key employees whose performance will have a significant positive impact on the overall success of the Company. Please refer to Note 13.1 *Employee share options* in the consolidated financial statements for more details about the share option program.

The Company has set up a pension scheme for the majority of its employees under which the Company, on a monthly basis, contributes 8% of an employee's base salary to the pension fund. No mandatory contribution is required from the employees. The amount contributed to the scheme is ring-fenced in favour of the employees through a trust. The vesting period of the fund is 5 years and each applicable employee is enrolled into the scheme at the end of his/her probation period. The employees may contribute funds to the scheme and the Company will match such contributions with an additional maximum 2% of the employee's base salary. During the year ended 31 December 2015 the Company has contributed USD 1.8 million to the pension scheme, full amount of which is expensed as employee benefits. Contributions made to the pension scheme during year 2014 were USD 2.78 million.

For employees who are not enrolled into the above pension scheme, the Company recognizes a provision for pensions payable to the employees based on the contractual obligation between each employee and the Company. The accrued pension liability calculated based on the contractual obligation varies from 21 days to 1 month's basic salary for each year completed *pro rata* based on date of joining of each employee. As of 31 December 2015 the Company has recognized a liability of USD 0.03 million towards such pension payable. Liability recognized as of 31 December 2014 was 0.07 million.

13 Depreciation and amortization

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Depreciation of seismic equipment	11,241	9,191
Amortization of patents	4,827	4,827
Total	**16,068**	**14,018**

14 Impairments

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Impairment of seismic vessels and equipment (refer to Note 3)	11,259	-
Impairment of patents and licenses (refer to Note 4)	26,576	-
Impairment of investment in subsidiaries and joint ventures (refer to Note 5)	18,752	-
Impairment of damaged equipment	3,773	1,521
Total	**60,360**	**1,521**

15 Finance costs

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Interest expenses on senior bonds	10,762	14,907
Interest expenses on convertible bonds	8,127	9,616
Interest expenses on other long-term debt	876	1,736
Other finance costs	1,122	1,232
Realized currency exchange loss	128	51
Unrealized currency exchange loss	5,962	7,286
Total	**26,979**	**34,829**

16 Finance income

	Year ended	
(In thousands of USD)	31-Dec-15	31-Dec-14
Interest income from loans to subsidiaries	22,198	19,348
Interest income from deposit with banks	56	291
Gain on buyback of convertible bonds	1,204	4,096
Realized exchange gain	212	119
Unrealized exchange gain	10,704	14,493
Total	**34,375**	**38,348**

17 Related parties

17.1 Receivable from subsidiaries

(In thousands of USD)	31-Dec-15	31-Dec-14
Polarcus DMCC	11,098	48,951
Polarcus Naila AS	1,052	16,968
Polarcus Nadia AS	4,726	9,241
Polarcus Amani AS	6,218	6,718
Polarcus Alima AS	3,898	5,882
Polarcus Seismic Limited	113	4,640
Polarcus Adira AS	3	3,659
Polarcus US Inc.	3,344	3,077
Polarcus Samur Ltd	2,227	2,222
Polarcus Multi-Client (CY) Ltd	2,866	1,889
Polarcus Asia Pacific Pte. Ltd	1,636	379
Receivables from other subsidiaries	288	4,343
Total	**37,470**	**107,969**

The above receivables are mainly for vendor payments made by the Company on behalf of its subsidiaries which are receivable within 12 months from the reporting date.

17.2 Accounts receivable

(In thousands of USD)	31-Dec-15	31-Dec-14
Polarcus Nadia AS	17,259	11,902
Polarcus Amani AS	13,362	11,727
Polarcus Asima AS	12,996	3,171
Polarcus DMCC	11,520	12,332
Polarcus Alima AS	3,900	7,654
Polarcus Naila AS	3,552	9,058
Polarcus UK Limited	2,617	246
Polarcus Shipholding AS	3,368	1,953
Polarcus France SAS	1,942	2,598
Polarcus Adira AS	2,121	4,948
Polarcus Seismic Limited	1,667	-
Polarcus Asia Pacific Pte. Ltd	1,104	-
Polarcus Selma Ltd.	782	1,128
Polarcus Norway AS	373	7
Polarcus MC Ltd	-	2,189
Polarcus Seismic Ltd	-	2,056
Total	**76,561**	**70,969**

The above accounts receivables are outstanding balances towards the crewing services provided and in-sea equipment leased out by the Company to other Group companies. Also refer to Note 2 *Revenues*.

17.3 Loans to subsidiaries

(In thousands of USD)	31-Dec-15	31-Dec-14
Long term loans		
Polarcus Asima AS (interest at LIBOR+4%)	71,500	71,500
Polarcus Adira As (interest at LIBOR+4%)	54,183	54,183
Polarcus Amani As (interest at LIBOR+4%)	54,770	49,770
Polarcus Alima AS (interest at LIBOR+4%)	102,623	30,230
Polarcus UK Limited (interest free)	118,100	-
Polarcus Shipholding AS (interest at LIBOR+4%)	48,600	-
Polarcus Naila AS (interest at LIBOR+4%)	18,142	-
Polarcus Nadia AS (interest at LIBOR+4%)	26,060	-
Polarcus Selma Ltd (interest at LIBOR+4%)	-	125,827
Total long term loans	**493,978**	**331,510**
Short term loans		
Polarcus Selma Ltd (interest at LIBOR+4%)	56,856	-
Polarcus Samur Ltd (interest free)	2,719	2,719
Polarcus Alima AS (interest at LIBOR+4%)	-	72,394
Polarcus UK Limited (interest free)	-	58,300
Polarcus Nadia AS (interest at LIBOR+4%)	-	26,060
Polarcus Shipholding AS (interest at LIBOR+4%)	-	7,000
Polarcus Naila AS (interest at LIBOR+4%)	-	6,142
Total short term loans	**59,575**	**172,615**
Total loans to subsidiaries	**553,553**	**504,125**

During 2015, the Company agreed and entered into amended loan agreements with the subsidiaries to extend the maturity of the loans that were originally maturing in 2015 to 31 December 2018. After such amendments only the loans provided to Polarcus Selma Limited and Polarcus Samur Limited mature within 12 months from 31 December 2015.

17.4 Transactions with subsidiaries

The Company earns its revenues from leasing seismic equipment and providing offshore employee services to its subsidiaries. See Note 2 *Revenues* for information regarding revenues earned from the subsidiaries.

18 Authorization of financial statement

The unconsolidated financial statements of the parent company Polarcus Limited for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the directors on 05 April 2016.

Peter Rigg	Tore Karlsson	Carl-Gustav Zickerman
Chairman	Board Member	Board Member
Thomas Kichler	Arnstein Wigestrand	Karen El-Tawil
Board Member	Board Member	Board Member
Rod Starr		
CEO		

98

Statement pursuant to Section 5-5 of the Securities Trading Act

We confirm that, to the best of our knowledge, the separate financial statements for the parent company and the consolidated financial statements for the Group for the year ended 31 December 2015 have been prepared in accordance with IFRS and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations, and that the Board of Director's report gives a true and fair review of the development, performance and financial position of the Company and the Group and includes a description of the principal risks and uncertainties that they face.

05 April 2016

The Board of Directors of Polarcus Limited

Peter Rigg	Tore Karlsson	Carl-Gustav Zickerman
Chairman	Board Member	Board Member
Thomas Kichler	Arnstein Wigestrand	Karen El-Tawil
Board Member	Board Member	Board Member

Rod Starr

CEO

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01
www.ey.no
Medlemmer av den norske revisorforening

To the Annual Shareholders' Meeting of
Polarcus Limited

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Polarcus Limited, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the Financial Statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

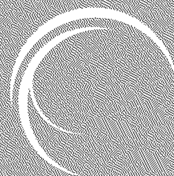
In our opinion, the financial statements of Polarcus Limited present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Oslo, 5 April 2016
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Our business purpose

"The objects for which the Company is established are to carry on, undertake, engage or invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, on a worldwide basis, in any commercial activity within the international oil and oil services business, including oil and gas exploration, production and participation, seismic data services and general offshore energy related business, and whatever else may be considered incidental or conductive thereto, including without limitation the acquisition, construction, equipment, leasing, chartering, operation, agency and manning of any kind of vessels and everything incidental thereto, and the Company shall have full power and authority to carry out any other object not prohibited by the Companies Law of the Cayman Islands (as amended) (the "Law")."



Addresses

Polarcus Limited
Reg. No: WK 201867
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus 1 Ltd
Reg. No: WK 204062
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus 2 Ltd
Reg No: WK 203939
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates.

Polarcus Samur Ltd
Reg. No: WK 204064
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus Selma Ltd
Reg. No: WK 204020
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus MC Ltd
Reg. No: WK 204065
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus 6 Ltd
Reg. No: WK 203972
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus DMCC
Reg. No: DMCC 1143
Registered Address: Almas Tower, Level 32 Jumeirah Lakes Towers, Dubai, United Arab Emirates
Correspondence Address: PO Box 283373, Dubai United Arab Emirates

Polarcus Seismic Limited
Reg. No: WK 213496
Registered Address:
c/o Walkers Corporate Limited Cayman Corporate Centre, 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai United Arab Emirates

Polarcus UK Ltd
Reg. No: 7068161
Registered Address:
St. James House
13 Kensington Square London W8 5HD, U.K.
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Egypt Ltd
Reg. No: 41735 Cairo
Registered Address: 7 Al-Athary Mahmoud Akoush Street Ard El-Golf, Nasr City Awal Cairo, Egypt
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus do Brasil Ltda
Reg. No: 11.428.425/0001-12
Registered Address: Rua da AssemblÃ©ia, No. 10, Room 1.324, Castelo, 20011-901, Rio de Janeiro
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Nadia AS
Reg. No: 994 063 901
Registered Address: c/o Wikborg, Rein & Co Kronprinsesse MÃ¤rthas pl. 1, 0160 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Naila AS
Reg. No: 995 097 893
Registered Address: c/o Wikborg, Rein & Co Kronprinsesse Märthas pl. 1, 0160 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Shipholding AS
Reg. No: 995 542 846
Registered Address: c/o Wikborg, Rein & Co Kronprinsesse MÃ¤rthas pl. 1, 0160 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Multi-Client (CY) Ltd
Reg. No: HE 267816
Registered Address: c/o Ernst & Young
Spyrou Kyprianou, 27, Ernst & Young House,
P.C. 4001, Limassol, Cyprus
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Alima AS
Reg. No: 995 963 426
Registered Address: c/o Wikborg, Rein & Co Kronprinsesse Märthas pl. 1, 0160 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Norway AS Reg. No: 996 798 305
Registered Address: c/o Wikborg, Rein & Co Kronprinsesse Märthas pl. 1, 0160 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus US Inc.
EIN No: 80-0716980
Registered Address: c/o Capitol Services Inc 615 South DuPont Highway, Dover, Kent County Delaware 19901 USA
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Amani AS Reg. No: 998 025 966
Registered Address: c/o EconPartner AS Dronning Mauds gate 15, 0250 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Asima AS
Reg. No: 998 025 877
Registered Address: c/o EconPartner AS Dronning Mauds gate 15, 0250 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Adira AS
Reg. No: 998 026 016
Registered Address: c/o EconPartner AS Dronning Mauds gate 15, 0250 Oslo, Norway
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Nigeria Limited
Reg. No: 1024288
Registered Address: 196B Awolowo Road Ikoyi, Lagos Nigeria
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus Asia Pacific Pte. Ltd.
Reg. No: 201322670Z
Registered Address: 1 Fullerton Road #02-01 One Fullerton Singapore 049213
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai United Arab Emirates

Polarcus France SAS
Reg. No: 804 999 902
Registered Address: 121 avenue des Champs-Elysees 75008 Paris, France
Correspondence Address: c/o Polarcus DMCC
PO Box 283373, Dubai, United Arab Emirates

Polarcus Limited
Almas Tower, Level 32
Jumeirah Lakes Towers,
Dubai, United Arab Emirates

Polarcus Limited

Provision of services in Norway

Annual Report 2015

The Board of Directors' Report 1

Income statement 3

Balance sheet 4

Cash flow statement 5

Notes to the financial statements 6

The Board of Directors' Report

1 Operations and locations

Polarcus Limited (the "Company") is a holding company. In addition to owning subsidiaries, the Company conducts a part of the external debt financing of Polarcus Group (the "Group") and provides loans to other Group companies. The Company owns in-sea equipment and related licenses and rents it to other Group companies. The Company also employs offshore personnel who work onboard the vessels owned by other Group companies. This Report and accompanying financial statements represent only the provision of crewing services and renting of streamers by the Company in Norway (the "services") for the year ended 31 December 2015.

Polarcus Limited is incorporated in the Cayman Islands with its registered office at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27, Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Company has its main administration office in Dubai, United Arab Emirates which is the domicile of the Company.

2 Comments related to the financial statements

Revenues of USD 3,408,000 were generated from the services provided in Norway during the year 2015. The cost of providing these services amounted to USD 3,080,000 and the depreciation for the in-sea equipment leased out was USD 340,000. This resulted in an operating and net loss of USD 12,000.

3 Going concern and future outlook

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern.

4 Risk Factors

The Company's exposure to the market risks is mainly related to the demand for its services from other Group companies. The Company does not know with certainty that such a demand will always exist. Please refer to Note 3 *Financial risk management* in the notes to the Financial Statements for further description of major risk factors.

5 The working environment and the employees

The Company employs crew who work on board the vessels owned by other Group companies. No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the Company's operations in Norway.

6 Environmental report

The Company's commitment to the environment has the goal of "Zero Spills" with regard to oil pollution of the marine environment and includes the commitment to recycle wherever possible, to minimize waste and emissions and to cause minimum negative impact on the environment. The Company recorded zero pollutants to the ground during year 2015.

7 Allocation of net income

The Board of Directors has proposed the net loss of USD 12,000 to be attributed to Retained Earnings.

Dubai, 27 June 2016

For and on behalf of the Board of Directors

Hans-Peter Burlid

CFO (Polarcus Group)

Income statement

(In thousands of USD)	Notes	Year Ended 31-Dec-15	31-Dec-14
Revenue	4	**3,408**	**1,292**
Operating expenses			
Cost of sales		(2,599)	(860)
General and administrative costs		(481)	-
Depreciation		(340)	(170)
Total operating expenses		**(3,420)**	**(1,030)**
Operating profit/(loss)		**(12)**	**262**
Profit/(loss) for the period before tax		**(12)**	**262**
Income tax expense	6	-	**(81)**
Net profit/(loss) for the period		**(12)**	**181**

Balance sheet

(In thousands of USD)	Notes	**31-Dec-15**	**31-Dec-14**
ASSETS			
Current assets			
Receivable from other Group companies		14,214	10,806
Total current assets		**14,214**	**10,806**
TOTAL ASSETS		**14,214**	**10,806**
EQUITY and LIABILITIES			
Equity			
Retained earnings	5	218	230
Total equity		**218**	**230**
Current liabilities			
Payable to other Group companies		13,996	10,497
Taxes payable		-	79
Total current liabilities		**13,996**	**10,576**
TOTAL EQUITY and LIABILITIES		**14,214**	**10,806**

Hans-Peter Burlid

CFO (Polarcus Group)

Cash flow statement

(In thousands of USD)	Notes	Year Ended 31-Dec-15	31-Dec-14
Cash flows from operating activities			
Profit/(loss) for the period		(12)	181
Working capital adjustments:			
Increase in current assets		(3,408)	(1,292)
Increase in trade and other payables and accruals		3,474	1,131
Taxes paid		(54)	(21)
Net cash flows from operating activities		-	-
Net cash flows from (used in) investing activities		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

Notes to the financial statements

1 General information

Polarcus Limited (the "Company") is a holding company. In addition to owning subsidiaries, the Company conducts a part of the external debt financing of Polarcus Group (the "Group") and provides loans to other Group companies. The Company owns in-sea equipment and related licenses and rents it to other Group companies. The Company also employs offshore personnel who work onboard the vessels owned by other Group companies. This Report and accompanying financial statements represent only the provision of crewing services and renting of streamers by the Company in Norway (the "services") for the year ended 31 December 2015.

Polarcus Limited is incorporated in the Cayman Islands with its registered office at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27, Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Company has its main administration office in Dubai, United Arab Emirates which is the domicile of the Company.

The Company's consolidated audited financial statements and unconsolidated parent company financial statements for the year ended 31 December 2015 are publicly available on Polarcus Group's website www.polarcus.com.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis. The financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000) except when otherwise indicated.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with Norwegian company law, the Norwegian Accounting Act and the generally accepted accounting principles for small companies in Norway.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is USD. The financial statements are presented in USD, (the "presentation currency").

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

2.4 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is presented net of discounts, rebates, returns and sales taxes or duty. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.6 Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that there is an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation.

2.7 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the instrument and are initially recognized at fair value. Financial assets and liabilities are classified as per below.

2.7.1 Financial assets and liabilities measured at fair value through income statement

This includes the financial assets and liabilities held for trading and financial assets and liabilities measured at fair value upon initial recognition with change in fair value recognized through the income statement. Subsequent to initial recognition, financial assets and liabilities in this category are measured at fair value at the end of each reporting period with unrealized gains and losses being recognized through the income statement.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on financial assets held for trading are recognized in the statement of comprehensive income.

2.7.2 Financial assets and liabilities measured at amortized cost

This category includes loans and receivables and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in this category are initially recognized at fair value, with addition for directly attributable transaction costs. After initial measurement financial assets and liabilities in this category are subsequently carried at amortized cost using the effective interest method less any allowance for impairment.

2.7.3 Financial assets and liabilities measured at fair value through equity

This category includes 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, financial assets and liabilities in this category are measured at fair value with unrealized gains or losses being recognized directly in share holders' equity. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in shareholders' equity is recognized in the income statement.

The fair values of quoted financial assets and financial liabilities are based on current bid/ask prices. If the market for a financial instrument is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company 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 considered as an indicator that the instrument is impaired. If any 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 impairment loss on that financial asset previously recognized in profit and loss – is removed from shareholders' equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the income statement.

2.8 Statement of cash flows

The Company's statement of cash flows is prepared using the indirect method. Cash flows from operating activities are incorporated as a part of the cash flow statement and the cash flows are divided into operating activities, investing activities and financing activities.

2.9 Accounts receivable

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment if any. A provision for impairment of accounts receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. The amount of such provision is the difference between accounts receivable's carrying amount and the present value of estimated future cash inflows, discounted at the effective interest rate. The carrying amount of the accounts receivable is reduced through a loss being recognized in the income statement. If an accounts receivable becomes uncollectible, it is written off through the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.10 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, with the exception of:

- temporary differences linked to goodwill that are not tax deductible

- temporary differences related to investments in subsidiaries, associates or joint ventures when the Company controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized when it is probable that the Company will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Company recognizes previously unrecognized deferred tax assets to the extent it has become probable that the Company can utilize the deferred tax asset. Similarly, the Company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the Company where temporary differences have arisen.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

3 Financial risk management

3.1 Financial risk factors

The major risks associated with Company's services are outline below:

3.1.1 Financial market risk

Fluctuations in Exchange rates and currency risks

The Company's costs are incurred in USD, NOK, GBP and EUR. All revenues are in USD. A depreciation of the USD will have a negative impact on margins as the Company is expected to have higher revenues than expenses denominated in USD. However, the impact of a reasonably possible change in the USD exchange rate, with all other variables held constant, are not expected to be significant.

3.1.2 Credit risk

100% of Company's receivables are due from other Group companies. The Company's maximum exposure to credit risk as of 31 December 2015 is USD 14.2 million (USD 10.8 million as of 31 December 2014).

3.1.3 Liquidity risk

The Company does not have any external payable deriving from its services. Receivable balances from other Group companies are expected to be sufficient to meet the payables to other Group companies.

4 Segment information

All of Company's services provided in Norway are conducted and monitored as one business segment. 100% of Company's revenue for the year 2015 was earned from other Group companies.

5 Equity

For the year ended 31 December 2015

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Retained Earnings/ (Loss)	Total Equity
Balance as of 1 January 2015	-	-	-	**230**	**230**
Net loss for the period		-	-	(12)	(12)
Balance as of 31 December 2015	-	-	-	**218**	**218**

For the year ended 31 December 2014

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Retained Earnings/ (Loss)	Total Equity
Balance as of 1 January 2014	-	-	-	**49**	**49**
Net profit for the period		-	-	181	181
Balance as of 31 December 2014	-	-	-	**230**	**230**

6 Income tax expense

	Year ended	
(In thousands of USD)	**31-Dec-15**	**31-Dec-14**
Tax payable	-	81

Change in deferred tax	-	-
Total tax expense	**-**	**81**
Calculation of this year's tax basis:		
Net profit/loss before tax expense	(12)	262
Foreign currency effect	-	-
Tax basis for the year	**(12)**	**262**
Tax payable	**-**	**81**
Overview over temporary differences		
Tax loss carry forwards	(12)	-
Total	**-**	**-**
28 % deferred tax	**(3)**	**-**
Not recognized deferred tax assets	**(3)**	**-**
Recognized deferred tax assets	-	-

7 Payments to auditor

Audit fee for 2015 is NOK 46,500. The amount is exclusive of VAT.

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	08.05.2014	19.05.2014
Telefon	Deres referanse	Vår referanse
22078139	Ben Bjoekeholt-Boiling	2014/337852

POLARCUS LIMITED
c/o Polarcus DMCC
P.O. Box 283373 Dubai
United Arab Emirates

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Polarcus Limited NUF, org. nr. 912 249 638

Det vises til deres brev av 8. mai 2014 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Polarcus Limited NUF.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Polarcus Limited NUF dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Polarcus Limited NUF er en norsk avdeling av det utenlandske foretaket Polarcus Limited som er registrert på Cayman Island. Polarcus-gruppens konsernspiss er etablert på Cayman Islands. Her er også de fleste av gruppens selskaper etablert. Polarcus Limited Gruppen er notert på Oslo Børs. Tidligere har andre norske konsernselskaper fått tillatelse til å benytte engelsk språk. Konsernet driver virksomhet innen seismikk. Dette er en internasjonal bransje og alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Konsernet har engelsk som arbeidsspråk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er en filial av et utenlandsk selskap. Eierkretsen er således begrenset. Arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at konsernet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
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Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland