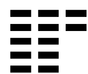 Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	995 097 893
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	POLARCUS NAILA AS
Forretningsadresse:	c/o Wikborg Rein Advokatfirma AS Dronning Mauds gate 11 0250 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2017 - 31.12.2017

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ben Boiling
Dato for fastsettelse av årsregnskapet:	12.06.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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, 14.09.2019

Resultatregnskap

Beløp i: USD	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5	9 161 000	15 786 000
Annen driftsinntekt	5	80 000	940 000
Sum inntekter		**9 241 000**	**16 726 000**
Kostnader			
COS		18 473 000	23 685 000
G&A		1 577 000	2 120 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	6	4 480 000	4 513 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	11 007 000	0
Sum kostnader		**35 537 000**	**30 318 000**
Driftsresultat		**-26 296 000**	**-13 592 000**
Finansinntekter og finanskostnader			
Annen finansinntekt		21 000	91 000
Sum finansinntekter		**21 000**	**91 000**
Annen finanskostnad	10	351 000	905 000
Sum finanskostnader		**351 000**	**905 000**
Netto finans		**-330 000**	**-814 000**
Ordinært resultat før skattekostnad		**-26 626 000**	**-14 406 000**
Ordinært resultat etter skattekostnad		**-26 626 000**	**-14 406 000**
Årsresultat		**-26 626 000**	**-14 406 000**
Overføringer og disponeringer			
Udekket tap		-26 626 000	-14 406 000
Sum overføringer og disponeringer		**-26 626 000**	**-14 406 000**

Balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	6	0	14 879 000
Sum varige driftsmidler		**0**	**14 879 000**
Sum anleggsmidler		**0**	**14 879 000**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		1 268 000	2 845 000
Konsernfordringer	12	17 993 000	20 674 000
Sum fordringer		**19 261 000**	**23 519 000**
Bankinnskudd, kontanter og lignende			
cash		310 000	233 000
restricted cash		0	3 000
Sum bankinnskudd, kontanter og lignende		**310 000**	**236 000**
Sum omløpsmidler		**19 571 000**	**23 755 000**
SUM EIENDELER		**19 571 000**	**38 634 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	122 000	110 000
Overkurs	7	58 937 000	51 949 000
Sum innskutt egenkapital		**59 059 000**	**52 059 000**

Balanse

Beløp i: USD	Note	2017	2016
Opptjent egenkapital			
Udekket tap		75 976 000	49 349 000
Sum opptjent egenkapital		**-75 976 000**	**-49 349 000**
Sum egenkapital		**-16 917 000**	**2 710 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8	0	858 000
Sum annen langsiktig gjeld		**0**	**858 000**
Sum langsiktig gjeld		**0**	**858 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8	0	5 333 000
Leverandørgjeld		1 498 000	2 131 000
Kortsiktig konserngjeld	12	24 612 000	20 711 000
Annen kortsiktig gjeld		10 379 000	6 891 000
Sum kortsiktig gjeld		**36 489 000**	**35 066 000**
Sum gjeld		**36 489 000**	**35 924 000**
SUM EGENKAPITAL OG GJELD		**19 572 000**	**38 634 000**

Polarcus Naila AS

Annual Report 2017

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The Board of Directors' Report

1 Operations and locations

Polarcus Naila AS (the "Company") is a company with limited liability incorporated under the laws of Norway. The registration number of the Company is 995097893 and its registered office is at c/o Wikborg Rein & Co, Kronprinsesse Marthas Plass 1, 0160 Oslo, Norway. The Company currently has no employees. The Company is administered by Polarcus DMCC, Dubai, United Arab Emirates which is also the domicile of the Company.

Polarcus UK Limited owns 100% of the share capital of the Company as of 31 December 2017. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group (the "Group").

The Company has been the bareboat charterer of the vessel *Polarcus Naila* (the "Vessel") as at 31 December 2017. During 2017 the Vessel operated in 6 different countries within Asia-Pacific region. During Q1 2018, the Company cancelled the operating lease arrangement and purchased the Vessel.

2 Comments related to the financial statements

During 2017, the Company generated Operating revenues of USD 9.2 million. The cost of sales totalled USD 18.5 million and general and administrative costs totalled USD 1.6 million. Depreciation for the year was USD 4.5 million and the Company recognised an impairment charge of USD 11.0 million, after which an operating loss of USD 26.3 million was recorded. A net loss of USD 26.6 million for the year was recorded after a net financial expenses of USD 0.3 million.

Total cash flow from operating activities during the year 2017 was negative USD 0.1 million. During the year, the Company invested USD 0.4 million in new in-sea equipment and sold equipment with carrying value of USD 0.7 million to another company within Polarcus Group. The Company raised USD 7 million in additional share capital and fully repaid USD 6.2 million of its external interest-bearing debt.

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. This assumption is based on the Company's expectation that it will receive sufficient financial support from Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited has provided the Company with an undertaking to support the Company to meet its financial obligations for a minimum period of 12 months from the date of this report.

As at 31 December 2017 the Company has a negative equity of USD 16.9 million, mainly caused by the non-cash impairment charges as mentioned above. The Company accounted for a non-cash financial gain of USD 9.6 million during Q1 2018 as a result of cancellation of the lease arrangement for the Vessel, which helped in improving the Company's negative equity situation. In order to repair the remaining negative equity and to be in compliance with the Private Limited Companies act § 3-4, the Company issued new shares to the parent company in consideration of USD 22 million, fully paid in during Q1 2018.

During Q1 2018, as part of the financial restructuring of Polarcus Group, the Company terminated the operating lease arrangement for the Vessel in exchange for the Company purchasing the Vessel. The purchase price of USD 44 million was financed through a New Fleet Facility, as described in Note 11.2 below and through warrants issued by Polarcus Limited to the seller. There will be no fixed amortizations on the New Fleet Facility until 1 January 2022 unless the Vessel is on a third-party bareboat charter, in which case New Facility Lenders shall receive 32% of charter revenue in fixed amortisation. After 1 January 2022, the New Fleet Facility will be repaid by annual amortization payments. The final maturity of the New Fleet Facility is 31 December 2024.

4 Risk Factors

The Company is exposed to various risks including but not limited to market risks related to securing customer contracts for the Vessel, operational risks such as unbillable technical downtime for the Vessel and financial risks related to repayment of financial liabilities. Please refer to Note 4 *Financial risk management* in the notes to the Financial Statements for further description of major financial risk factors.

5 The working environment and the employees

The Company had no employees during 2017. Polarcus DMCC, a fully owned subsidiary of Polarcus Limited provides administrative services to the Company from its office in Dubai, UAE. The crew operating the vessel is employed by Polarcus Limited and hired in to the Vessel on a project by project basis.

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 had no recordable spills in 2017.

7 Allocation of net income

The Board of Directors has proposed to allocate the net loss of USD 26,627,000 to Retained earnings.

Oslo, 12 June 2018

Erik Mathiesen	Duncan Eley
Chairman of the Board	*Board member*

Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Revenues			
Operating revenues	5	9,161	15,786
Other income	5	80	940
Total revenue		**9,241**	**16,725**
Operating expenses			
Cost of sales		(18,473)	(23,685)
General and administrative costs		(1,577)	(2,120)
Depreciation	6	(4,480)	(4,513)
Impairments	3	(11,007)	-
Total Operating expenses		**(35,538)**	**(30,317)**
Operating loss		**(26,297)**	**(13,592)**
Financial expenses			
Gain on financial restructuring		-	8,229
Finance costs	10	(351)	(905)
Finance income		21	91
Net financial income/(expenses)		**(331)**	**7,414**
Loss for the period before tax		**(26,627)**	**(6,177)**
Income tax expense	11	-	-
Loss for the period/Comprehensive loss		**(26,627)**	**(6,177)**

Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-17	31-Dec-16
ASSETS			
Non current assets			
Property, plant and equipment	6	-	14,879
Total non current assets		**-**	**14,879**
Current assets			
Receivable from other Group companies	12	17,993	20,674
Other current assets		1,268	2,845
Restricted cash		-	3
Cash and bank		310	233
Total current assets		**19,571**	**23,755**
TOTAL ASSETS		**19,571**	**38,634**
EQUITY and LIABILITIES			
Equity			
Paid-in share capital	7	122	110
Share Premium	7	58,937	51,949
Retained earnings/(loss)		(75,976)	(49,349)
Total equity		**(16,917)**	**2,710**
Non current liabilities			
Other interest bearing debt	8	-	858
Total non current liabilities		**-**	**858**
Current liabilities			
Other interest bearing debt	8	-	5,333
Payable to other Group companies	12	24,612	20,711
Other accruals and payables		10,379	6,891
Accounts payable		1,498	2,131
Total Current Liabilities		**36,489**	**35,066**
TOTAL EQUITY and LIABILITIES		**19,571**	**38,634**

Erik Mathiesen
Chairman of the Board

Duncan Eley
Board member

Statement of Cash Flows

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Cash flows from operating activities			
Profit/(loss) for the period		(26,627)	(6,177)
Adjustment for:			
Depreciation	6	4,480	4,513
Impairments	3	11,007	-
Interest expense	10	267	884
Interest income		(3)	(8,229)
Working capital adjustments:			
Decrease/(Increase) in current assets		3,988	(307)
Increase in trade and other payables and accruals		6,756	11,737
Net cash flows from operating activities		**(131)**	**2,421**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(1,057)	(12,308)
Proceeds from sale of assets	6	718	-
Net cash flows used in investing activities		**(339)**	**(12,308)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	7	7,000	22,900
Net movement in intra-group loans		-	(18,142)
Net receipt from bank loans		-	7,900
Repayment of bank loans	8	(6,220)	(1,777)
Net movement in restricted cash		3	(3)
Interest paid		(239)	(814)
Interest income		3	-
Net cash flows from financing activities		**547**	**10,064**
Net increase/(decrease) in cash and cash equivalents		**77**	**177**
Cash and cash equivalents at the beginning of the period		233	56
Cash and cash equivalents at the end of the period		**310**	**233**

Statement of Changes in Equity

For the year ended 31 December 2017

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as at 1 January 2017	**100,000**	**110**	**51,949**	**(49,349)**	**2,710**
Total comprehensive loss		-	-	(26,627)	(26,627)
Increase in the face value of shares					
30 March 2017 from NOK 7 to NOK 8 at 598.58 (USD 70) per share	-	12	6,988	-	7,000
Balance as at 31 December 2017	**100,000**	**122**	**58,937**	**(75,976)**	**(16,917)**

For the year ended 31 December 2016

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as at 1 January 2016	**100,000**	**98**	**29,061**	**(43,172)**	**(14,013)**
Total comprehensive loss		-	-	(6,177)	(6,171)
Increase in the face value of shares					
14 September 2016 from NOK 6 to NOK 7 at 1,891.28 (USD 229) per share	-	12	22,888	-	22,900
Balance as at 31 December 2016	**100,000**	**110**	**51,949**	**(49,349)**	**2,710**

Notes to the Financial Statements

1 General information

The financial statements of Polarcus Naila AS (the "Company") for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 12 June 2018.

The Company has been the bare boat charterer for the vessel *Polarcus Naila* (the "Vessel") as at 31 December 2017. The Company provides marine towed streamer seismic data acquisition services to customers worldwide. The Company also leases out the Vessel to other Polarcus Group companies under short term seismic acquisition agreements or charter hire agreements. During Q1 2018, the Company cancelled the operating lease arrangement and purchased the Vessel.

The Company has its registered office at c/o Wikborg, Rein & Co, 0160 Oslo Kronprinsesse Martas plass 1, Norway. The Company has its main administration office in Dubai, United Arab Emirates which is the domicile of the Company.

The Company is a fully owned subsidiary of Polarcus UK Limited, a company incorporated in the United Kingdom. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited's consolidated audited financial statements for the year ended 31 December 2017 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 the Norwegian Accounting Act §3-9 and regulations on simplified IFRS as set by The Norwegian Department of Finance on 21 January 2008. This means that recognition and measurement are in accordance with international accounting standards (IFRS) and the presentation and accompanying notes are in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting practice.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is also the Company's functional 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 as 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.

2.4.1 Proprietary sales/contract sales

The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes proprietary/contract revenue as the services 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 Company 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.

2.4.2 Charter hire revenue

Charter hire revenue arising from operating lease of the Vessel is accounted for on a straight-line basis over the leased term and is included in revenue due to its operating nature.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition, construction or installation of the items, including borrowing costs capitalized according to the Company's policy which is described further below.

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 vessel	30 Years
Streamers	8 Years
Seismic equipment	3-30 Years
Maritime equipment	5-30 Years

Each component of the Vessel with a cost significant to the total cost is separately identified and depreciated on a straight-line basis over that component's economic life. 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 Company 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. Dry-docking and classification costs for the Vessel are capitalized and depreciated over the period until the next expected dry-docking, normally 30 months.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at least every balance sheet date. 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.

2.6 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.

2.6.1 Company as a lessee

Finance leases, which transfer to the Company 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 Company 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.

2.6.2 Company as a lessor

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

2.7 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement or capitalized in accordance with the accounting policy for borrowing costs as mentioned below, over the period of the borrowings using the effective interest method.

Interest payable on borrowings is classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.8 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.

2.9 Transit costs

Transit costs are costs related to moving the vessel from one location to another. Transit costs are deferred 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 transit costs, only the costs that are recoverable are deferred. Transit costs deferred are charged to expense based upon the percentage of completion of the project(s).

2.10 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 Company's use are disclosed separately in the balance sheet and are classified as current or non-current depending on the nature of the restrictions. For the purpose of the cash flow statements, changes in restricted cash are disclosed as part of the "Investing activities".

2.11 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.

2.12 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.

2.12.1 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 statements of operations.

2.12.2 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.

2.12.3 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.

2.13 Impairment of non-financial assets

The Company assesses at each reporting date 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 Company 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.

2.14 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.

2.15 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.

2.16 Income tax

Effective 01 January 2015, the Company made a voluntary exit from Norwegian tonnage tax regime and entered into the income tax regime. Upon exit from the tonnage tax system, new tax bases has been established for the

Company's assets. The tax value of the assets are set equal to the market value in order to ensure that profits accrued within the tonnage tax regime do not become subject to taxation after the company has left the tonnage tax system.

Tax expense comprises both current tax and changes in net deferred tax. Current tax includes expected current tax on the year's taxable income using tax rates existing at balance sheet date and any corrections to previous years' current tax.

Deferred tax assets and liabilities arise as a result of temporary differences existing between the values attributed to items in the financial statements and their tax-related values. These are measured at the tax rate applicable for the reporting period. The calculation of deferred tax assets and liabilities also takes into account tax losses carried forward at balance sheet date. Deferred income tax assets and liabilities are offset to the extent that current income tax assets and liabilities can be offset. Deferred tax assets are recognized in the balance sheet when it is probable that there will be sufficient future taxable profit to utilize the tax asset.

3 Critical accounting estimates, assumptions and judgments

3.1 Impairment assessment

As of 31 December 2017 the Company performed an impairment test on the carrying value of the property, plant and equipment. As a result of the impairment test, the Company impaired 100% of the carrying value of USD 10.7 million of the in-sea and other equipment that the Company owned at the yearend.

During 2017, the Company also impaired USD 0.3 million from the carrying value of its investment in shares of another listed company (included under 'Other current assets' in the Company's statement of financial position). Total impairment charges during the year was USD 11.0 million.

4 Financial risk management

4.1 Financial risk factors

The Company is exposed to a variety of financial market and operational risks. The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

4.1.1 Financial market risk

Fluctuations in Exchange rates and currency risks

The Company's costs are primarily in USD, though there are also some smaller costs in foreign currencies, particularly NOK, GBP and EUR. The majority of revenues are in USD. A depreciation of the USD will probably 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, on the Company's financial performance and financial position are not expected to be significant.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency, which is USD.

Cash flow and fair value interest rate risk

The Company's interest-bearing asset with variable interest rates are its deposits with banks. The cash flow interest rate risk associated with the bank deposits are not considered significant for the Company. Interest earned and received on these balances fluctuates with changes in market interest rates. As at 31 December

2017, the Company's financial assets at variable interest rates were denominated mainly in USD, with small balances also in EUR and NOK.

As at 31 December 2017, the Company did not have any interest bearing financial liabilities. Refer to Note 11 *Subsequent events* for details of the Company's new liability under the New Fleet Facility, borrowed during Q1 2018 to finance the purchase of the Vessel.

4.1.2 Credit risk

The Company's credit risk arises mainly from trade receivables and cash and cash equivalents deposited with banks.

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 as well as to other companies within the Polarcus Group. It is Company's policy that all external 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 Company. The Company's maximum exposure to credit risk for the components of the balance sheet is shown in the table below:

(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Receivable from other Group companies	17,993	20,674
Cash and short-term deposits	310	236
Total	**18,303**	**20,910**

4.1.3 Liquidity risk

The Company monitors its risk to shortage of funds by regular projected cash flow forecasts which also takes in to consideration the maturity of its financial assets and liabilities. Any additional funding required is expected to be provided by the parent company (or other related Group undertakings) either in the form of additional equity or as internal loans.

The following table shows the maturity profile of the Company's financial liabilities based on contractual payment terms. The amounts disclosed in the table are the contractual undiscounted cash flows and includes the liability under New Fleet Bank facility as entered in during Q1 2018 (also refer to Note 11 *Subsequent events*):

(In thousands of USD)	**Less than 1 Year**	**Between 1 - 2 Years**	**Between 3 - 5 Years**	**Over 5 Years**	**Total**
Payable to other Group companies	24,612	-	-	-	24,612
Trade and other payables	1,716	-	-	-	1,716
New Fleet Facility (refer to Note 11.2)	693	1,499	9,158	45,373	56,723
Total	**27,021**	**1,499**	**9,158**	**45,373**	**83,051**

5 Segment information

The Company provides its marine towed streamer seismic data acquisition services to customers worldwide. The Company also lease out the Vessel to other Polarcus Group companies under short term charter hire agreements. All activities of the Company are conducted and monitored as one business segment.

The Company's operating revenue earned during the year ended 31 December 2017 can be itemized as follows:

(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Exclusive client surveys (external customers)	-	10,856
Charter hire and other related party revenue	9,161	4,930
Other income	80	940
Total	**9,241**	**16,726**

'Other income' of USD 0.1 million in 2017 represents the gain on sale of the in-sea equipment owned by the Company to another Group company. (USD 0.9 million 'Other income' during 2016 from insurance claims).

6 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment
Year ended 31 December 2017	
Costs	
Balance as of 1 January 2017	22,251
Additions	1,057
Disposals	(718)
Balance as of 31 December 2017	22,590
Depreciation and impairment losses	
Balance as of 1 January 2017	7,372
Depreciation for the period	4,480
Impairments	10,737
Balance as of 31 December 2017	22,589
Carrying amounts	
Balance as of 1 January 2017	14,879
As of 31 December 2017	-
Year ended 31 December 2016	
Costs	
Balance as of 1 January 2016	157,476
Additions	12,218
GHS2 Lease Structuring	(147,443)
Balance as of 31 December 2016	22,251
Depreciation and impairment losses	
Balance as of 1 January 2016	66,481
Depreciation for the period	4,513
GHS2 Lease Structuring	(63,622)
Balance as of 31 December 2016	7,372
Carrying amounts	
Balance as of 1 January 2016	90,995
As of 31 December 2016	**14,879**

During 2017, the Company invested USD 1.0 million in additional in-sea equipment and sold equipment with carrying value of USD 0.7 million to another Polarcus Group entity.

7 Share capital

The Company's issued share capital as at 31 December 2017 is NOK 800,000 divided into 100,000 shares at par value of NOK 8 per share.

All issued shares have been paid in as at 31 December 2017.

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Total
Balance as at 1 January 2016	**100,000**	**98**	**29,061**	**29,159**
Movement during the year 2016	-	12	22,888	22,900
Balance as at 31 December 2016	**100,000**	**110**	**51,949**	**52,059**
Increase in face value of shares	-	12	6,988	7,000
Balance as at 31 December 2017	**100,000**	**122**	**58,937**	**59,059**

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.

Polarcus UK Limited owns 100% of the paid-in share capital of the Company as at 31 December 2017. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

8 Interest bearing debt

(In thousands of USD)	31-Dec-17	31-Dec-16
Balance as at 1 January / at the inception	6,191	-
Additions	-	11,500
Down payments	-	(3,500)
Amortized fees	29	(32)
Finance costs-Interest charge	259	815
Interest paid	(259)	(815)
Principal payments	(6,220)	(1,777)
Balance at the yearend	**-**	**6,191**

During 2017, the Company fully repaid the bank loan drawn in March 2016 to part finance the marine seismic in-sea acquisition system that the Company purchased for a price of USD 11.5 million.

9 Other financial assets and liabilities

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-17	31-Dec-16
Receivable from other Group companies	17,993	20,674

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-17	31-Dec-16
Payable to other Group companies	24,612	20,711
Other accruals and payables	10,379	6,890
Accounts payable	1,498	2,131
Interest bearing debt	-	6,191
Total financial liabilities measured at amortized cost	**36,489**	**35,923**

9.1 Fair values

	31-Dec-17		31-Dec-16	
(in thousands of USD)	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and deposits	310	310	236	236
Receivable from other Group companies	17,993	17,993	20,674	20,674
Total	**18,303**	**18,303**	**20,910**	**20,910**
Financial liabilities				
Payable to other Group companies	24,612	24,612	20,711	20,711
Accounts payable	1,498	1,498	2,131	2,131
Other financial liabilities	10,379	10,379	6,890	6,890
Interest bearing debt	-	-	6,191	6,191
Total	**36,489**	**36,489**	**35,923**	**35,923**

The carrying amounts above financial assets and liabilities approximate their fair values largely due to the short-term maturities of these instruments.

10 Finance costs

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Interest on intra-group loans	-	489
Interest on bank loan	259	367
Other finance costs	8	28
Net interest expenses	**267**	**884**
Currency exchange losses	84	21
Total	**351**	**905**

11 Income tax expense

	Year ended	
(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Tax payable	-	-
Change in deferred tax	-	-
Total tax expense	-	-
Calculation of this year's tax basis:		
(according to Norwegian tax regulation)		
Profit/(loss) before tax	(26,627)	23,408
Permanente differences	319	-
Change in temporary differences	8,789	(38,654)
Interest limitation	-	476
Tax basis for the year	**(17,519)**	**(14,770)**
Tax payable	-	-
Temporary differences		
Non-current assets and liabilities	(17,622)	(5,895)
Profit and loss account	(10,667)	(12,748)
Tax loss carry forwards	(74,108)	(56,156)
Interest limitation carried forward	(1,077)	(1,030)
Total	**(103,475)**	**(75,829)**
23% deferred tax (2016: 24%)	**(23,799)**	**(18,199)**
Not recognized deferred tax assets	**23,799**	**18,199**
Recognized deferred tax assets	-	-
Explanation of why this year's tax expense is not 24% of the net profit before tax:		
24% tax of profit/(loss)	(6,390)	5,852
24% of permanent differences	77	
Not recognized deferred tax assets	6,314	(5,852)
Calculated tax expense	-	-

Effective 01 January 2015, the Company made a voluntary exit from Norwegian tonnage tax regime and entered into the income tax regime.

Deferred tax assets on tax losses have not been recognized, as the Company does not intend to utilize the tax losses carried forward in the foreseeable future. Tax returns and calculations are made in NOK and translated into US Dollars.

12 Related-party transactions

Polarcus UK Limited holds 100% of the paid-in share capital of the Company as at 31 December 2017. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

12.1 Transactions with other Group companies

Below is a summary of the Company's transactions with other companies in Polarcus Group during the year ended 31 December 2017 and balances due to and from other Group companies in the ordinary course of Company's business as at the yearend.

(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Services received from other Group companies	5,299	6,311
Services provided to other Group companies	9,161	4,930
Sale of assets to other Group companies	800	-
Balance payable to other Group companies at yearend	24,612	20,711
Balance receivable from other Group companies at yearend	17,993	20,674

12.2 Payments to key employees and board members

The Company had no employees during the year. No salaries or benefits were paid to board members during the year. As the Company has no employees it is not required to operate a defined contribution pension scheme.

12.3 Payments to auditor

Audit fee for 2017 is NOK 52,900 exclusive of VAT (NOK 75,000 for 2016).

13 Subsequent events

13.1 Termination of operating leases and buyback of the Vessel

On 26 February 2018, as part of the financial restructuring, the Group and GSH2 Seismic Carrier I AS ("GSH") terminated the operating lease arrangement for the vessels *Polarcus Nadia* and *Polarcus Naila* ("N-Class Vessels") in exchange for the Group purchasing the vessels from GSH for a total consideration of USD 75 million in fully financed debt and issue of warrants. The purchase price of USD 75 million was fully financed through a New Fleet Facility, as described in Note 13.2 below. As part of the consideration, Polarcus Limited issued 12,846,144 warrants to GSH, the fair value of which was calculated to be USD 1.0 million.

The fair value of total purchase consideration allocated to the Company was USD 43.9 million. The fair value of the Vessel purchased by the Company was calculated to be USD 52.5 million. The difference of USD 8.6 million is recognized as a payable to Polarcus Limited, the ultimate parent in the Group.

At 31 December 2017, the Company had an aggregate accrued expense of USD 10.1 million relating to the operating lease arrangements for the Vessel. Full amount of such accrued expenses were credited to the income statement in Q1 2018 on termination of the leases.

13.2 New Fleet Facility

On 26 February 2018 the Group took out a New Fleet Facility of USD 75 million to finance the purchase of the N-Class Vessels from GSH. The New Fleet Facility is divided into two loans: Loan 1 of approximately USD 29 million to finance the purchase price of *Polarcus Nadia* and Loan 2 of approximately USD 46 million for *Polarcus Naila*. The Company is the borrower for Loan 2, used to finance the purchase of the Vessel by the Company.

There will be no fixed amortizations on the New Fleet Facility until 1 January 2022 unless the Vessel is on a third-party bareboat charter, in which case New Facility Lenders shall receive 32% of charter revenue in fixed amortisation of the relevant Facility. After 1 January 2022, the New Fleet Facility will be repaid by annual amortization payments of USD 6.25 million pro rata between Loan 1 and Loan 2. The final maturity of the New Fleet Facility is 31 December 2024.

13.3 Increase in issued and paid up share capital

On 22 March 2018, the Company's issued share capital was increased by NOK 100,000 from NOK 800,000 to NOK 900,000 by increasing the nominal value of each of the existing 100,000 shares in the Company from NOK 8 to NOK 9. Total amount paid in by Polarcus UK Ltd for the increase in share capital was USD 22 million.

14 Authorization of financial statements

The financial statements for the year ended 31 December 2017 were authorized in accordance with a resolution of the directors on 12 June 2018.

POLARCUS ANNUAL REPORT 2017

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Polarcus in 2017

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 improved safety and efficiency. Polarcus offers contract seismic surveys and multi-client projects with advanced onboard seismic data processing solutions.

Key Financial Figures (mUSD)

Revenue

179

Net Profit

-173

EBITDA

41

EBIT

-137

Cash from Operations

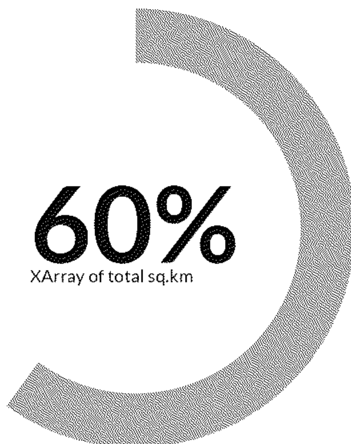
34

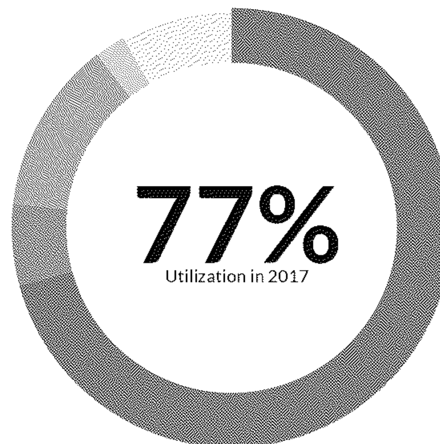
Continued cost leadership

Whilst 2017 proved to be another challenging year for the seismic industry, Polarcus continued its diligent focus on maintaining cost discipline while delivering on the core business essentials. From industry-leading levels, operating cost was further improved during the year, and we beat our own market guidance. Polarcus vessel operations are the most efficient on the market.

Focus on utilization

The focus for the organization during 2017 was to secure strong backlog and maximize vessel utilization. The sales teams across the globe succeeded in winning work within a tough market environment. Polarcus secured repeat business from existing major clients, largely due to our project teams' exceptional performance in delivering high quality data, acquired by safe and efficient operations. We continued to innovate and improve both data quality and operational efficiency standards for the industry. Polarcus' in-house XArray™ acquisition technique again proved to be a valued solution for clients and accounted for 60% of all sq.km acquired in 2017 - double the previous year's count.





Letter from the Chairman

Dear fellow shareholder,

We have learned to remain ever cautious about the immediate future of our industry. However it is fair to say there are at last some signs of brighter days ahead. Undoubtedly, the oil price remains a leading indicator of how our customers will invest. Following almost six months of a relatively stable oil price that is north of USD 60, we see that confidence is slowly returning to the broader industry and that interest in exploration is gradually increasing.

As a leading player in the marine seismic industry, Polarcus has once again demonstrated resilience, and adaptability, even in these most challenging of market conditions. Contrary to some earlier predictions, 2017 proved to be a flat year for an already struggling industry. Despite these harsh circumstances, Polarcus managed to secure work and further streamlined its organization to meet the new reality. Our industry-leading cost base was established early in the downturn without compromising the performance and service quality which we deliver to the industry's most established and demanding clients. We achieved solid utilization of our vessels throughout the year with safety and efficiency at the forefront of our offering of top tier geophysical services.

At the beginning of 2018, we successfully launched a private placement and comprehensive financial restructuring which has put the Company on a solid financial footing. Thanks to the ongoing support of its bondholders and its new and existing shareholders, and to the continuing confidence of its lenders, your company now has a debt service runway through to 2022, and significantly improved liquidity. Polarcus is well positioned to capitalize on improvements in the market and on any re-shaping of the seismic industry.

After almost ten years as Chairman of Polarcus, I plan to retire at this year's AGM. It has been a privilege to work with the Polarcus Board, the company's top rate and hard working management team and its loyal, skilled and committed employees. After a diligent search I believe the company's Nomination Committee has recommended a first class candidate who is uniquely qualified to take the company forward and I wish him, and all at Polarcus, every success.

Polarcus' financial stakeholders, suppliers, customers and employees have continued to support the company and the vision it represents. It has required a lot of patience but I have every confidence that their patience will be rewarded.

Peter Rigg
Chairman

Letter from the CEO

Against the backdrop of a continued, incredibly tough, marine seismic environment in 2017, I am highly appreciative of the demonstrable support of our shareholders and other stakeholders. Despite the challenging external factors, I am extremely proud of what Polarcus has delivered in 2017 in terms of our underlying business fundamentals and differentiators. In combination with the significant steps we have taken to increase the financial robustness of the Company, we are positioning Polarcus for future success as the industry evolves.

Operational performance has been sustained at industry-leading levels with technical downtime for the year below 3% and zero Lost Time Injuries since mid-2016. These statistics pay a fitting tribute to the hard work, dedication and delivery of excellence by the organization, both offshore and onshore. In support of these efforts, we remained laser-focused on further reducing our cost base – a key driver to maintaining our position in a highly competitive market.

Our sales teams successfully secured backlog for the fleet, with a growing client list, whilst the broader industry fleet endured continued low levels of utilization throughout the year. XArray™, our innovative acquisition methodology that delivers highly efficient 3D acquisition along with very high data quality, continues to be a disruptive force. Of the projects secured to date in 2018, more than 80% will be acquired using XArray™, demonstrating our continued ability to secure projects ahead of our competitors and to retain our position as a leading global provider of high-end marine geophysical services.

The comprehensive financial restructuring, completed early in 2018, has provided Polarcus with a debt service runway through to 2022 and has significantly improved the Company's liquidity, providing an important foundation for future success. In combination with the organizational re-shape that took place during the second half of 2017, Polarcus is positioned well to capture additional value from the opportunities that a re-shaping seismic market presents.

Polarcus differentiates itself in a number of areas including the unique Explore Green™ environmental agenda, collaborative relationships with high quality providers of multi-client investments and data processing and through innovative technology applications. Above all, we remain dedicated to delivering industry-leading marine acquisition services at a time when we see our traditional competitors re-evaluating their presence in the marine acquisition business.

In 2018 Peter Rigg, who has been Chairman of the Polarcus Board of Directors since 2008, will step down. His commercial perspective, ability to navigate choppy waters and sharp wit have been an inspiration since the inception of the Company. On behalf of all at Polarcus, I would like to thank Peter for his direction and leadership as Chairman and wish him all the very best for the future.

I would like to express my sincere appreciation to our clients and partners for their continued trust and support, and to our valued suppliers of goods and services for their much-appreciated contributions. Most importantly, I would like to thank our phenomenal employees for their enduring commitment, resilience and extraordinary achievements which enable Polarcus to be positioned as THE best marine geophysical company in the world.

With the continued support of our clients, suppliers, employees and shareholders, Polarcus will build on its standing as a strong and responsible leader in the marine seismic market – delivering continued operational excellence and realizing exciting opportunities as our industry evolves during 2018 and beyond.

Duncan Eley
CEO

Polarcus 2020 Strategy

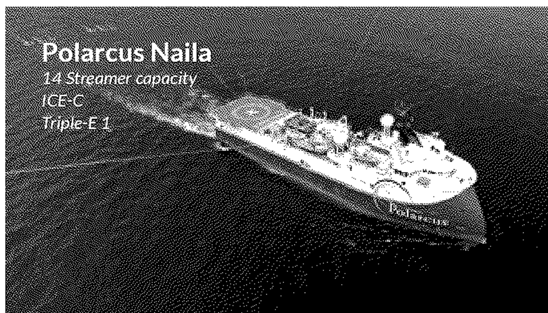
Responsibly provide the RIGHT marine geophysical services and seismic data from Pole to Pole, through innovation and excellence to succeed in any market condition, and capture additional value by re-shaping the industry to improve exploration success.

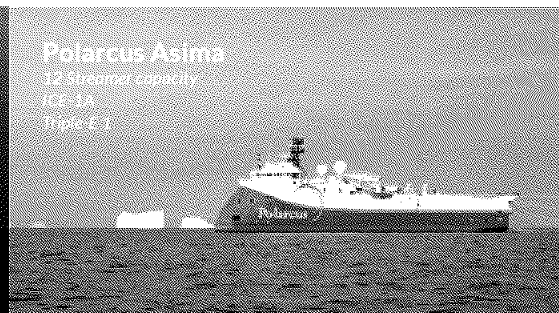
Diversified Revenue Streams

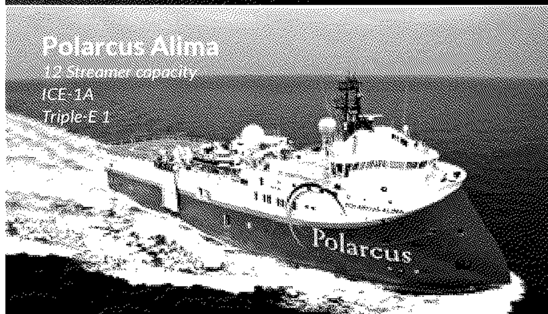
Polarcus projects are developed by an in-house team of geoscientists and acquired by its fleet of world-class 3D seismic vessels. Polarcus operates an onboard processing service which, with its unique combination of compute power and innovative processing algorithms, has propelled Polarcus' Priority Processing™ to a world-leading position.

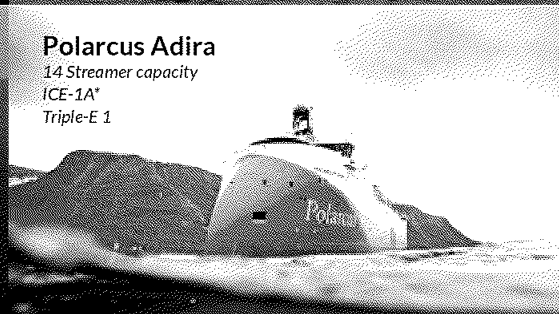
Four Polarcus vessels are available in the global contract market and one vessel is stacked. The multi-client market, and effective collaboration with strategic partners in this space, also remains a key area of focus for Polarcus, with several prospective projects available for licensing in Australia, Brazil, West Africa and the Middle East.

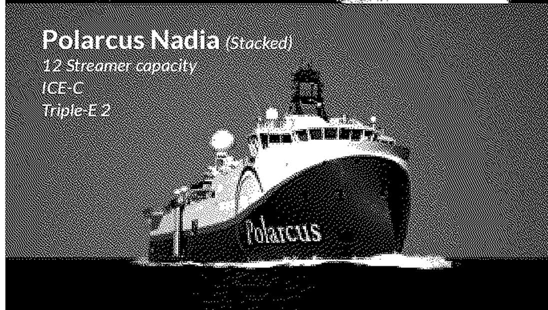
In response to continued weak market conditions, Polarcus has strategically diversified its portfolio to create stable revenue streams. In addition to being active in the global contract market Polarcus has two vessels on long-term bare boat charter to Sovcomflot (SCF). The Company's seismic management agreement with a National Oil Company has been extended to the beginning of 2019.











Polarcus operates a fleet of high performance 3D seismic vessels incorporating leading-edge maritime technologies for improved safety and efficiency.

Vyacheslav Tikhonov

8 Streamer capacity
ICE-1A
Triple-E 1

Polarcus has two high performance 3D seismic vessels on long-term bare boat charter to SCF.

Ivan Gubkin

14 Streamer capacity
ICE-1A
Triple-E 1

Polarcus also has a management contract with a National Oil Company delivering marine seismic operation support.

9

Responsibly Different

Polarcus has three Core Values - Responsibility, Innovation and Excellence – which have successfully navigated the business through challenging market conditions, and have ensured that focus is maintained on what is really important.

The responsible delivery of safe and exemplary operational performance, at an industry-leading low cost, is the foundation upon which Polarcus has established a world class reputation in the 10 years since inception. Innovation is an enabler that contributes directly to excellence in performance.

Explore Green™

Polarcus' unique environmental agenda is central to all of its business activity. The fleet was designed and built to adhere to the most rigorous environmental standards, with equipment to measure, monitor and mitigate emissions to both sea and air. Polarcus operates with an extensive suite of environmental policies and procedures to minimize the impact its operations have on the environment.

In 2017, Polarcus continued with its commitment to report its vessels' CO_2, NOX and SOX emissions on a quarterly basis in order to increase awareness and promote transparency of environmental impacts within the seismic industry.

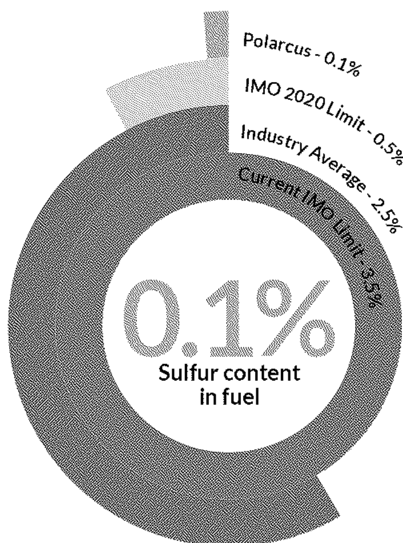
IMO 2020

In 2016, the IMO announced a new set of regulations for maritime operations. The new regulations include significantly lower limits for Sulfur content in fuel, and definition of new Emissions Control Areas. Under the new global regulations, from 2020, ships are required to use marine fuels with sulfur content of no more than 0.5% S compared with the current limit of 3.5% S, in an effort to reduce gaseous emissions from the global shipping industry. Polarcus is currently delivering well within the IMO 2020 requirements at 0.1% S.

Polarcus welcomes this development from the IMO and, as the only seismic operator in the industry that is committed to solely operating with Marine Gas Oil (MGO), Polarcus is proud to have complied with the IMO 2020 limits since the Company's inception in 2008.

Read more in the Polarcus 2017 Sustainability Report.

Average Sulfur Content in Fuel



XArray™

Polarcus XArray™ is an innovative acquisition technique developed by Polarcus to deliver superior un-interpolated data quality and make full geophysical use of today's streamer spreads. XArray™ provides both improved in-line shot density and cross-line bin density on any streamer separation and can therefore tailor acquisition to provide higher fold data, increase cross line sampling and/or improve acquisition efficiency.

XArray™ was developed with the primary objective to enhance the resolution of data recorded both in-line and cross-line while maintaining the high productivity levels of large streamer spreads. This is achieved using 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. A very important inherent benefit of XArray™ is the reduction of in-sea equipment deployed compared to traditional spreads offering the same efficiency. This results in less exposure of the field crew to higher risk activities such as deploying and recovering equipment, and reduced small boat activities, to maintain the in-sea spread.

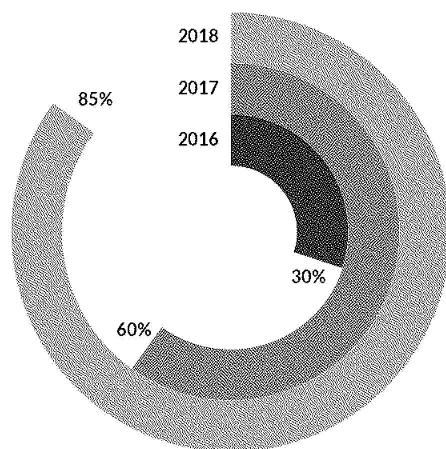
Since it was introduced to the market by Polarcus in 2016, XArray™ has quickly become entrenched in marine acquisition for a significant number of clients. After one test was conducted offshore Australia for a client in 2016, 30% of the sq.km acquired that year was completed with XArray™ configurations. In 2017, XArray™ acquisition doubled to 60%. In 2018 to date, 85% of all projects secured will be acquired using XArray™, enhancing the data quality delivered to clients through safer and more efficient acquisition.

Priority Processing™

To remain in front of the ever-increasing demand for efficient marine seismic exploration, Polarcus has equipped its fleet with cutting-edge seismic data processing hardware and software. Each Polarcus vessel is equipped with systems, provided and supported by DownUnder GeoSolutions ("DUG"), another key Polarcus partner. These powerful systems utilize the innovative computing power of Intel® Xeon® processors and Intel® Xeon Phi™ co-processors, providing compute power of around 100 Tflops. This onboard capacity, along with the expertise of Polarcus Field Geophysicists, facilitates Priority Processing™, an advanced onboard data processing service, which includes source and streamer de-ghosting, 3D demultiple and Isotropic Kirchhoff Pre-Stack Time Migration with RMO and time tomography.

The service that Polarcus offers to its clients reduces expensive decision making time by enabling them to use the data that is delivered, straight from Polarcus vessels, to accurately assess geological potential. Having a ready-to-interpret Priority Processing data volume whilst acquisition progresses enables the project to become more focused, and adaptable to the geology, resulting in optimized value creation for our clients.

XArray™ Sales Development



Priority Processing Track Record

88,000

Sq.km since launch in 2015

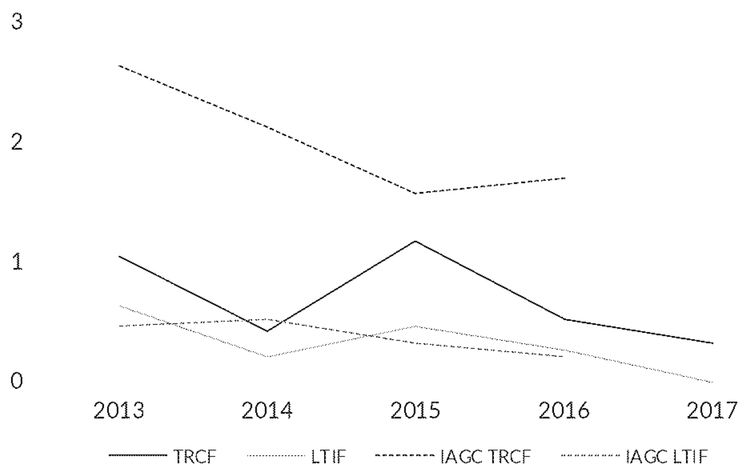
A Safety Pioneer

Polarcus' Vision is "to be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world". This vision is underpinned by the Company's Core Values of Responsibility, Innovation and Excellence. To be a responsible operator, Polarcus' primary concern is the safety of our people. Monitoring safety, security, and health conditions across all areas of operations, and in all Polarcus support locations, is key to protecting employee wellbeing and mitigating any risks encountered. With more than three million exposure hours in 2017, ongoing rigorous focus on safety awareness is essential.

Polarcus operates an integrated Management System which is based on OGP 510 encompassing the four fundamentals: Leadership, Managing Risk, Continual Improvement and Implementation, together with 10 Elements in a Plan, Do, Check and Act process. The Management System carries a hierarchical structure with Commitment and Accountability at the top, leading into the process flows encompassing our business activities.

The Polarcus organization is fully certified to ISO 9001, ISO 14001 & OHSAS 18001 while also subscribing to the DNV GL Triple-E™ program, an Environmental and Energy Efficiency rating scheme for ships.

Safety Statistics



Statistics from The International Association of Geophysical Contractors (IAGC)

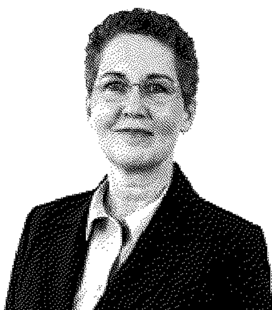
2017 Safety Statistics			
IAGC Report Categories:		Additional Categories:	
Restricted Work Case (RWC)	0	First Aid Cases	35
Medical Treatment Case (MTC)	1	Non Conformance Corrective Action Preventitive Action (NCCAPA)	9105
Lost Time Injury (LTI)	0	Near Miss	75
Lost Time Injury Frequency (LTIF)	0	Improvement Suggestions	2405
Total Recordable Case Frequency (TRCF)	0.32		

Board of Directors

Peter Rigg, *Chairman (b. 1948)*

Peter Rigg has an extensive background in investment banking with over 25 years' experience working in Asia and Europe, principally for Credit Suisse First Boston as Worldwide Managing Director responsible for Asian Equity Capital Markets. Mr. Rigg 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 Oriental Income Fund where he serves as Chairman of the Audit and Management Engagement Committees. Mr. Rigg is a director of the Kaiyuan Education Fund GP Limited and certain associated companies involved in education in China. He is also a member of the Advisory Board of South West Energy, a privately owned Company with oil interests in Ethiopia.

Mr. Rigg was appointed as a director and Chairman of the Board of Polarcus Limited on 20 June 2008. As at 31 December 2017, Mr. Rigg held 75,000 shares in Polarcus.



Karen El-Tawil *(b.1961)*

Karen El-Tawil has spent over 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. Mrs El-Tawil is a Board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange.

Mrs. El-Tawil was appointed to the Board on 13 February 2014. As at 31 December 2017, Mrs El-Tawil held 4,250 shares in Polarcus.

Erik M Mathiesen *(b.1970)*

Erik Mathiesen is an independent advisor. He was until January 2017 a Founding partner of Storm Capital Management, London, an asset management company focusing on energy, transportation and real estate in the Nordics. He was also CEO of Storm Real Estate ASA until August 2016. He has worked in corporate finance advisory in shipping and oil services as a partner for EC Hambro Rabben, London and in corporate banking at Hambros Bank, London.

Mr. Mathiesen was appointed to the Board on 12 May 2016. As at 31 December 2017, he held 75,000 shares in Polarcus through his wholly owned company SISU Holding AS.

Tom Henning Slethei *(b. 1974)*

Tom Henning Slethei has been an investor in the stock and bond market for more than two decades. He is Chairman and owner of various companies within real estate and finance. He has extensive Board experience including as Chair of the nomination and compensation committees, Noreco ASA, as Chairman of the Board, Jåsund Utviklingsselskap AS and Sola Bredband AS, and as a Director at Forus Naeringspark.

Mr. Slethei was appointed to the Board on 12 May 2016. As at 31 December 2017, he held 5,000,001 shares in Polarcus through his wholly owned company, Alto Holding AS.

Carl-Peter Zickerman *(b. 1972)*

Peter Zickerman has two decades of valuable experience in the seismic industry. He was the Founder of Eastern Echo Ltd where he held the position of Executive Vice President & Business Development and was a member of the Board. In 2008, he founded Polarcus Limited where he held the position of Executive Vice President & Head of Strategic Investments until February 2016. His experience covers both maritime and seismic operations, strategy and commerce. Mr. Zickerman holds a B.Sc. in Marine Engineering from Kalmar Maritime Academy, Linnaeus University, Sweden.

Mr. Zickerman was appointed to the Board for the first time on 9 February 2008 for a period expiring on 2 July 2012 and was again appointed to the Board on 12 May 2016. As at 31 December 2017, he held 17,840,360 shares in Polarcus through his wholly owned companies Zickerman Group Limited and Zickerman Holding Limited.

Nicholas Smith *(b. 1951)*

Nicholas Smith is a Chartered Accountant with a long-term career in investment banking and as CFO of Asian investment bank, Jardine Fleming Group. He has had a successful non-executive track record in the public E&P sector and investment trusts, including seven years as Chairman of Ophir Energy plc, and as Board member for several other London listed companies. He is currently Chairman of Aberdeen New Thai Investment Trust plc; Chairman of Schroder Asia Pacific Investment Fund plc, where he was previously Chair of Audit and Senior Independent Director; and a Board member for JP Morgan European Small Companies Investment Trust plc where he is also Chair of Audit.

Mr. Smith was appointed as a director of the Board of Polarcus Limited on 6 March 2017. As at 31 December 2017, Mr. Smith held no shares in Polarcus.

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Executive Management

Duncan Eley *(b. 1972)*

CEO

Duncan has 20 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 a global strategy consultancy firm across the energy, transport and natural resources sectors. Duncan owns 489,616 shares and holds 261,400 options in the Company.

Hans-Peter Burlid *(b. 1980)*

CFO

Hans-Peter 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. Hans-Peter owns 157,596 shares and holds 114,900 options in the Company.

Caleb Raywood *(b. 1970)*

General Counsel

With 20 years of commercial experience, Caleb most recently acted as General Counsel and sat on the Board of Directors for Sea Trucks Group. Prior to this, Caleb worked for several years at an international law firm in London and Dubai specializing in shipping and maritime issues, followed by a long period with MasterCard International as Region Counsel. Holding a Bachelor's Degree in English and European Law from the University of Essex (UK) and a Master's Degree in European Business Law from the University of Nijmegen, The Netherlands, he leads our team of lawyers as a qualified Barrister and Solicitor Advocate. Caleb owns 134,615 shares and holds 50,000 options in the Company.

Tamzin Steel *(b. 1977)*

SVP People & Business Services

Tamzin has over 15 years' experience working in global multinational companies in the oil & gas industry. Prior to joining the Polarcus team, Tamzin held senior leadership positions, with a focus on Human Resources and organisational change, most recently working for Abu Dhabi National Energy Company (TAQA). Tamzin holds a Bachelor's Degree (with Honors) in Business Studies from Robert Gordon University, Aberdeen, Scotland. Tamzin owns 134,615 shares and holds 50,000 options in the Company.

The Polarcus Share

Share information

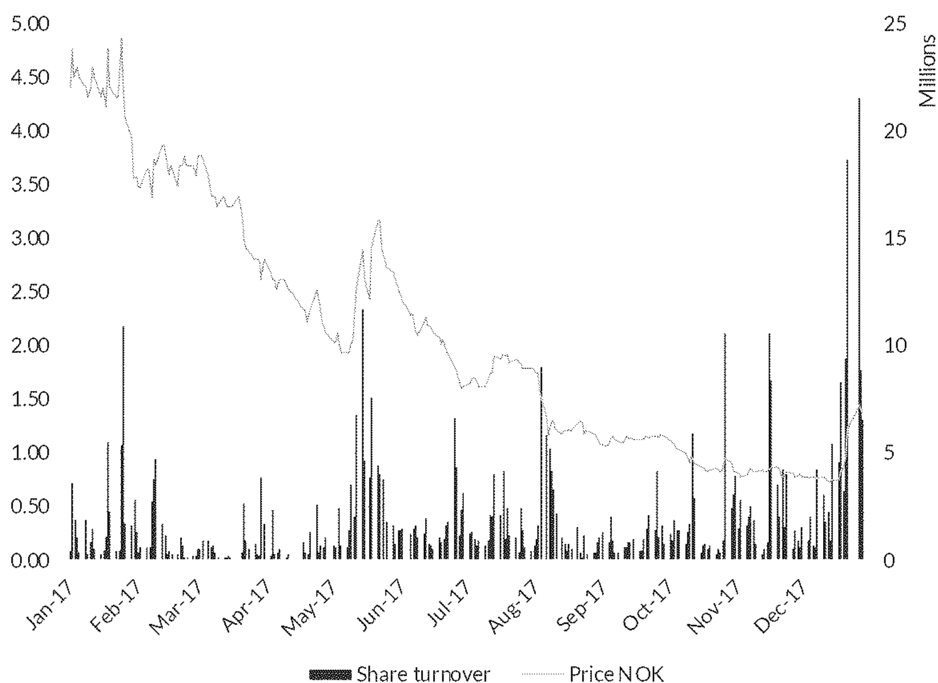
Shares in Polarcus are listed on the Oslo Børs under the ticker symbol 'PLCS'. During the year, a total of 485 million shares traded representing 400% of the average volume weighted shares outstanding. At the end of the year, Polarcus had a market capitalization of NOK 210 million.

Share capital

The issued and paid up share capital of the Company as of 31 December 2017 was USD 15,43,53.90 divided into 153,438,534 shares of a nominal or par value of USD 0.10 each.

Analyst coverage

As of 31 Dec 2017 there were eleven analysts covering Polarcus. Note that any estimate or forecast regarding Polarcus made by any these analysts are theirs alone and do not represent estimate or forecasts of Polarcus or its management. A full list of analysts covering Polarcus can be found on the Polarcus website www.polarcus.com



Top 20 Shareholders

As of 31 December 2017

Name	Numer of Shares	%
J.P. Morgan Securities	22,291,693	14.5
Skandinaviska Enskilda Banken	11,013,280	7.2
ALTO HOLDING AS	5,000,001	3.3
KRISTIAN FALNES AS	4,580,941	3.0
Nordnet Bank AB	4,558,052	3.0
Citibank, N.A.	3,141,672	2.0
ZICKERMAN GROUP LTD	3,030,000	2.0
ZICKERMAN HOLDING LTD	3,030,000	2.0
INAK 3 AS	3,000,000	2.0
NORDNET LIVSFORSIKRING AS	2,717,284	1.8
Morgan Stanley	2,484,390	1.6
Euroclear Bank	2,316,198	1.5
Goldman Sachs & Co.	1,950,008	1.3
SIX SIS AG	1,700,000	1.1
ØRN AS	1,700,000	1.1
TTC INVEST AS	1,620,000	1.1
TELINET ENERGI AS	1 616 940	1.1
NHO - P667AK	1,500,000	1.0
BERGER, PER	1,272,112	0.8
Skandinaviska Enskilda Banken	1,219,216	0.8
Top 20 Shareholders	78,124,847	52%
Other Shareholders	75,313,687	48%
Total	153,438,534	100%

Source: Norwegian VPS

Board of Directors Report

During 2017 Polarcus continued to deliver first class technical, operational and EHSQ performance, while at the same time expanding its global reach with three new countries of operation. The demand for the Company's XArray™ technology continued to increase and 2017 was the first year in which over half of the seismic data acquired by the Company was through XArray™. The seismic market continued to remain challenging, resulting in low vessel utilization across the industry, and Polarcus achieved vessel utilization of 77% in 2017, down from 83% the previous year. In April 2017 the Company entered a 5.5-year bare boat charter for Ivan Gubkin (previously Polarcus Amani), providing valuable stable cash flow visibility for the Company.

While the prolonged difficult market conditions led to a reduction in the Company's revenues, Polarcus focused on the areas under its control, including enhancing operational efficiencies, reducing its cost base, improving its capital structure and lowering debt service obligations. The Company reduced its gross cost of sales by a further 26% and its general and administrative costs by 18%, both from already low levels the year before. In 2017 the Company raised NOK 330 million in equity and adjusted certain financing arrangements to improve liquidity by USD 80 million through 2018, while post yearend the Company raised an additional NOK 340 million through a private placement and repair issue, as well as amended financing arrangements to provide a debt service runway through an expected 2022. The Company's improved capital structure and low cost base, combined with continued leading operational, technical and EHSQ performance provides a strong foundation for Polarcus to move forwards.

Key financials

(In millions of USD)	2017	2016
Revenues	179.0	243.4
EBITDA (before non-recurring items)	18.2	51.4
EBITDA	41.3	0.9
EBIT (before non-recurring items)	(68.9)	(54.1)
EBIT	(137.0)	(131.3)
Net profit / (loss) for the period	(172.5)	20.3
Basic earnings/(loss) per share (USD)	(1.41)	0.46
Net cash flows from operating activities	34.1	48.1
Total assets	402.9	571.9
Total liabilities	358.2	393.1
Total Equity	44.7	178.8
Equity Ratio	11%	31%
Property, plant & equipment cash investment	7.3	16.4
Multi-client projects cash investment	20.6	44.6
Total cash	33.7	14.5
Net interest bearing debt	260.7	270.7

Non-recurring items include impairments, the cost of onerous contract provisions and restructuring costs.

1 Operations and market

The Company owns a fleet of seven high-end 3D vessels: four of the Company's vessels operate in the seismic contract and multi-client market, two vessels are on long-term bareboat charters and one vessel is in layup. In April 2017 the Company entered a 5.5-year bareboat charter for Ivan Gubkin (previously Polarcus Amani), while the vessel Vyacheslav Tikhonov has been on a long-term bareboat charter since 2011. Subsequent to the yearend the Company purchased two vessels, Polarcus Naila and Polarcus Nadia, that had previously been chartered in on operating leases.

The table below shows the Company's vessel utilization for the year:

	2017	2016
Utilization	77%	83%
By category:		
Exclusive Seismic Contract*	71%	71%
Multi-client Seismic Contract	6%	12%
Transit	13%	12%
Yard stay	2%	2%
Standby	8%	3%
Total	**100%**	**100%**

*Includes the vessels V. Tikhonov and Ivan Gubkin (formerly Polarcus Amani) which are on bareboat charters. Polarcus Nadia is excluded from vessel utilization subsequent to cold-stacking on 01 April 2015.

Utilization decreased to 77% (2016 – 83%). Contract utilization was flat at 71% (2016 – 71%) and allocation to multi-client decreased to 6% from 12%. Excluding vessels on long-term bareboat charters (and Polarcus Nadia), utilization for the remaining fleet decreased to 68% (2016 – 80%).

During 2017, the Company continued to deliver first class technical and operational performance. Technical downtime was 2.7%, up from 2.0% the previous year.

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

(In millions of USD)	2017	2016
Asia Pacific ("APAC")	62.9	91.7
Europe, Africa and Middle East ("EAME")	60.4	67.4
North and South Americas ("NASA")	51.3	82.6
Total revenue	**174.6**	**241.7**

The Company's global reach continues to expand; during 2017, the Company operated offshore in three new countries: Japan, Thailand, and the UAE (2016 – five new countries), while of the projects included in the Company's backlog secured for 2018, three are in new countries.

1.1 XArray™

In 2014 Polarcus introduced an innovative acquisition technique, termed XArray™, designed to deliver a highly efficient acquisition technique without compromising data quality. XArray™ has proved to deliver superior quality data while at the same time improving acquisition efficiency.

2017 was the first year in which over half of the seismic acquisition performed by the Company leveraged XArray™, with XArray™ accounting for 60% of the total square kilometers of seismic data the Company acquired in 2017, up from 30% in 2016. The number of clients recognizing the superior benefits of XArray™ continues to increase and of the backlog the Company has currently secured for 2018, 85% utilizes XArray™.

2 Financial review

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

2.1 Financial performance

2.1.1 Revenues

(In millions of USD)	2017	2016
Contract revenue		
- Proprietary contract revenue	104.6	145.3
- Reimbursable	3.9	8.5
- Management fees	14.9	16.8
- Bareboat charter	23.5	14.4
	146.9	185.1
Multi-client revenue		
- Prefunding	21.7	55.3
- Late sales	6.0	1.3
	27.7	56.6
Other income	4.4	1.8
Total	**179.0**	**243.4**

Revenues decreased 26% to USD 179.0 million in 2017 (2016 – USD 243.4 million), due to a decrease in contract and multi-client revenue.

Contract revenue decreased by 21% to USD 146.9 million (2016 – USD 185.1 million) due to a reduction in proprietary contract revenue. The decrease was driven by lower utilization as the number of vessel days allocated to proprietary contract decreased by 23%, while achieved day rates on proprietary contract declined 4%. Bareboat charter revenue increased by 63% to USD 23.5 million (2016 – USD 14.4 million) due to an additional vessel on long-term bareboat contract from April 2017.

Multi-client revenue decreased by 51% to USD 27.7 million (2016 – USD 56.6 million) due to a decrease in prefunding revenue. Prefunding revenue decreased 61% to USD 21.7 million (2016 – USD 55.3 million), mainly as a result of a 50% reduction in the number of vessel days allocated to multi-client. The cash investment in multi-client was USD 20.6 million (2016 – USD 44.6 million), resulting in a prefunding level of 105% (2016 – 124%). Late sales increased 362% to USD 6.0 million (2016 – USD 1.3 million).

Other income was USD 4.4 million (2016 – USD 1.8 million) due to an increase in income from insurance claims for damaged in-sea equipment.

2.1.2 Operating expenses

(In millions of USD)	2017	2016
Gross cost of sales	165.0	221.7
Capitalized to multi-client projects	(16.4)	(36.5)
Net deferred transit adjustment	0.4	(0.4)
Cost of sales (excl. other items)	149.1	184.8
Reimbursable cost	3.2	6.7
Restructuring cost	1.6	0.4
Net movement in bad debt provision	(1.2)	0.7
Net movement in onerous contract provision	(3.9)	(15.8)
Net cost of sales	**148.8**	**176.9**

Cost of sales decreased by 16% to USD 148.8 million (2016 – USD 176.9) as a result of reduced gross cost of sales. Gross cost of sales decreased by 26% to USD 165.0 million (2016 – USD 221.7 million), driven by continued focus on cost and efficiencies, as well as a reduction in the proprietary contract market fleet size by one vessel from 1 April 2017 when one vessel commenced a long-term bareboat charter.

General and administrative costs decreased by 18% to USD 15.9 million (2016 – USD 19.4 million), mainly driven by reductions in personnel costs following a reduction in employees.

The Company recognized a net gain of USD 27.0 million in onerous contract provisions in 2017 (2016 – net loss USD 46.4 million). The gain was mainly due to an updated estimate resulting in reversal of a previously expensed operating lease contract provision for Polarcus Nadia, a lease which was terminated in Q1 2018 when Polarcus purchased the vessel as part of the Company's financial restructuring.

EBITDA for the year increased to USD 41.3 million (2016 – USD 0.9 million), mainly due to positive movements in onerous contract provision estimates.

2.1.3 Depreciation and amortization

Depreciation and amortization decreased by 8% to USD 45.0 million (2016 – USD 48.7 million), while gross depreciation decreased 10% to USD 47.7 million (2016 – USD 53.0 million). The reduction in depreciation is due to a lower depreciation base.

Amortization of the multi-client library decreased 26% to USD 42.1 million (2016 – USD 56.8 million). The increase in the multi-client amortization rate was due to an increase in straight line amortization in 2017 following an increase in the number of completed multi-client projects.

2.1.4 Impairment

Impairment charges increased to USD 91.2 million (2016 – USD 26.7 million) due to an increase in impairments of vessels and seismic equipment, as well as the multi-client library. Seismic vessel and equipment impairment charges of USD 77.0 million (2016 – USD 24.4 million) were recognized in the year due to the prolonged weak seismic market that has resulted in an oversupply of vessels and protracted pressure on day rates. As a result of uncertainty regarding the timing of future late sales, an impairment charge of USD 12.0 million was recognized on the Company's multi-client project library (2016 – nil).

EBIT was negative USD 137.0 million (2016 – USD 131.3 million).

2.1.5 Finance costs

Finance costs increased 20% to USD 44.4 million (2016 – USD 37.0 million) primarily as a result of an increase in the effective interest accounting cost of the Company's bond loans as the bonds came one year closer to maturity. The interest cost of other interest bearing debt remained flat.

2.1.6 Changes in fair value of financial instruments

The Company recorded a USD 6.6 million fair value gain on revaluation of financial instruments (2016 – USD 13.3 million). The decrease is due to a decrease in the fair value gain on revaluation of unsecured bonds and a cross currency swap instrument that are booked at fair value through profit and loss.

2.1.7 Income tax

Corporate income tax expense decreased to USD 0.1 million (2016 – 3.2 million).

2.1.8 Net profit

Net loss was USD 172.5 million, down from a net profit of USD 20.3 million due to a non-cash accounting gain on financial restructuring of USD 177.8 million in 2016 (2016 – net loss USD 157.5 million, excluding the gain on financial restructuring).

2.2 Cash flow and liquidity

Net cash flow from operating activities decreased 30% to USD 34.1 million (2016 – USD 48.1 million), driven by lower operating profits. Positive working capital movements increased to USD 29.3 million (2016 – USD 22.5 million).

Net cash flow used in investing activities reduced to USD 28.0 million (2016 – USD 61.0 million) due to lower investments in property, plant and equipment and multi-client assets. Payments for property, plant and equipment totaled USD 7.3 million (2016 – USD 16.4 million), while payments for investments in the multi-client library decreased to USD 20.6 million (2016 – USD 44.6 million) as a result of a reduction in the vessel allocation to multi-client projects to 6% in 2017 compared to 12% the year before.

Net cash flow from financing activities increased to an inflow of USD 6.3 million (2016 – outflow USD 28.2 million), mainly as a result of a USD 37.8 million net equity increase following a private placement and repair offering share issues in 2017. Interest paid reduced to USD 18.6 million (2016 – USD 24.4 million) as a result of reduced debt service. Restricted cash deposit payments increased to USD 7.1 million (2016 – inflow USD 13.8 million). Net cash flow related to cross currency swaps was USD 1.8 million (2016 – outflow USD 3.9 million).

Total cash held at the yearend was USD 33.7 million (2016 – USD 14.5 million), including restricted cash of USD 7.8 million (2016 – USD 0.7 million). The Company's working capital facility of USD 25.0 million was undrawn at the yearend.

2.3 Financial position

2.3.1 Assets

Total assets decreased by USD 169.0 million to USD 402.9 million (2016 – USD 571.9 million), mainly driven by a decrease in non-current assets. Non-current assets decreased by USD 154.0 million to USD 334.5 million (2016 – USD 488.5 million) due to impairment charges totaling USD 91.2 million (2016 – USD 26.7 million), as well as normal depreciation and multi-client asset amortization recorded in the year.

Total current assets decreased by 15.0 million to USD 68.4 million (2016 – USD 83.4 million), mainly driven by a decrease in receivables from customers, partially offset by an increase in total cash. Receivables from customers decreased USD 27.8 million to USD 19.8 million (2016 – USD 47.6 million). Total cash (i.e. including restricted cash) increased by USD 19.2 million to USD 33.7 million (2016 – USD 14.5 million).

2.3.2 Liabilities

Total liabilities decreased by USD 34.9 million to USD 358.2 million (2016 – USD 393.1 million). The decrease was mainly due to a reduction in non-current provisions following the reversal of the estimated operating lease contract provision for Polarcus Nadia, a lease which was terminated in Q1 2018 when Polarcus purchased the vessel.

As a result of the impairment charges significantly reducing the Company's book equity at 31 December 2017, the Company was in breach of its equity ratio covenant in certain financing facilities at the yearend. Short-term waivers for covenant breaches were obtained before the yearend from the relevant finance parties. The covenant breach was remedied in Q1 2018 as part of the Company's restructuring. As the covenant breach remedy occurred after the yearend and given that the original waivers received from certain finance parties expired less than 12 months after the balance sheet date, all of the Company's long-term debt is temporarily reclassified as current at 31 December 2017. The debt is expected to be reclassified as a non-current liability in 2018.

Total current liabilities increased by USD 39.7 million to USD 349.5 million (2016 – USD 309.8 million), mainly as a result of the temporary reclassification of the Company's long-term debt.

2.3.3 Equity

Equity decreased by USD 134.1 million to USD 44.7 million (2016 – USD 178.8 million). The decrease was due to the net loss of USD 172.5 million recognized in 2017, partially offset by a net increase in share capital of USD 37.8 million in the year as a result of an increase in share capital.

2.4 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 increased by USD 6.3 million to USD 42.5 million in 2017 (2016 – USD 36.2 million) due to an increase in all revenue streams. Revenue from crewing services increased by USD 1.3 million to USD 37.6 million (2016 – USD 36.2 million), while revenue from lease of in-sea equipment increased to USD 1.0 million and other revenue increased to USD 4.0 million, both up from nil the previous year. The other revenue was from net profit on sale of streamers and equipment sold to companies within the Group.

Cost of sales decreased by USD 2.6 million to USD 38.2 million (2016 – USD 40.8 million), driven by a reduction in crew costs following a decrease in employee numbers. General and administrative expenses increased by USD 0.1 million to USD 8.3 million (2016 – USD 8.2 million).

An impairment charge of USD 139.1 million was recognized in the year (2016 – 431.0 million), of which USD 131.6 million related to impaired inter-company loans and receivables (2016 – USD 220.7 million) and USD 7.5 million related to in-sea equipment (2016 – USD 0.8 million). There was no impairment to investments in subsidiaries in the year (2016 – USD 209.5 million). Depreciation and amortization decreased by USD 4.9 million to USD 3.0 million from USD 7.9 million, mainly as a result of selling items of the Company's property, plant and equipment during the first half of 2017.

Finance costs increased by USD 7.7 million to USD 25.3 million (2016 – USD 17.6 million) mainly as a result of higher finance costs for the convertible bond due to the amortised cost method of accounting for them. Finance income decreased by USD 9.9 million to USD 4.9 million (2016 – USD 14.8 million) due to reduced interest income from loans to subsidiaries as a result of lower loan balances. Changes in fair value of financial instruments was positive USD 6.6 million compared to USD 13.3 million in 2016. The change in fair value of financial instruments relates to the gains on the accounting for a cross currency swap and accounting for unsecured bonds at fair value.

The Parent company recorded a loss of USD 159.8 million in the year (2016 – USD 302.0 million). The Board of Directors proposes to carry the loss forward as a retained loss.

The Parent company's total assets decreased by USD 104.5 million to USD 182.2 million at the end of the year (2016 – USD 286.7 million), mainly driven by decreased loans to subsidiaries. The Parent company sold all of its seismic equipment to Group companies during the first half of 2017, resulting in a reduction of USD 24.0 million in property, plant and equipment to nil (2016 – USD 24.0 million).

The Parent company's total liabilities increased by USD 17.0 million to USD 69.8 million (2016 – USD 52.8 million), mainly due to an increase in the carrying value of the Parent company's convertible bond by USD 6.5 million to USD 22.9 million (2016 – USD 16.4 million) and an increase in the carrying value of unsecured bonds by USD 7.6 million to USD 25.7 million (2016 – USD 18.2 million). The increase in the carrying value of convertible bonds was due to the impact of the unwinding of the amortised cost method of accounting using the effective interest rate method, while the increase in the unsecured bonds was due to fair value movements.

The Parent company's equity decreased USD 121.4 million to USD 112.5 million (2016 – USD 233.9 million). During the year, share capital increased by USD 37.8 million as a result of an equity issue.

Net cash flow from operating activities increased USD 10.8 million to USD 8.8 million (2016 – negative USD 2.0 million), driven by to improved operating profits and working capital movements. Positive working capital movements were USD 13.2 million (2016 – USD 11.4 million).

Net cash outflow from investing activities increased to USD 44.3 million (2016 – USD 20.7 million) due to increased net investments in subsidiaries. The Parent company recorded a cash inflow of USD 15.5 million from sale of its streamer equipment to Group companies in 2017.

Net cash inflow from financing activities increased to USD 37.1 million (2016 – USD 2.9 million), mainly as a result of a USD 37.8 million net equity increase following a private placement and repair offering share issues in 2017. Total cash held at the yearend was USD 4.0 million (2016 – USD 1.4 million), including restricted cash of USD 1.7 million (2016 – USD 0.7 million).

3 Going concern

In accordance with Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the going concern assumption and the Board of Directors concludes this assumption is appropriate.

The Company's financial projections used in its going concern evaluation are based on certain assumptions about the future, including those related to contract pricing and vessel utilization, expected multi-client late sales from existing multi-client assets, and expected future CAPEX investment. The Company is dependent upon securing sufficient backlog in the future. Based on these assumptions and following the Q1 2018 Restructuring as described below, the Company expects to have sufficient liquidity to operate for at least 12 months after the balance sheet date even if the continued challenging market remains flat.

Management and the Board of Directors closely monitor the going concern assumptions, cash flow forecast and compliance with financing covenants.

As measured at 31 December 2017, including the two bareboat charters and awards made after the yearend, the total backlog is estimated to be USD 164 million.

3.1 Financial restructuring completed during Q1 2018

During Q1 2018 the Company completed a financial restructuring of its balance sheet (the "Restructuring"), including an issue of new shares for gross proceeds of NOK 300 million through a private placement (the "Private Placement"). A further NOK 40 million of equity was completed by 5 April 2018 (the "Repair Issue" and, together with the Private Placement, the "Equity Issues").

The total key improvements in the Company's liquidity as a result of the Restructuring and Equity Issues are summarized below. For further details, refer to Note 30 Subsequent events in the financial statements.

- NOK 340 million Equity Issues
- Instalment runway and reduced interest to 2022
- Termination of USD 90 million operating lease commitments and acquisition of Polarcus Nadia and Polarcus Naila for USD 75 million, fully financed by a new bank loan and issue of warrants
- Relaxed covenants to support trading through a flat market
- Cash sweep mechanism to secured lenders only in the event of excess cash generation
- Reduced par value and part conversion of unsecured bonds
- Termination of cross-currency swap arrangement with termination fee covered by a new bank facility
- Working capital facility increased by USD 15 million to USD 40 million

The Equity Issues and the increased working capital facility will significantly improve the Company's short-term liquidity. The total improvement in the Company's liquidity to 2022, including the impact of lower interest payments and lease savings, as well as reduced debt amortization, is approximately USD 221 million.

3.2 Covenants

The status of key financial covenants applicable to the Company as at 31 December 2017 under the terms of the pre-restructured financing arrangements were as follows:

Minimum requirements	31-Dec-17	31-Dec-16
Debt Service Ratio – 1.0	1.9	1.2
Minimum liquidity reserve – USD 10m	$51m	$39m
Working capital – positive	$13m	$23m
Book equity ratio – 20%	11%	31%

For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months are included as liquidity. In the Company's liquidity balance of USD 51 million as at 31 December 2017, the full working capital facility of USD 25 million as available on that date is included. As part of the Q1 2018 Restructuring, the credit available under the working capital facility is increased to USD 40 million and the maturity is extended from 01 July 2019 to 30 June 2022.

As at 31 December 2017, the Company was in breach of the minimum book equity ratio covenant. The breach was caused mainly by the accounting impact of USD 89.8 million impairments recognized during Q4 2017. Short-term waivers for covenant breaches were obtained before the year end from certain finance parties, but given that the original waivers expired less than 12 months after the balance sheet date, all of the Company's long-term debt was temporarily reclassified as current at 31 December 2017. The debt was subsequently reclassified as a non-current liability in Q1 2018 following completion of the Restructuring.

As part of the Restructuring in Q1 2018, the DSR covenant and the minimum equity ratio covenant are removed.

The main financial covenants that the Company will continue to be subject to, post the Restructuring completed in Q1 2018, are:

- Minimum liquidity reserve of USD 10 million
- Minimum working capital as positive at all times

4 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 fluctuate because of changes in market prices. The Company's exposure to credit risk relates to its financial assets – mainly 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.

4.1 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 2017, 12% (2016 – 17%) of the Group's total financial assets are denominated in foreign currencies. Of the Company's total financial assets of USD 53.4 million (2016 – USD 62.1 million), USD 3.4 million are foreign currency bank deposits (2016 – USD 2.2 million) and USD 3.1 million are foreign currency denominated receivables from customers (2016 – USD 8.1 million). A change of 10% in the exchange rate between these currencies and USD, with all other variables held constant, will have an impact of USD 0.3 million (2016 – USD 0.8 million) on the Group's profit before tax.

As of 31 December 2017, approximately 3% (2016 – 1%) of the Group's loans and borrowings are held in NOK. All other loans and borrowing and are denominated in USD. A 10% change in the exchange rate between NOK and USD will have an impact of USD 0.8 million (2016 – USD 0.4 million) on the Group's profit before tax.

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 2017 that are under standard credit terms. Due to the short-term nature of these financial assets and liabilities, the foreign currency risk is considered low.

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 in which the Group operates. In general, the majority of operating revenues and costs are denominated in USD.

4.2 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-17	31-Dec-16
Total interest bearing debt	294.3	285.1
Interest bearing debit with variable interest rates	48.5	54.2
% of interest bearing debt with variable interest rates	16%	19%

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.

4.3 Market price risk

As at 31 December 2017, the Group has following financial liabilities that are accounted for at fair value through profit and loss and subject to risk of changes in the market prices.

(In millions of USD)	31-Dec-17	31-Dec-16
Bonds accounted for at fair value	25.8	18.2
Financial derivatives accounted for at fair value	8.6	10.5
Total financial liabilities measured at fair value	**34.4**	**28.7**

4.4 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.

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

(In millions of USD)	31-Dec-17	31-Dec-16
Receivable from customers		
Receivable from customers	19.8	48.8
Provision for bad debts	-	(1.2)
Net receivable from customers	**19.8**	**47.6**
Cash and short-term deposits with banks	33.7	14.5
Total	**53.4**	**62.1**

As at 31 December 2017, the Group had no provision for bad and doubtful debts (2016 – USD 1.2 million). The Group's remaining receivables as at 31 December 2017 were owed by a total of 16 different customers (2016 – 15 customers) and one of these customers owed more than USD 5 million (2016 – 3 customers), accounting for 35% (2016 – 66%) of the total receivables from customers. An amount of USD 0.3 million of the net receivable from customers were overdue as at 31 December 2017 (2016 – USD 0.7 million).

4.5 Liquidity risk

The following tables show the maturity profile of the Group's financial liabilities based on contractual payment terms. The amounts disclosed in the table are undiscounted cash flows and have been adjusted for the revised payment terms agreed with the financing parties subsequent to the balance sheet date. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In millions of USD)	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total < 12 months
Total as at 31 December 2017	44.2	4.7	7.4	5.5	61.8
Total as at 31 December 2016	54.7	7.2	8.0	7.0	76.9

(In millions of USD)	< 1 year	1 – 2 years	2 – 5 years	> 5 years	Total
Total as at 31 December 2017	**61.8**	**27.5**	**194.9**	**282.5**	**566.8**
Total as at 31 December 2016	*76.9*	*30.3*	*234.8*	*414.1*	*756.1*

5 Corporate Social Responsibility (CSR)

Polarcus first published a Corporate Social Responsibility report in 2014 and has been publishing this annually subsequently. From 2017, the Company is taking a significant step to enhance the CSR reporting and transparency of our operations by adopting the more rigid Global Reporting Initiative (GRI) guidelines. The Company's 2017 Sustainability report has been produced in accordance with the GRI guidelines: Core Option.

A report on Polarcus' CSR describing Polarcus' compliance with its Commitments during 2017 is provided in the document "Sustainability Report for the year 2017," which can be downloaded from www.polacrus.com. Polarcus is not required to report on CSR in compliance with the Norwegian Accounting Act Section 3-3c.

6 People and the organization

Polarcus' head office is in Dubai, United Arab Emirates, with additional offices in Houston, London, and Singapore, as well as a representation office in Rio de Janeiro.

As of 31 December 2017, the Group had 363 employees (2016 – 435) of approximately 50 different nationalities, of which 263 (2016 – 319) work in the field as seismic and maritime crew on board the vessels. The Company's strategy is to employ its own field crew to work onboard the vessels. Contractors are used for various maritime support roles onboard the vessels. In Q4 2017, Polarcus introduced a flexible crewing model. This innovative approach allows the Company to maximise the retention of experienced Polarcus crew, as an alternative to increased use of contractors, by managing work schedules and associated crew costs, with increased flexibility according to fluctuations in demand.

During Q4 2017, reduced industry activity led to an organizational re-shape which resulted in a reduction of approximately 25% of the Company's onshore employees. This enabled the Company to reduce its fixed cost base by identifying efficiencies and implementing new ways of working, without compromising safety, operational or geophysical performance.

Polarcus is committed to being the employer of choice in the marine seismic business and to maintaining an open, transparent and fair organisation. Polarcus aims to provide 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, however, will look externally to identify required skill sets and competencies as appropriate.

Polarcus is committed to promoting gender diversity throughout its business activities. At the yearend, the female proportion of employees was 26% in the office population and 4% in the field population, the same proportions as at the end of 2016. Of the current four members of the Company's Leadership Management team, one is female (2016 – 25%). Of the current six Directors on the Board, one is female (2016 – 14%). Working time arrangements and salary levels do not depend on gender.

7 Environmental, health, safety and quality (EHSQ)

EHSQ is at the core of every operational 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. The Company believes its EHSQ systems, monitoring and management are among the best in the industry.

During 2017, the Company successfully completed the renewal requirements for ISO 9001, 14001, OHSAS 18001 and ISM Code (Bahamas & Turkey) certification, valid until May 2020:

- Document of Compliance – ISM Code (Bahamas)
- Document of Compliance – ISM Code (Turkey)
- ISO 9001:2008 – Quality Management
- ISO 14001:2004 – Environmental Management
- OHSAS 18001:2007 – Occupational Health and Safety Management.

Polarcus transitioned to the ISO 9001 and ISO 14001 2016 standards during 2017 and will be independently audited on these standards during 2018 by DNV-GL.

Polarcus holds the Triple-E™ Level-1 rating for Polarcus Adira, Polarcus Amani, Polarcus Alima, Polarcus Asima, and Polarcus Naila. The Company continues to be the only seismic ship owner and operator in the world to have achieved this rating across its active fleet.

All Polarcus vessels use environmentally friendly oils and lubricants, including all open deck hydraulic systems. This significantly reduces the impact of any potential spill to sea in the event of a system failure or difficulty. Polarcus had zero recordable spills in 2017.

7.1 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 the five years to end 2017 is as follows:

Figures in emissions per km²	2017	2016	2015	2014	2013
CO2 Emission (t)	2.87	2.10	1.58	2.89	2.53
NOx Emission (t)	0.035	0.023	0.015	0.021	0.018
SOx Emission (t)	0.002	0.001	0.001	0.002	0.002

The three greenhouse gas emissions in 2017 were all below the IMO guidelines. In 2017 the Company's global fleet average sulfur content of fuel consumed was 0.10% sulfur by mass which is approximately 35-times lower sulfur content than current global regulations.

7.2 Health and safety

To ensure continuous improvement, all incidents, injuries, near misses, non-conformances and improvement suggestions are recorded within the Polarcus EHSQ reporting system. Reports are rated according to the International Association of Oil and Gas Producer's ("IOGP") risk matrix in order to assess actual and potential risk based on realistic expectations. Subsequent to analysis of actual and/or potential risks, root cause investigations are performed. All investigations are followed up by named responsible parties and actions identified within a set time frame.

In 2017 the Company's performance on the industry recognized reporting EHSQ measures was as follows:

	2017	2016	2015	2014	2013
Restricted work cases (RWC)	-	1	2	1	1
Medical treatment cases (MTC)	1	-	1	-	1
Lost time injury (LTI)	-	1	2	1	3
Lost time injury frequency (LTIF)	-	0.26	0.47	0.21	0.63
Total recordable case frequency	0.32	0.52	1.17	0.42	1.05
First aid cases (FAC)	35	29	54	60	73
Near miss (NM)	75	143	186	204	259
Non-conformance corrective action preventative action (NCCAPA)	9,105	11,358	11,554	13,532	13,691
Improvement suggestions	2,405	3,489	4,146	5,020	5,261

8 Corporate Governance

Polarcus is committed to maintaining high standards of corporate governance and believes that this is critical to its success and long-term growth. The governance structure of Polarcus is designed to ensure sound and efficient decision-making, appropriate to the Company's size and business, whilst meeting shareholder expectations.

Polarcus' governance structure is also designed to adhere to the Norwegian Code of Practice for Corporate Governance (the "Code") (given the Company's securities are listed on the Oslo Stock Exchange), Cayman Islands' law and practice and the Company's Memorandum and Articles of Association.

The Company's corporate governance is implemented through a comprehensive and efficient framework of commitments, procedures, checklists and audits as well as the promotion of a responsible corporate culture throughout the Group. The Company's corporate governance commitments have been developed by the Board of Directors and any amendments, additions or deletions can only be decided by the Board or, in certain cases, by the General Meeting.

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 2017," available for download from www.polarcus.com.

The Board has the overall responsibility for the governance of Polarcus and for supervising the Company's executive management and business, including regularly reviewing the performance of the CEO. The Board ensures an appropriate organization of the Company and approve plans and budgets. The Board keeps itself informed about the Company's financial situation and ensure that its operations, accounts and asset management are duly controlled. The Board is involved with, contributes towards and approves the Company's strategic planning.

The Board held 7 physical meetings, 29 phone meetings and executed 4 written resolutions in 2017 (2016 – 7, 9 and 7, respectively; the Board also held 7 formal update and discussion phone calls in 2016).

The attendance by the various directors at the board meetings during 2017 is reflected in the table below:

Board Member	No. of Physical Meetings	No. of Phone Meetings
Peter Rigg	7	29
Karen El-Tawil	7	27
Carl Peter Zickerman	7	29
Erik Mathiesen	7	27
Tom Henning Slethei	7	28
Nicholas Smith (from 06 March 2017)	6	16
Arnstein Wigestrand (to 3 May 2017)	1	13
Christopher Kelsall (to 29 January 2017)	-	3
Henrik Madsen (from 3 May to 22 November 2017)	5	6

8.1 Committees

The Board of Directors has established two Board Committees: the Corporate Governance and Remuneration Committee (the "CGR Committee") and the Audit and Risk Committee (the "AR Committee") (formerly named the 'Audit Committee').

8.1.1 Corporate Governance and Remuneration Committee

The members of the CGR Committee as at 31 December 2017 are Mrs. Karen El-Tawil (Chair), Mr. Peter Rigg and Mr. Tom Henning Slethei. Each member of the CGR Committee holds such position until he/she resigns is removed by resolution of the Board or otherwise ceases to be a director.

The CGR Committee is mandated to review and update the Company's governance commitments and structure regularly, and to review proposals from Management on the Company's remuneration principles and overall remuneration framework, including provision for short and long term incentive plans.

8.1.2 Audit and Risk Committee

As at 31 December, 2017, the members of the AR Committee were Mr. Nicholas Smith (Chair), Mr. Peter Rigg and Mr. Erik Mathiesen.

During 2017 there were a number of changes to the composition, operation and terms of reference of the AR Committee arising out of changes to the composition of the Board, described in the Company's stock exchange releases dated 30 January, 6 March, 3 May and 22 November 2017.

The AR Committee is mandated to review regularly the Company's proposals for quarterly accounts and various issues related to the accounts, introduction of new and changes to existing accounting principles, high level supervision of the budget process, to review and evaluate the Company's internal financial control and on behalf of the Board to liaise with the Company's auditor and monitor the auditor's independence. The Committee is also mandated to review regularly Management's processes to mitigate key corporate risks that have been identified and that appropriate mitigation measures have been implemented.

9 Outlook

Over a number of years, the global marine seismic market has been adversely impacted by a severe industry downturn. Since 2014, the significant oil price decline has caused depressed levels of seismic spending by oil companies, with a knock-on reduction in demand for the Company's services and lower day rates across the industry. The market remains challenging and uncertain. With continued limited exploration spending by oil companies, the lower demand combined with excess vessel capacity in the market drives high competition for seismic contracts.

At the start of 2018, there are some indications of a stabilization in the market, though it is too early to conclude that the market is in recovery. Polarcus is fully prepared for a continued challenging market and will be competitive even if the market improvement is further delayed. The Company's financial restructuring launched in Q1 2018 will improve liquidity by up to USD 221 million to 2022 and puts the Company in a strong position to navigate the market.

Although exploration spending by oil companies remains somewhat cautious, many supermajors are maintaining activity levels whilst some smaller and independent E&P companies are showing signs of increased activity. Tender activity increased 35% in 2017 compared to 2016, while the number of global seismic vessels in operation is down 10% over the same period. The year-to-date oil price at the start of 2018 is approximately USD 67 per barrel, up from the price of around USD 55 per barrel a year ago, and further up from a price of less than USD 30 per barrel at the start of 2016.

The Company will continue to focus on optimizing its operational cost profile and controlling the pace of its investments. Gross cost of sales (excluding operating lease expense) for the full year 2018 is expected to be USD 150 million (2017 – USD 157 million). The Company expects its total CAPEX investments for the full year 2018 to be USD 10 million (2017 – USD 7.1 million). The Company expects its general and administrative expenses for the full year 2018 to be USD 13 million excluding restructuring cost (2017 – USD 14 million, excluding restructuring costs).

The Company's backlog as measured at 31 December 2017, including the two bareboat charters and awards made after the year end, is estimated to be USD 164 million.

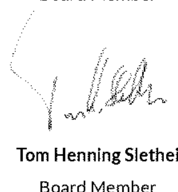
12 April 2018

Peter Rigg
Chairman

Karen El-Tawil
Board Member

Carl Peter Zickerman
Board Member

Erik Mathiesen
Board Member



Tom Henning Slethei
Board Member

Nicholas Smith
Board Member

Duncan Eley
CEO

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Revenues			
Contract revenue	5	146,925	185,095
Multi-client revenue	5	27,707	56,569
Other income	5	4,351	1,752
Total Revenues		**178,983**	**243,416**
Operating expenses			
Cost of sales	6	(148,769)	(176,850)
General and administrative costs	7	(15,947)	(19,359)
Onerous contracts	8	27,027	(46,356)
Depreciation and amortization	9	(45,018)	(48,672)
Multi-client amortization	10	(42,108)	(56,807)
Impairments	11	(91,178)	(26,658)
Total Operating expenses		**(315,993)**	**(374,702)**
Operating profit/(loss)		**(137,011)**	**(131,286)**
Profit/(loss) from joint ventures		-	(1,220)
Finance costs	12	(44,392)	(37,041)
Finance income	13	2,449	1,961
Changes in fair value of financial instruments	14	6,632	13,315
Gain on financial restructuring		-	177,787
		(35,311)	**154,803**
Profit/(loss) before tax		**(172,322)**	**23,517**
Income tax expense	15	(131)	(3,243)
Net profit/(loss) and total comprehensive income/(loss)		**(172,453)**	**20,274**
Earnings per share attributable to the equity holders during the period *(In USD)*			
- Basic	16	(1.275)	0.456
- Diluted	16	(1.275)	0.456

Consolidated Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-17	31-Dec-16
Assets			
Non-current Assets			
Property, plant and equipment	17	324,122	443,377
Multi-client project library	10	10,406	45,107
Total Non-current Assets		**334,528**	**488,484**
Current Assets			
Receivable from customers	3	19,766	47,595
Other current assets	18	14,930	21,337
Restricted cash	19	7,818	731
Cash and bank	20	25,846	13,731
Total Current Assets		**68,361**	**83,394**
Total Assets		**402,888**	**571,878**
Equity and Liabilities			
Equity			
Issued share capital	21	15,344	5,305
Share premium	21	614,192	586,401
Other reserves	22	24,411	29,865
Retained earnings/(loss)		(609,228)	(442,764)
Total Equity		**44,719**	**178,807**
Non-current Liabilities			
Bond loans	23	-	34,582
Other interest bearing debt	24	-	858
Long-term provisions	8	-	37,320
Other financial liabilities	25	8,624	10,511
Total Non-current Liabilities		**8,624**	**83,271**
Current Liabilities			
Bond loans	23	48,647	-
Other interest bearing debt	24	245,646	249,649
Provisions	8	5,489	6,820
Accounts payable		13,351	18,929
Other accruals and payables	26	36,412	34,401
Total Current Liabilities		**349,545**	**309,800**
Total Equity and Liabilities		**402,888**	**571,878**

Consolidated Statement of Cash Flows

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Cash flows from operating activities			
Profit/(loss) for the period		(172,453)	20,274
Adjustment for:			
Depreciation and amortization	9	45,018	48,672
Multi-client amortization	10	42,108	56,807
Impairments	11	91,178	26,658
Changes in fair value of financial instruments	14	(6,632)	(13,315)
Employee share option expenses	21	534	581
Interest expense	12	39,742	32,659
Interest income	13	(223)	(93)
Gain on financial restructuring		-	(177,787)
Effect of currency (gain)/loss		1,200	(620)
Net movements in provisions	8	(35,731)	30,553
Loss from joint ventures		-	1,220
Working capital adjustments:			
Decrease/(Increase) in current assets		31,966	19,727
Increase/(Decrease) in trade payables and accruals		(2,643)	2,745
Net cash flows from operating activities		**34,064**	**48,082**
Cash flows from investing activities			
Payments for property, plant and equipment	17	(7,340)	(16,387)
Payments for multi-client project library		(20,631)	(44,649)
Payments for intangible assets		-	(7)
Net cash flows used in investing activities		**(27,972)**	**(61,042)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	21	39,003	-
Transaction costs on issue of shares	21	(1,173)	-
Net receipt from bank loans		-	7,900
Repayment of other interest bearing debt	24	(6,893)	(14,386)
Interest paid		(18,618)	(24,413)
Financial restructuring fees paid		-	(6,231)
Other finance costs paid		(859)	(959)
Decrease/(Increase) in restricted cash	19	(7,087)	13,788
Security deposit related to currency swaps	25	1,750	4,280
Paid towards liability under currency swaps		-	(8,228)
Interest received	13	223	93
Net cash flows used in financing activities		**6,346**	**(28,156)**
Effect of foreign currency revaluation on cash		(324)	872
Net increase in cash and cash equivalents		**12,115**	**(40,245)**
Cash and cash equivalents at the beginning of the period		13,731	53,976
Cash and cash equivalents at the end of the period		**25,846**	**13,731**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Pre-mium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as of 1 January 2017	530,472,947	5,305	586,401	29,865	(442,764)	178,807
Total comprehensive income/(loss) for the period		-	-	-	(172,453)	(172,453)
Employee stock options		-	-	534	-	534
Other movements*				(5,988)	5,988	-
Issue of share capital						
08 March 2017 at NOK 0.33 per share	1,000,000,000	10,000	28,853	-	-	38,853
07 April 2017 at NOK 0.33 per share	3,912,439	39	111			150
Transaction costs on issue of shares		-	(1,173)	-	-	(1,173)
Consolidation of shares						
New shares issued	4	-	-	-	-	-
10:1 Consolidation on 16-May-17	(1,380,946,851)	-	-	-	-	-
Balance as at 31 December 2017	**153,438,539**	**15,344**	**614,192**	**24,411**	**(609,228)**	**44,719**

*Other movements represent the fair value of employee stock options unexercised and expired during the period.

For the year ended 31 December 2016

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Pre-mium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
Balance as of 1 January 2016	**66,981,368**	**13,396**	**532,222**	**32,556**	**(466,309)**	**111,865**
Total comprehensive income/(loss) for the period		-	-	-	20,274	20,274
Employee stock options		-	-	581	-	581
Other movements*		-	-	(3,272)	3,272	-
Issue of share capital						
Class B shares issued to $95m bondholders						
February 2016 at USD 0.0013 per share	265,384,592	345	26,044	-	-	26,389
Class B shares issued to 350m NOK bondholders						
February 2016 at USD 0.0013 per share	118,260,837	154	11,606	-	-	11,759
Class B shares issued to $125m bondholders						
February 2016 at USD 0.0013 per share	79,846,150	104	7,836	-	-	7,940
Merger of share classes (on 13-April-2016)						
Repurchase of Class B shares at USD 0.0013 per share	(463,491,579)	(603)	-	-	-	(603)
New ordinary shares issued at USD 0.20 per share	463,491,579	92,698	(92,096)	-	-	603
Reduction in nominal value						
15 August 2016, from USD 0.20 to USD 0.01 per share		(100,790)	100,790	-	-	-
Balance as at 31 December 2016	**530,472,947**	**5,305**	**586,401**	**29,865**	**(442,764)**	**178,807**

*Other movements represent the fair value of employee stock options unexercised and expired during the period.

Notes to the Consolidated Financial Statements

1 General information

The consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group" or "Polarcus") for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 12 April 2018.

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 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 Company has its main administration office in Dubai, United Arab Emirates which is the domicile of the Company.

The Company currently operates a fleet of six high end 3D vessels, *Polarcus Naila*, *Polarcus Asima*, *Polarcus Alima*, *Polarcus Adira*, *Vyacheslav Tikhonov* and *Ivan Gubkin* (formerly called *Polarcus Amani*). *Polarcus Nadia*, another vessel in the Company's fleet has been cold-stacked since Q1 2015.

1.1 Going concern, liquidity risk and loan covenants

These consolidated financial statements for the year ended 31 December 2017 have been prepared using the going concern assumption.

1.1.1 Comprehensive financial restructuring completed and additional equity raised post-year end

During Q1 2018 the Company launched a financial restructuring of its balance sheet (the "Restructuring"), including an issue of new shares for gross proceeds of NOK 300 million through a private placement (the "Private Placement"). A further NOK 40 million of equity, fully underwritten, was raised in April 2018 (the "Repair Issue" and, together with the Private Placement, the "Equity Issues").

The total key improvements in the Company's liquidity as a result of the above mentioned Restructuring and Equity Issues are summarized below. For further details, refer to Note 30 *Subsequent events*.

- NOK 340 million Equity Issues
- Instalment runway and reduced interest to 2022
- Termination of USD 90 million operating lease commitments and acquisition of *Polarcus Nadia* and *Polarcus Naila* for USD 75 million, fully financed by a new bank loan and issue of warrants
- Relaxed covenants to support trading through a flat market
- Cash sweep mechanism to secured lenders only in the event of excess cash generation
- Reduced par value and part conversion of unsecured bonds
- Termination of cross-currency swap arrangement with termination fee covered by a new bank facility
- Working capital facility increased by USD 15 million to USD 40 million

The Equity Issues and the increased working capital facility will significantly improve the Company's short-term liquidity. The total improvement in the Company's liquidity to 2022, including the impact of lower interest payments and lease savings, as well as reduced debt amortization, is approximately USD 221 million.

1.1.2 Financial covenants

The status of key financial covenants applicable to the Company as at 31 December 2017 under the terms of the pre-restructured financing arrangements were as follows:

Selected financial covenants - minimum requirements	31-Dec-17	31-Dec-16
Debt Service Ratio - 1.0	1.9	1.2
Minimum liquidity reserve - USD 10m	$51m	$39m
Working capital - positive	$13m	$23m
Book equity ratio - 20%	11%	31%

For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months are included as liquidity. In the Company's liquidity balance of USD 51 million as at 31 December 2017, full working capital facility of USD 25 million as available on that date is included. As part of the Q1 2018 Restructuring, the credit available under the working capital facility is increased to USD 40 million and the maturity is extended from 01 July 2019 to 30 June 2022. Also, refer to Note 30.2.7 *Amendments to the Working Capital Facility*.

As at 31 December 2017, the Company was in breach of the minimum book equity ratio covenant. The breach was caused mainly by the accounting impact of USD 89.8 million impairments recognized during Q4 2017. Short-term waivers for covenant breaches were obtained before the year end from certain finance parties, but given that the original waivers expired less than 12 months after the balance sheet date, all of the Company's long-term debt was temporarily reclassified as current at 31 December 2017. The debt was subsequently reclassified as a non-current liability in Q1 2018 following completion of the Restructuring.

As part of the Restructuring in Q1 2018, the DSR covenant and the minimum equity ratio covenant are removed.

The main financial covenants that the Company will continue to be subject to, post the Restructuring completed in Q1 2018, are:

- Minimum liquidity reserve of USD 10 million
- Minimum working capital as positive at all times

1.1.3 Future outlook

The Company's financial projections used in its going concern evaluation are based on certain assumptions about the future, including those related to contract pricing and vessel utilization, expected multi-client late sales from existing multi-client assets, and expected future CAPEX investment. The Company is dependent upon securing sufficient backlog in the future. Based on these assumptions and following the Q1 2018 Restructuring, the Company expects to have sufficient liquidity to operate for at least 12 months after the balance sheet date even if the continued challenging market remains flat.

Management and the Board of Directors closely monitor the going concern assumptions, cash flow forecast and compliance with financing covenants. Management and the Board of Directors confirm that these financial statements have been prepared under the going concern assumption and conclude this is appropriate.

As measured at 31 December 2017, including the two bareboat charters and awards made after the yearend, the total backlog is estimated to be USD 164 million.

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 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 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

None of the new standards and amendments that became effective as of 01 January 2016 had a material impact on the annual consolidated financial statements of the Group.

2.3.2 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 2018 or later periods but which the Group has not early adopted. The new standards, amendments and interpretations relevant for the Group are listed below:

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. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. 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 will adopt the new standard on 01 January 2018.

The Group expects the adoption of IFRS 15 to have significant impact on the timing of recognizing prefunding revenue from its multi-client projects. Currently, the Group recognizes prefunding revenues as the seismic data acquisition services are performed using a percentage of completion method (also refer to Note 2.6.1). Based on the Group's current assessment of IFRS 15, it is expected that the prefunding revenue will be recognized only when a multi-client project is completed and at the point in time when the customer has received the fully processed data (or receives access to such fully processed data). The Group does not expect adoption of IFRS 15 to have any material impact on recognition of any other types of the Group's revenues, except for additional note disclosures that may be needed.

The estimated impact of implementing IFRS 15 from 01 January 2018, using the modified retrospective approach with the date of transition of 01 January 2018, to the Company's 2018 opening balances is as follows:

(In thousands of USD)	
Increase in multi-client library	40,910
Deferred multi-client prefunding revenue	34,848
Net increase in equity	6,061

The Company had three multi-client projects that were in the prefunding stage as at 31 December 2017. If the Company had applied IFRS-15 to these projects from 01 January 2017, the approximate impact to the Company's consolidated statement of comprehensive income for the year ended 31 December 2017, and the impact on the Company's consolidated statement of financial position, is estimated to be as follows:

	Year ended 31-Dec-2017		
(In thousands of USD)	**As reported (Pre-IFRS 15)**	**Adjustments**	**Restated**
Multi-client prefunding revenue	21,724	(20,262)	1,462
Multi-client amortization	(42,108)	22,151	(19,956)
Net profit/(loss)	(172,453)	1,890	(170,563)

	As at 31-Dec-2017		
(In thousands of USD)	**As reported (Pre-IFRS 15)**	**Adjustments**	**Restated**
Multi-client project library	10,406	40,910	51,316
Equity	44,719	6,061	50,780
Current liabilities	349,545	34,848	384,393

The Company will continue to evaluate the correct accounting treatment of seismic acquisition contracts in accordance with IFRS 15 and the Group's preliminary assessment of IFRS 15, as described above, is subject to change.

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.

As at 31 December 2017, the Company had two vessels, *Polarcus Nadia* and *Polarcus Naila* under an operating lease arrangement. During Q1 2018, as part of the Restructuring, the Company purchased these vessels and the lease agreements were terminated. Subsequently, as the Company does not have any material lease arrangements in place, adoption of IFRS 16 is not expected to have any material impact on the Company's financial statements.

The Group plans to adopt IFRS 16 on 01 January 2019.

IFRS 9 *Financial instruments*

Effective 01 January 2018, IFRS 9 will replace IAS 39 *Financial instruments: Recognition and measurement*. The Company will implement IFRS 9 from the effective date. The new standard is not expected to have a significant effect on the Company's consolidated financial statements.

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.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. 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. One of the main differences between the Group's joint operations and joint ventures is that the Group's share of joint ventures is an investment in the share capital of a separate legal entity, whereas a joint operation is not a separate legal entity.

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 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.

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.

Some of the Group's contracts for seismic acquisition services include a contingent revenue element in which the Group is contractually entitled to certain income in the future but contingent on certain future events. Such contingent revenue is not recognized during the initial seismic acquisition to which the contingent revenue relates to unless it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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. Up until 31 December 2017, the Group recognized 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.

As explained under Note 2.3.2, effective 01 January 2018, the Group will adopt IFRS 15 which will impact the above method of recognising pre-funding revenues. Based on the Group's current assessment, post implementation of IFRS 15, it is expected that the pre-funding revenues from the Group's multi-client projects shall be recognised only when the same criteria as described below under *Late sales* are met. This preliminary assessment is however subject to change.

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 income

Revenue for management fees is recognized as the services are performed and at the contractual day rate. Bareboat charter revenue is recognized in line with the contractual day rate for charter party hire of the Group's vessels. Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied. Revenue from other sources, such as insurance income, is recognized when receipt of the revenue is probable and the amount can be measured reliably.

2.7 Property, Plant and Equipment

Property, Plant and Equipment is recorded at cost less accumulated depreciation and impairment charges. 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
Streamers	8 Years
Other 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 dry-docking.

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.

The amortization rate applied to a multi-client library depends on whether the project is in the Pre-Funding or Late Sales stage.

Amortization during Prefunding stage

During the Prefunding stage, the Group amortizes each multi-client project based on the ratio of estimated total cost to estimated future revenues from licensing of the multi-client data. If the Company assess the late sales probability to be low, or highly uncertain, then during the prefunding stage all of the capitalized cost is amortized in full in line with revenue recognition during the prefunding stage.

Effective 01 January 2018, post-implementation of IFRS-15, the Group is not expected to recognize any amortisation during the Prefunding stage. It is the Group's current assessment that, post-implementation of IFRS-15, the amortisation for all multi-client will be recognized on a straight line basis starting from the first day of the month following the completion of data processing and handing over the data to the client.

Amortization during Late sales stage (i.e. after completion of data processing)

Once a multi-client project is in the Late sales stage, the Group applies a straight line amortization on a monthly basis from the first day of the month following the completion of data processing. The straight line amortization period depends upon the expected pattern of future revenue, with a maximum of four years from the completion of data processing.

2.9 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.

2.9.1 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.

2.9.2 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.

2.10 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.

2.11 Transit costs

Transit costs are costs related to moving a vessel from one location to another, such as those incurred between completion of one seismic acquisition project and the start of the next project. 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.

2.12 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 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.

2.13 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.

2.14 Employee benefits

2.14.1 Pension plan

The Group has an offshore pension scheme for the 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. The Group also operates defined contribution pension schemes in the UK and USA for local employees. The Group recognizes such pension costs in line with salaries.

For employees in the UAE who are not enrolled in any of the other pension schemes, the Group recognizes a provision for pensions payable to the employees based on the contractual obligation between each employee and the Group under UAE employment law. 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.

2.14.2 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.

2.15 Derivative financial instruments and hedging

The Group uses a limited number of 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 did not apply hedge accounting to any derivative financial instruments in 2017 or 2016.

2.16 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.

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

This includes the 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.

Subsequent to the Restructuring completed in Q1 2016, the Group's unsecured bonds and Tranche B1 and B2 of the convertible bonds are measured at fair value in profit and loss and are revalued at each reporting date due to the call options embedded in these instruments. Also refer to Note 23 *Bond loans* for details.

2.16.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Group and includes loans and receivables, certain 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 amortization 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 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.

2.18 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.

2.19 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, such as 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.

2.20 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.

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. The Group does not undertake any speculative trading in derivatives.

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, foreign currency risk and market price 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-17	31-Dec-16
Financial assets		
Cash and bank		
Brazilian Reals	909	623
GBP	566	279
EUR	463	421
NOK	371	180
Other foreign currencies (total of 8 different currencies)	1,068	732
Total cash and bank denominated in foreign currencies	**3,377**	**2,235**
Cash and bank denominated in USD	*22,470*	*11,496*
Restricted cash denominated in USD	*7,818*	*731*
Receivable from customers		
Denominated in foreign currencies	3,063	8,078
Denominated in USD	*16,704*	*39,518*
Financial liabilities		
NOK	7,369	3,930
Total loans and borrowings denominated in foreign currencies	**7,369**	**3,930**
Loans and borrowings denominated in USD	*286,923*	*281,159*

As of 31 December 2017, 12% of the Group's total financial assets are denominated in foreign currencies. This mainly represents the Group's deposit with banks denominated in foreign currencies and its receivables from customers denominated in Brazilian Reals. A change of +/-10% in the exchange rate between these currencies and USD, with all other variables held constant, will have an impact of approximately +/- USD 0.3 million on the Group's profit before tax.

As of 31 December 2017, approximately 3% of the Group's loans and borrowings are held in NOK. All other loans and borrowing and are denominated in USD. A +/- 10% change in the exchange rate between NOK and USD will have an impact of approximately +/- USD 0.8 million on the Group's profit before tax.

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 2017 that are under standard credit terms. Due to the short-term nature of these financial assets and liabilities, the foreign currency risk is considered low.

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 had a cross currency interest rate swap agreement in place as of 31 December 2017 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. This swap agreement has been terminated in Q1 2018 as part of the Restructuring. Also refer to Note 23.1.2 *350M NOK Senior unsecured bonds*, Note 25 *Other financial liabilities* and Note 30.2.6 *Termination of cross-currency swap agreement.*

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-17	31-Dec-16
Total interest bearing debt	294,293	285,089
Interest bearing debt with variable interest rates	48,520	54,184
% of interest bearing debt with variable interest rates	16%	19%

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:

		Effective interest rate as at	Maturity		Carrying value	
(In thousands of USD)	Note	31-Dec-17	As at 31-Dec-17	Post-Restructuring	31-Dec-17	31-Dec-16
Convertible bonds - secured	23.2	13.52	Mar-22	Jul-22	22,901	16,427
Convertible bonds - unsecured	23.2	15.25	Dec-22	Jan-25	6,063	7,184
8% unsecured bonds	23.1.1	19.63	Dec-22	Jan-25	12,314	7,040
NOK 350 million unsecured bonds	23.1.2	18.06	Dec-22	Jan-25	7,369	3,930
Fleet bank facility Tranche 1	24.1	3.61	Aug-22	Aug-22	33,192	32,846
Fleet bank facility Tranche 1	24.1	4.15 (variable)	Aug-22	Aug-22	13,739	13,564
Fleet bank facility Tranche 2	24.1	4.15(variable)	Mar-23	Mar-23	34,782	34,428
Fleet bank facility Tranche 3	24.1	5.6	Mar-24	Mar-24	81,046	80,486
Fleet bank facility Tranche 4	24.1	5.6	Jun-24	Jun-24	82,887	82,319
Liability for seismic equipment	24.2				-	6,864
Total interest bearing debt					**294,293**	**285,089**

The principal amounts outstanding under the Group's loans and borrowings listed above are higher than the carrying values. For total principal outstanding under the loans and borrowings, refer to Note 3.1.3 *Liquidity risk*.

Also refer to Note 30.2 *The Restructuring* for the details of changes in the terms of the Company's loans and borrowings resulting from the Restructuring completed during Q1 2018.

Market price risk

As at 31 December 2017, the Group has following financial liabilities that are accounted for at fair value through profit and loss and subject to risk of changes in the market prices.

	Fair value (%)*		
(In thousands of USD)	**31-Dec-17**	**31-Dec-17**	**31-Dec-16**
2.875% convertible bonds - Tranche B1 (Note 23.2)	19.9%	1,952	2,332
2.875% convertible bonds - Tranche B2 (Note 23.2)	19.9%	4,111	4,853
95M USD 8% senior unsecured bonds - Tranche A (Note 23.1.1)	19.9%	3,299	1,376
95M USD 8% senior unsecured bonds - Tranche B (Note 23.1.1)	13.1%	9,014	5,664
350M NOK senior unsecured bond - Tranche A (Note 23.1.2)	14.8%	1,400	1,010
350M NOK senior unsecured bond - Tranche B (Note 23.1.2)	18.1%	5,969	2,920
Liability under currency swap instrument (Note 25)	-	8,624	10,511
Total financial liabilities measured at fair value		**34,370**	**28,666**

*Percentage of the outstanding principal amount under each bond loans. Also refer to Note 23 *Bond loans.*

3.1.2 Credit risk

The Group is exposed to credit risk from its operating activities, primarily its receivable from customers, 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. All customers who wish to trade on credit terms are subject to the Company's 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-17	31-Dec-16
Receivable from customers		
Receivable from customers	19,766	48,762
Provision for bad debts	-	(1,167)
Net receivable from customers	**19,766**	**47,595**
Cash and short-term deposits with banks	33,664	14,462
Advance payments to suppliers	-	43
Total	**53,430**	**62,100**

The Group's receivable from customers as at 31 December 2017 were owed by a total of 16 different customers (2016 – 15 customers) and one of these customers owed more than USD 5 million (2016 – 3 customers), accounting for 35% (2016 – 66%) of the total receivables from customers. USD 0.3 million of the net receivable from customers were overdue as at 31 December 2017.

The movement in the Group's provision for bad debts was as follows:

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Balance as at 01 January	1,167	14,858
Receipts from customers*	(1,167)	(2,289)
Amounts written-off as bad debt	-	(12,348)
Additional provisions during the year	-	947
Balance as at 31 December	**-**	**1,167**

*USD 0.2 million out of the above USD 1.2 million was received during Q1 2018. As the Company had received a confirmation of payment from the customer, the provision was released during the year ended 31 December 2017.

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 the risk of shortage of funds using both short-term and long-term cash flow forecasts and other business planning tools.

The following table shows the maturity profile of the Group's financial liabilities based on contractual payment terms. The amounts disclosed in the table are undiscounted cash flows and have been adjusted for the revised payment terms agreed with the financing parties subsequent to the balance sheet date. Also refer to Note 30 *Subsequent events* for details of the revised payments terms agreed with different financing parties during Q1 2018 as part of the Restructuring. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In thousands of USD)	2018	2019	2020 to 2022	2023 onwards	Total
Repayment of fleet bank facility	10,047	4,000	73,144	172,275	259,465
Interest payments for fleet bank facility	9,002	10,355	29,401	7,329	56,088
Repayment of bond loans	4,600	4,600	62,130	29,404	100,734
Interest payments of bond loans	3,868	3,640	8,478	-	15,986
Repayment of new fleet bank facility *(replacing operating leases)*	-	-	7,770	69,042	76,812
Interest payments for new fleet bank facility *(replacing operating leases)*	1,352	2,537	7,955	4,487	16,330
Repayment of New bank facility *(replacing currency swap)*	-	2,000	5,672	-	7,672
Interest payments for New bank facility *(replacing currency swap)*	352.14	413.73	358.26	-	1,124
Accounts payable	13,351	-	-	-	13,351
Other payables	19,201	-	-	-	19,201
Total	**61,774**	**27,546**	**194,908**	**282,536**	**566,764**

(In thousands of USD)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total
Repayment of fleet bank facility	7,047	1,000	1,000	1,000	10,047
Interest payments for fleet bank facility	1,803	1,939	3,266	1,995	9,002
Repayment of bond loans	1,750	550	1,150	1,150	4,600
Interest payments of bond loans	999	952	966	950	3,868
Interest payments for new fleet bank facility	5	170	903	274	1,352
Interest payments for New bank facility	-	118.14	117.64	116.36	352
Accounts payable	13,351	-	-	-	13,351
Other payables	19,201	-	-	-	19,201
Total	**44,156**	**4,729**	**7,403**	**5,486**	**61,774**

*Of the USD 19.2 million balance of other payables, USD 8.6 million relates to accrued operating expenses, USD 4.1 million for accrued tax payables, USD 2.6 million for employee related payables, USD 2.4 million relates to accrued data processing costs and USD 1.4 million relates other items. Also refer to Note 26 *Other accruals and payables.*

The contractual payments in the above maturity table assume the call options on the Senior and Convertible bonds are not called by the Company. Post-Q1 2018 Restructuring, the Company has call options at 100% of the new par value of all unsecured bond loans and exercisable any time until the final maturity of the bonds. Also refer to Note 30.2.3 *Unsecured bond loans.*

3.2 Capital management

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. The Company is subject to dividend restrictions under some of its financing arrangements.

The covenants of some of the financing arrangements as at 31 December 2017 require the Group to maintain a minimum book equity ratio a 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. Refer to Note 30.2 *The Restructuring* for revised set of financial covenants that the Group is subject to, post the Restructuring in Q1-2018.

The Group considers both share capital and net interest bearing debt as relevant components of funding, and hence, part of its capital management. The Group aims to have funding at 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 2017 the Group had a book equity ratio of 11% (2016 – 31%). In Q1 2018, the Group increased its equity following a private placement and repair issue of approximately USD 40 million in net proceeds, as well as a conversion of some unsecured bonds to equity that resulted in an expected book equity increase of approximately USD 16 million.

During the past four years the Company's earnings and equity have been negatively impacted by the depressed market conditions. The Company has recognized certain non-cash accounting adjustments, including impairment charges totaling USD 462.1 million over the last four years to end 2017 and non-cash onerous contract charges. The marine seismic market remains challenging due to limited exploration spending by oil companies. The extent and timing of the market recovery may influence the Company's capital management strategy.

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 2017 was USD 260.7 million (2016 – USD 270.7 million).

As at 31 December 2017, the Group had an undrawn working capital facility ("WCF") of USD 25 million. As part of the Restructuring completed in 2018, the WCF was increased to USD 40 million and maturity extended to 30 June 2022. The WCF is in place to provide a buffer in the event the Company needs to increase its working capital liquidity. The WCF is not expected to be used as part of the Group's long-term capital strategy.

4 Critical accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires the Group 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, the Group must sometimes make judgments which may have a significant impact on the amounts recognized in the consolidated financial statements. The following key judgement made by the Group had a significant impact on the financial statements.

Lease arrangements

The Group is required to exercise judgment as to whether lease arrangements should be accounted for as an operating or finance lease. The Group assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease.

In 2008 the Group entered into lease arrangements for two vessels, *Polarcus Naila* and *Polarcus Nadia*. At inception of the leases, the arrangements qualified as finance leases as the Group expected to enjoy the risks and rewards of ownership, mainly due to the expectation at inception that the Group would exercise the vessel purchase options contained in the lease arrangement. The leases were accounted for as finance leases until Q1 2016 when the lease terms were amended as part of the Company's financial restructuring. Since Q1 2016, due to the amendments in various lease terms, these leases were reclassified from financial leases to operational lease. During the year ended 31 December 2017, the Group recognised USD 8.0 million as operating lease expense in its income statement. Also refer to Note 2.9.1 and Note 28.1. As at 31 December 2017, the Group had recognised USD 14.9 million towards accrued operating lease expenses (refer to Note 26 *Other accruals and payables*).

During Q1 2018, as part of the Restructuring, the Company purchased these vessels and the lease agreements were terminated. Subsequently, the Group reversed the USD 14.9 million operating lease payable balance during Q1 2018.

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 the Group'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 Group 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 and seismic equipment

The Group assesses its property, plant & equipment and intangible assets for possible impairment upon the occurrence of impairment indicators. As of 31 December 2017 the market capitalization of the Company was significantly lower 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 401 million of the seismic vessels and equipment (refer to Note 17 *Property, plant and equipment*). The impairment test based on the Value in Use (VIU) method indicated an impairment of USD 77 million. Also refer to Note 11 *Impairments*.

For impairment testing, the assets are separated into three CGUs (cash generating units), being the i) Fleet (excl. *Ivan Gubkin* and *Vyacheslav Tikhonov*), ii) *Ivan Gubkin* and iii) *Vyacheslav Tikhonov*. The USD 77 million impairment recognised during the year relates to the Fleet CGU. There was no impairment of the other CGUs, which had an aggregate headroom compared to the carrying values of approximately USD 18 million.

The Group used VIU method for the impairment test as the alternative method, FVLCD (Fair Value Less Costs of Disposal) is not considered defendable on a standalone basis in the current market which has insufficient observable transactions for similar assets.

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 calculation requires the Group to make assumptions in the VIU test about the future earnings that the Group will generate from using the assets. 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 outcome of the VIU calculation is highly sensitive to relatively small negative changes in those assumptions.

The assumptions used in the forecast 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 or is limited, then the assumptions are also based on the Group's expectations about the future.

The VIU test involves estimates about key assumptions during the five year period following the balance sheet date, being 2018 to 2022 inclusive. The key assumptions used in year five, or 2022, 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 2022 until the last year the Company expects to generate cash flows from the assets.

The VIU test is based on a scenario analysis, whereby two scenarios are assumed as reasonably possible and equally likely to occur. One scenario was based on the assumption that revenue day rates increase approximately 10% in 2018, approximately 30% in 2019, approximately 25% in 2020, with an increase of approximately 10% in 2021 and the same in 2022, which is assumed as the peak. The other scenario was based on the Company's historical operating margin.

The table below shows the sensitivity of the impairment test to reasonably possible changes in the assumptions on revenue and OPEX day rates.

(In thousands of USD)	Polarcus historical average[1]	3D seismic industry historical average since 2004	Weighted average used in VIU test	Sensitivity of weighted average rate	Sensitivity of weighted average rate	Change in impairment charge
Revenue day rate	210	224	224	0.4%	1	7,000
OPEX day rate	119	N/A	116	0.9%	1	9,000
Utilization	77%	N/A	80%	100bp	N/A	22,000
Discount rate	N/A	N/A	11.4%	100bp	N/A	21,000

[1] = Fleet vessels only (excludes long-term vessel charters) *and covering the period 2011 to 2017 inclusive*

If the weighted average revenue day rate used in the VIU test decreased by USD 1,000 per vessel day, then the impairment charge would increase by approximately USD 7 million. If the weighted average OPEX day rate used increased by USD 1,000 per vessel day then the impairment charge would increase by approximately USD 9 million. If vessel utilization is reduced to 79% from 80%, then the impairment charge would increase by USD 22 million. If the discount rate used in the VIU test increased to 12.44% from 11.44%, the impairment charge would increase by USD 21 million.

4.1.2 Impairment assessment of multi-client projects library

As at 31 December 2017, the Group performed an impairment test on the carrying 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. The VIU test resulted in an impairment of USD 12 million on the Company's multi-client projects library.

In order to calculate the VIU, the Group reviews future cash flow forecasts for each project using a risk weighted cash flow method, whereby probabilities of occurring are assigned to the cash flows. The outcome of the VIU test is highly dependent on making assumptions about the value and timing of the future cash flows and the actual cash flows may differ from those expected. A discount rate of 11.4% was used in the VIU test. Had the discount rate increased by 100 basis points to 12.4%, the impairment charge would increase by USD 0.1 million.

4.2 Amortization of the multi-client projects

4.2.1 Amortization during the prefunding stage

In determining the amortization rates applied to the multi-client projects library during the prefunding stage, the Group 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.

The Group had three multi-client projects that were in the prefunding stage as at 31 December 2017. These projects were amortized at 90%-100% of the cost of the projects due to the risk of the timing and amount of late sales.

4.2.2 Amortization after completion

Once a multi-client project enters the late sales phase, which occurs on completion of data processing, the Group applies a straight line amortization on a monthly basis from the first day of the month following completion of processing. The straight line amortization is applied for a maximum of four years, depending on the expected late sales profile. For example, if most of the future revenue is expected to fall within the first two years form the completion of the project, then the amortization period is set as two years.

The Group owned three multi-client projects at 31 December 2017 (2016 – two) for which straight line amortization was applied during the year. The straight line period ranged between one and three years from processing completion date for these projects. The total straight line amortization recognized during 2017 was USD 18.6 million (2016 – USD 7.3 million).

4.3 Provision for onerous contracts

The Company recognized a net gain of USD 27.0 million in onerous contract provision movements in 2017 (2016 – USD 46.4 million expense), consisting of a USD 32.5 million gain on reversal of onerous operating lease contract provisions and a USD 5.5 million charge for onerous seismic acquisition contracts.

A provision for onerous contracts is recognised where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. 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.

4.3.1 Seismic acquisition contracts

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

As at 31 December 2017, the Group had recognized a provision of USD 5.5 million, representing the estimated future operating loss from three seismic acquisition projects for which the Company had an obligation at the balance sheet date of delivering seismic acquisition contracts during 2018. These projects are expected to be completed during the first half of 2018.

4.3.2 Chartered-in vessels

The Group performs a review for onerous contracts relating to its two chartered-in vessels *Polarcus Naila* and *Polarcus Nadia*. An onerous contract is estimated for the non-cancellable operating chartered-in contracts by calculating the difference between the total estimated revenue expected to be earned, less the anticipated operating costs to earn such revenue and the total value of future charter payments the Group is obligated to make for the remaining term of the chartered-in contracts.

As part of the Q1 2018 Restructuring, the Company purchased the vessels *Polarcus Nadia* and *Polarcus Naila* and the previous operating leases were terminated after the yearend. Based on the expectation at the yearend of termination of the operating leases in 2018, the Company's revised estimate indicated there was no onerous lease contracts at 31 December 2017. As a result, a gain of USD 32.5 million in onerous operating lease contract provisions was recognized.

5 Segment information

The chief operating decision maker of the Company 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 assesses the financial performance of these two segments separately.

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 (78% of total multi-client sales during 2017 were prefunding – 98% in 2016). 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-17			Year ended 31-Dec-16		
(In thousands of USD)	Marine	Other	Total	Marine	Other	Total
Revenues						
Proprietary contracts*	108,506	-	108,506	153,821	-	153,821
Multi-client prefunding	21,724	-	21,724	55,313	-	55,313
Multi-client late sales	5,984	-	5,984	1,256		1,256
Bare boat charter (Operating leases)*	-	23,469	23,469	-	14,426	14,426
Management fees*	-	14,950	14,950	-	16,848	16,848
Other income (Insurance claims)**	-	4,351	4,351	-	1,752	1,752
Total Revenues	**136,213**	**42,770**	**178,983**	**210,390**	**33,026**	**243,416**
Operating costs	(138,614)	(26,102)	(164,716)	(166,467)	(29,741)	(196,209)
Provision for onerous contracts	27,027	-	27,027	(46,356)	-	(46,356)
EBITDA	**24,626**	**16,667**	**41,293**	**(2,433)**	**3,284**	**851**
Depreciation and amortization	(33,498)	(11,520)	(45,018)	(40,518)	(8,154)	(48,672)
Multi-client amortization	(42,108)	-	(42,108)	(56,807)	-	(56,807)
Impairments	(90,658)	(520)	(91,178)	(26,658)	-	(26,658)
Operating profit/(loss) (EBIT)	**(141,638)**	**4,627**	**(137,011)**	**(126,416)**	**(4,870)**	**(131,286)**
Net financial income/(expenses)	-	(35,311)	(35,311)	-	154,803	154,803
Profit/(loss) before tax	**(141,638)**	**(30,684)**	**(172,322)**	**(126,416)**	**149,933**	**23,517**

*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-17			Year ended 31-Dec-16		
(In thousands of USD)	Marine	Other	Total	Marine	Other	Total
Total assets	241,912	160,976	402,888	492,755	79,123	571,878
Cash investments in long-term assets	27,972	-	27,972	61,042	-	61,042

*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-17	31-Dec-16
Asia Pacific ("APAC")	62,913	91,684
Europe, Africa and Middle East ("EAME")	60,377	67,375
North and South Americas ("NASA")	51,342	82,605
Total revenue (excluding 'Other income')	**174,632**	**241,664**

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

(In thousands of USD)	31-Dec-17	31-Dec-16
APAC	-	189,343
EAME	262,727	83,245
NASA	61,395	170,789
Total	**324,122**	**443,377**

The Group had five vessels included in property, plant and equipment as of 31 December 2017 (five as of 31 December 2015). These vessels were located in different geographical locations 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 2017 the Group provided its services to 29 different customers worldwide (37 during year 2016). Revenue earned from the largest two of these customers amounted to 30% of the Group's total operating revenue earned during the year 2016 (23% during year 2016).

	Year ended	
(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Customer 1	28,661	30,806
Customer 2	23,643	24,718
Other customers	122,328	186,140
Total revenue	**174,632**	**241,664**

6 Cost of sales

	Year ended	
(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Gross cost of sales	165,027	221,740
Capitalized to multi-client projects	(16,400)	(36,500)
Net deferred transit adjustment	443	(443)
Cost of sales (excl. other items)	149,069	184,797
Reimbursable cost	3,195	6,718
Restructuring provision	1,591	448
Net movement in bad debt provision	(1,167)	690
Onerous contract provision unwinding	(3,920)	(15,803)
Net cost of sales	**148,769**	**176,850**

7 General and administrative costs

General and administrative costs consist of the following:

	Year ended	
(In thousands of USD)	**31-Dec-17**	**31-Dec-16**
Salaries and other employee benefits	7,634	10,027
Other general and administrative expenses	8,313	9,331
	15,947	**19,359**

7.1 Salaries and other employee benefits

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Salaries and bonuses	46,013	55,286
Social security costs	385	383
Pension costs	2,242	2,252
Other benefits	11,003	11,856
Crew travel related costs	3,916	7,061
Vessel crew salaries and benefits included in *Cost of sales*	(38,117)	(47,514)
Other employee costs allocated to *Cost of sales*	(17,808)	(19,296)
Net salaries and other employee benefits included in the general and administrative costs	**7,634**	**10,027**

7.2 Remuneration of the auditors

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Audit fees – Parent company and consolidated financial statements	193	186
Audit fees - subsidiaries	137	132
Audit related services	37	48
Tax advisory services	65	60
Total	**432**	**426**

8 Provisions

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Balance at the beginning of the period	44,140	8,803
Provision for losses on operating lease commitments	-	42,436
Operating lease commitments paid	(2,920)	-
Operating lease provision released	(32,516)	4,784
Provision for losses on contracts with customers	5,489	3,920
Provisions released to Cost of sales	(3,920)	(15,803)
Provision reclassified to lease payable	(4,784)	-
Balance at the period end	**5,489**	**44,140**
Of which:		
Current portion	5,489	6,820
Non-current portion	-	37,320

As part of the Q1 2018 Restructuring, the Company purchased the vessels *Polarcus Nadia* and *Polarcus Naila* and on purchase of the vessels the previous operating leases were terminated. The Company's updated estimate of onerous lease contract provision at 31 December 2017 resulted in the part reversal of USD 32.5 million from the previously expensed operating lease contract provision.

A provision for onerous contracts of USD 5.5 million was recognized as at 31 December 2017, representing the estimated future operating loss for which the Company had a legal or constructive obligation at the balance sheet date for delivering seismic acquisition contracts in the future. The operating costs included in calculating the operating loss include both vessel operating costs and depreciation. This onerous contract provision is expected to be fully released by the end of Q2 2018.

9 Depreciation and amortization

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Depreciation of seismic vessels and equipment	47,663	53,047
Depreciation of office equipment	83	136
Amortization of other intangible assets	-	262
Depreciation capitalized to multi-client library	(2,728)	(4,772)
Total	**45,018**	**48,672**

10 Multi-client projects library

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Balance at the beginning of the period	45,107	50,828
Investments during the period	16,679	46,314
Capitalized depreciation	2,728	4,772
Amortization	(42,108)	(56,807)
Impairments	(12,000)	-
Balance at the period end	**10,406**	**45,107**

As of 31 December 2017 the Group owned eight different multi-client libraries (five as at 31 December 2016). Three of these libraries were in prefunding stage and five were completed. The straight line amortization recognized on the five completed projects during 2017 was USD 18.6 million. Out of the three projects that are in prefunding stage, one Brazilian project is amortized at 100% of the cost due to the limited late sales potential of these projects. The remaining two projects in the prefunding stage are amortized at 90% of the costs.

See Note 4.1.2 *Impairment assessment of Multi-client projects library* for sensitivities relating to impairment testing of multi-client projects library.

11 Impairments

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Impairment of Vessels and equipment	77,000	24,354
Impairment of multi-client library	12,000	-
Impairment of damaged equipment	1,658	2,304
Impairment of other investments	520	-
Total	**91,178**	**26,658**

Also refer to Note 4.1 *Assessment of impairment.*

12 Finance costs

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Interest expenses on bond loans	21,929	14,931
Interest expenses on other interest bearing debt	16,954	16,769
Net interest expenses	**38,883**	**31,700**
Other finance costs	859	959
Realized currency exchange loss	2,493	1,970
Unrealized currency exchange loss	2,158	2,411
Total	**44,392**	**37,041**

13 Finance income

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Interest income from deposit with banks	223	93
Realized exchange gain	1,137	1,073
Unrealized exchange gain	1,090	795
Total	**2,449**	**1,961**

14 Changes in fair value of financial instruments

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Gain/(loss) on swaps instrument (refer to Note 25)	1,887	3,585
Gain/(loss) on fair value of bond loans (refer to Note 23)	4,746	9,730
Carrying amount and fair value at the period end	**6,632**	**13,315**

15 Income tax expense

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

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Current income tax:		
Current income tax charge	1,989	3,448
Reversal of excess accruals from previous years	(1,858)	(205)
Income tax expense	**131**	**3,243**

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-17	31-Dec-16
Income tax liability at 01 January	2,804	1,022
Income tax expense for the year	1,989	3,243
Reversal of excess accruals from previous years	(1,858)	-
Income tax paid during the year	(2,457)	(1,461)
Income tax liability at 31 December	**478**	**2,804**

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, 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-17	31-Dec-16
Accounting profit/(loss) before tax	(172,322)	23,517
Income tax expense	131	3,243
Effective income tax rate	0%	13.8%

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-17	31-Dec-16
Profit/(loss) before tax	(172,322)	23,517
Tax expense at Cayman Isles corporation tax rate 0%	-	-
Recognized income tax expense	-	-
Difference	-	-
Taxes in foreign countries	1,989	3,448
Adjustments for previous years (relates to foreign countries)	(1,858)	(205)
Difference	131	3,243

The Group has no assets or liabilities with associated deferred taxes. The Group has no recognised deferred tax assets or liabilities. As of 31 December 2017, the Group has approximate tax losses carried forward (in equivalent USD) of USD 6.6 million in Australia, USD 3.0 million in France, USD 5.6 million in USA, USD 3.4 million in Suriname and USD 415 million in Norway. Although the majority of the losses including those carried forward in Norway and Brazil do not have a time-based limit for use, 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 2017 vary from 0% to 35% (2016 – 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, a jurisdiction may charge other forms of tax, such as withholding taxes on revenues. 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 principal or agent for the taxation jurisdiction.

The Norwegian vessel owning subsidiaries in the Group voluntarily exited the Norwegian tonnage tax regime for shipping companies in Norway with effect from 01 January 2015. Since exiting the tonnage tax regime, all losses accrued by the Norwegian subsidiaries (approximately USD 415 million) will be available to be carried forward to utilise against future taxable profits.

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

	Year ended 31-Dec-2017				Year ended 31-Dec-2016			
(In thousands of USD)	Income Tax	WHT*	Tonnage tax**	Total	Income Tax	WHT*	Tonnage tax**	Total
APAC	(1,378)	918	-	(460)	1,600	2,445	-	4,045
EAME	(245)	525	-	280	134	340	4	478
NASA	1,754	5,311	-	7065	1,510	2,300	-	3,810
Total	**131**	**6,754**	**-**	**6,885**	**3,244**	**5,085**	**4**	**8,333**

*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.

16 Earnings per share

16.1 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-17**	**31-Dec-16**
Profit/(Loss) attributable to equity holders of the Company	(172,452,599)	20,273,727
Weighted average number of ordinary shares issued	135,253,444	44,435,976
Basic earnings per share	(1.275)	0.456

16.2 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 21.4) and the convertible bonds giving the bond holders a right to convert the bonds to equity shares (refer to Note 23.2) have an anti-dilutive effect for the periods reported.

17 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
Year ended 31 December 2017			
Costs			
Balance as of 1 January 2017	976,995	3,063	980,058
Additional capital expenditures	7,149	-	7,149
Disposals	(4,410)	-	(4,410)
Balance as of 31 December 2017	979,734	3,063	982,796
Depreciation and impairments			
Balance as of 1 January 2017	533,790	2,891	536,681
Depreciation for the period	47,663	83	47,746
Impairments	77,000	-	77,000
Disposals	(2,752)	-	(2,752)
Balance as of 31 December 2017	655,701	2,974	658,675
Carrying amounts			
As of 1 January 2017	443,205	172	443,377
As of 31 December 2017	**324,032**	**89**	**324,122**
Pledged assets as of 31 December 2017	304,852	-	304,852
Year ended 31 December 2016			
Costs			
Balance as of 1 January 2016	1,226,433	3,063	1,229,496
Additional capital expenditures	16,191	-	16,191
De-recognition of assets held under finance lease	(259,244)	-	(259,244)
Disposals	(6,385)	-	(6,385)
Balance as of 31 December 2016	976,995	3,063	980,058
Depreciation and impairments			
Balance as of 1 January 2016	592,322	2,755	595,077
Depreciation for the period	53,047	136	53,182
De-recognition of assets held under finance lease	(131,852)	-	(131,852)
Impairments	24,354	-	24,354
Disposals	(4,081)	-	(4,081)
Balance as of 31 December 2016	533,790	2,891	536,680
Carrying amounts			
As of 1 January 2016	634,111	308	634,419
As of 31 December 2016	**443,205**	**172**	**443,378**
Pledged assets as of 31 December 2016	407,190	-	407,190

USD 4 million of the capital expenditures during the year ended 31 December 2017 is related to 5 year classification docking for two of the vessels. The remaining amount is mostly related to additional in-sea equipment purchased to replace the old and/or damaged equipment.

See Note 4.1.1 *Impairment assessment of vessels and seismic equipment* for sensitivities relating to impairment testing of property, plant and equipment.

18 Other current assets

(In thousands of USD)	31-Dec-17	31-Dec-16
Cash collateral for swaps	1,370	3,120
Advance to employees	600	1,072
Advance to suppliers	-	43
Deposits	211	248
VAT and other indirect taxes receivable	351	216
Insurance claims receivable	2,203	-
Other receivables	1,200	885
Total other current financial assets measured at amortized cost	**5,935**	**5,584**
Prepaid expenses	2,786	7,438
Inventories onboard the vessels	6,200	7,344
Other investments	9	529
Deferred transit costs	-	443
Total	**14,930**	**21,337**

Other investments, deferred transit costs and prepaid expenses are measured at cost. Inventories on-board the vessels are measured at the lower of cost and net realisable value and are expensed on a FIFO (first in, first out) basis.

19 Restricted cash

(In thousands of USD)	31-Dec-17	31-Dec-16
Debt service retention accounts	7,785	698
Payment guarantee escrow accounts	33	33
Total	**7,818**	**731**

20 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-17	31-Dec-16
USD	22,470	11,496
NOK	371	180
GBP	566	279
EUR	463	421
BRL	909	623
Other currencies (total of 8 different currencies)	1,067	732
Total	**25,846**	**13,731**

21 Share capital and share options

21.1 Changes in authorized share capital

The Company's authorized share capital as of 01 January 2017 was USD 8,347,098, divided into 756,341,579 shares with nominal value of USD 0.01 each and 602,832,312 Class B shares with nominal value of USD 0.0013 each. At an extraordinary general meeting held on 06 March 2017, the Company's authorized share capital was increased by an additional 1,122,000,000 new ordinary shares. Subsequently, the Company had authorized share capital of USD 19,567,098 divided into 1,878,341,579 shares of a nominal value of USD 0.01 each and 602,832,312 Class B shares of a nominal value of USD 0.0013 each.

At the Company's annual general meeting held on 03 May 2017, the following changes in the Company's authorized share capital were approved:

- Increase the authorized share capital to USD 22,567,098 divided into 2,178,341,579 shares of a nominal value of USD 0.01 each and 602,832,312 Class B shares of a nominal value of USD 0.0013 each
- Cancel the Company's Class B Shares after which the authorized share capital was reduced to USD 21,783,415.79 divided into 2,178,341,579 shares of a nominal value of USD 0.01 each, and
- Consolidate the Company's authorized and issued share capital through the conversion of every ten shares in the Company of par value USD 0.01 each into one share of par value USD 0.10 each

Subsequent to the above changes and as at 31 December 2017, the Company's authorized share capital is USD 21,783,416 divided into 217,834,157 shares of nominal or par value of USD 0.10 each.

21.2 Movements in the issued share capital

(In thousands of USD except for number of shares)

	Number of shares	Issued share capital	Share premium	Total
Balance as at 01 January 2016	**66,981,368**	**13,396**	**532,222**	**545,618**
Issue of share capital				
Class B shares issued to $95m bondholders				
February 2016 at USD 0.0013 per share	265,384,592	345	26,044	26,389
Class B shares issued to 350m NOK bondholders				
February 2016 at USD 0.0013 per share	118,260,837	154	11,606	11,760
Class B shares issued to $125m bondholders				
February 2016 at USD 0.0013 per share	79,846,150	104	7,836	7,940
Merger of share classes (on 13-April-2016)				
Repurchase of Class B shares at USD 0.0013 per share	(463,491,579)	(603)	-	(603)
New ordinary shares issued at USD 0.20 per share	463,491,579	92,698	(92,096)	603
Reduction in nominal value				
15 August 2016, from USD 0.20 to USD 0.01 per share	-	(100,790)	100,790	-
Balance as at 31 December 2016	**530,472,947**	**5,305**	**586,401**	**591,706**
Movements during 2017				
Issue of share capital				
08 March 2017 at NOK 0.33 per share	1,000,000,000	10,000	28,853	38,853
07 April 2017 at NOK 0.33 per share	3,912,439	39	111	150
Transaction costs on issue of shares		-	(1,173)	(1,173)
Consolidation of shares				
New shares issued	4	-	-	-
10:1 Consolidation on 16-May-17	(1,380,946,851)	-	-	-
Balance as at 31 December 2017	**153,438,539**	**15,344**	**614,192**	**629,537**

As at 31 December 2017, the Company's issued and paid up share capital is USD 15,343,854 divided into 153,438,539 shares with nominal value USD 0.10 per share. All shares have equal rights in all respects, including with respect to voting and dividends.

Also refer to Note 30.1 *Changes in the authorized share capital and Equity issues* for details of increase in the Company's authorized and issued share capital during Q1 2018.

Assuming full conversion of convertible bond loan (refer to Note 23.2 and Note 30.2.2), share options (refer to Note 21.4) and warrants (refer to Note 30.2.4) the total number of shares issued would increase by 15,044,307 shares.

Dilutive Instrument	Number of equivalent shares
Shares associated with convertible bonds (as per terms amended during Q1 2018 Restructuring)	581,034
Shares associated with the stock options	1,464,200
Warrants (issued during Q1 2018, refer to Note 30.2.4 for details)	12,846,144
Total	**14,891,378**

Apart from potential shares that could be issued under the terms of the share option plan, convertible bonds and warrants, 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.

21.3 Movements post-year end

In an Extraordinary General Meeting ("EGM") held on 15 February 2018, the Company's shareholders resolved to increase the authorised share capital of the Company to USD 59,108,915.70, divided into 591,089,157 shares of a nominal or par value of USD 0.10 each.

On 01 March 2018 the Company issued 230,769,231 new shares at a subscription price of NOK 1.30 raising NOK 300 million in gross proceeds through the Private Placement. Following the issue of the Private Placement shares, the Company's issued share capital increased to USD 38,420,777 divided into 384,207,770 shares of a nominal value of USD 0.10 each.

During Q1 2018, following a joint bondholders meeting held on 12 February 2018 and associated option for bondholders to apply to convert bonds to equity, the Company issued 98,868,742 new shares to the unsecured bondholders who opted to convert the unsecured bonds to equity as per Alternative-2 described under Note 30.2.3 ("Bond Conversion").

During April 2018, the Company conducted a fully underwritten subsequent offering of 30,769,231 shares raising approximately NOK 40 million with a subscription price of NOK 1.30, which is the same subscription price per share as in the Private Placement (the "Repair Offering").

The Company's issued share capital after issuing the above mentioned Private Placement shares, Bond Conversion shares and Repair Offering shares is USD 51,384,574 divided into 513,845,743 shares at par value of USD 0.10 each.

Also refer to Note 30.1 *Changes in the authorised share capital and Equity issues.*

21.4 Employee share options

21.4.1 2010 Share option plan

In the 2010 annual general meeting, an employee share option plan ("2010 plan") was approved under which a maximum number of 75,000 shares could be granted to the employees of the Group. The plan had 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 2017 under the 2010 plan is USD 3.2 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2017		Year ended 31-Dec-2016	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	164,100	93.23	537,890	79.83
Granted during the year		-		-
Expired During the year	(164,100)	-	(353,790)	-
Forfeited during the year	-	-	(20,000)	-
Outstanding as of 31 December	-	-	**164,100**	**93.23**
Exercisable as at 31 December	-	-	164,100	93.23
Exercised during the year	-	-	-	-

2010 Share option plan expired in its entirety during 2017.

21.4.2 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 140,000 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.

The total fair value of options granted up to 31 December 2017 under the 2012 plan is USD 4.4 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2017		Year ended 31-Dec-2016	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	114,550	505.80	129,950	505.00
Granted during the year	-	-	-	-
Expired During the year	(74,850)			
Forfeited during the year	-	-	(15,400)	498.80
Outstanding as of 31 December	**39,700**	**396.06**	**114,550**	**505.80**
Exercisable as at 31 December	29,200	525.18	92,050	568.10
Exercised during the year	-	-	-	-

The range of exercise prices for options outstanding under the 2012 plan as of 31 December 2017 is NOK 37 – NOK 586 (USD 4.5 – USD 71.5). The weighted average remaining contractual life as of 31 December 2017 is 1.17 years.

21.4.3 2014 Share option plan

On 13 May 2014 the Board of Directors of the Company approved another employee share option plan ("2014 plan') under which a maximum number of 150,000 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.

The total fair value of options granted up to 31 December 2017 under the 2014 plan is USD 1.5 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2017		Year ended 31-Dec-2016	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	137,000	247.86	138,000	249.20
Granted during the year	-	-	-	-
Forfeited during the year	(30,000)	-	(1,000)	-
Outstanding as of 31 December	**107,000**	**309.17**	**137,000**	**247.86**
Exercisable as at 31 December	57,333	340.08	24,000	433.40
Exercised during the year	-	-	-	-

The weighted average remaining contractual life of options outstanding under 2014 plan as of 31 December 2017 is 3.74 years. Exercise price for these outstanding options is NOK 24 – NOK 438 (USD 2.92 – USD 53.41).

21.4.4 2016 Share option plan

In the 2016 annual general meeting, the Company implemented a new share option plan ("2016 plan") under which a maximum of 1,600,000 options could be granted to employees of the Group. The exercise price for each option is based on the 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 the options were granted. The 2016 plan has a seven-year duration from the grant of the options, with part exercise possibility at the second, third and fourth anniversary after the grant of the options. The exercise of the options is conditional upon the market price of the shares (defined as the weighted average price for which the shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) exceeding the exercise price by at least 30% at one time during the exercise period. The options are exercisable upon a change of control event (above 50%).

The total fair value of options granted up to 31 December 2017 under the 2016 plan is USD 0.5 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2017		Year ended 31-Dec-2016	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	1,527,500	7.92	-	-
Granted during the year	130,000	2.40	1,537,500	7.92
Forfeited during the year	(340,000)	-	(10,000)	-
Outstanding as of 31 December	**1,317,500**	**7.39**	**1,527,500**	**7.92**
Exercisable as at 31 December	-	-	-	-
Exercised during the year	-	-	-	-

The weighted average remaining contractual life of options outstanding under 2016 plan as of 31 December 2017 is 5.47 years. Exercise price for these outstanding options is NOK 2.4 – NOK 8.1 (USD 0.30 – USD 0.99).

The following table lists the inputs to the models used for the valuation of new options granted under 2016 share option plan:

	31-Dec-17	31-Dec-16
Dividend yield	0%	0%
Expected volatility	86%	78%
Risk-free interest rate	1.72%	1.37%
Expected life of option (years)	7	7
Weighted average share price (NOK)	0.24	0.81

The fair value of the options under all of the above 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 2017 the Group recognized an expense of USD 0.5 million for employee share options (USD 0.6 million during year 2016).

22 Other reserves

(In thousands of USD)	31-Dec-17	31-Dec-16
Balance as at 01 January	29,865	32,556
Employee stock options (refer to Note 21.4)	534	581
Other movements (transfer to Retained earnings)		
Fair value of employee stock options unexercised and expired	(5,988)	(3,272)
Balance as at the yearend	**24,411**	**29,865**

23 Bond loans

	Nominal outstanding value	Carrying value	
(In thousands of USD)	**31-Dec-17**	**31-Dec-17**	**31-Dec-16**
Unsecured bonds			
95M USD unsecured bond - Tranche A	USD 16.6 million	3,299	1,376
95M USD unsecured bond - Tranche B	USD 68.7 million	9,014	5,664
350M NOK unsecured bonds - Tranche A	NOK 78 million	1,400	1,010
350M NOK unsecured bonds - Tranche B	NOK 270.6 million	5,969	2,920
Total unsecured bonds		**19,683**	**10,971**
Secured convertible bonds			
125M USD secured, convertible bonds - Tranche A	USD 71.3 million	22,901	16,427
125M USD secured, convertible bonds - Tranche B1	USD 9.8 million	1,952	2,332
125M USD secured, convertible bonds - Tranche B2	USD 20.7 million	4,111	4,853
Total secured convertible bonds		**28,964**	**23,611**
Balance at the period end		**48,647**	**34,582**
Of which:			
Current liability portion		48,647	-
Non-current liability		-	34,582

All of the unsecured bond loans and Tranche B1 and Tranche B2 of the 125M USD convertible bonds are measured at fair value through profit or loss. Also refer to Note 14 *Changes in fair value of financial instruments*. Tranche A of the 125M USD convertible bonds are measured at amortized cost.

As at 31 December 2017, the Company was not in compliance with the minimum equity ratio covenant as described in Note 1.1.2 *Financial covenants*. Therefore, in accordance with IAS 1.69, the carrying value of the bond loans have been temporarily reclassified as a current liability at 31 December 2017 as the Company did not have the unconditional right to defer payment for 12 months as at that date. Subsequent to the completion of the Restructuring during Q1 2018, the Company became compliant with all of its financing covenants and the Company's debts were reclassified as non-current in the same quarter.

Refer to Note 30 *Subsequent events* for details of changes made to the bond loans as part of the Restructuring expected to be completed during Q1 2018.

23.1 Unsecured bonds

23.1.1 USD 95 million 8% bonds

	Years ended		Accumulated from inception	
(In thousands of USD)	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Unsecured Tranche-A				
Fair value at 1 January/at inception	1,376	1,951	1,951	1,951
Issue costs amortized	1,150	615	1,765	615
Net movements in fair value	773	(1,189)	(417)	(1,189)
Balance at 31 December	*3,299*	*1,376*	*3,299*	*1,376*
Unsecured Tranche-B				
Fair value at 1 January/at inception	5,664	8,067	8,067	8,067
Issue costs amortized	4,820	2,752	7,573	2,752
Net movements in fair value	(1,470)	(5,155)	(6,625)	(5,155)
Balance at 31 December	*9,014*	*5,664*	*9,014*	*5,664*
Balance at 31 December	12,314	7,040	12,314	7,040

23.1.2 350M NOK Senior unsecured bonds

	Years ended		Accumulated from inception	
(In thousands of USD)	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Unsecured Tranche-A				
Fair value at inception	1,010	1,240	1,240	1,240
Issue costs amortized	699	382	1,081	382
Unrealized foreign exchange (gain)/loss	151	509	661	509
Net movements in fair value	(461)	(1,121)	(1,582)	(1,121)
Balance at 31 December	*1,400*	*1,010*	*1,400*	*1,010*
Unsecured Tranche-B				
Fair value at inception	2,920	4,303	4,303	4,303
Issue costs amortized	2,451	1,430	3,881	1,430
Unrealized foreign exchange (gain)/loss	725	1,771	2,496	1,771
Net movements in fair value	(127)	(4,583)	(4,710)	(4,583)
Balance at 31 December	*5,969*	*2,920*	*5,969*	*2,920*
Balance at 31 December	7,369	3,930	7,369	3,930

The key terms of the unsecured bonds as existed on 31 December 2017 are as per below:

	95M USD bonds	350M NOK bonds
Nominal value of unsecured A tranches	USD 16.6 million	NOK 78 million
Nominal value of unsecured B tranches	USD 68.7 million	NOK 270.6 million
Maturity date	31 December 2022	
Interest rates range - Tranche A (commencing from 01 January 2018)	3.5% to 5% p.a	
Interest rates range - Tranche B (commencing from 01 January 2018)	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	

During the year ended 31 December 2017 the Company did not make any interest or principal payments for unsecured bonds.

Also refer to Note 30.2.3 *Unsecured bond loans* for the details of amendments made to the unsecured bonds as part of the Restructuring completed during Q1 2018.

23.2 USD 125 million Convertible bonds

	Years ended		Accumulated from inception	
(In thousands of USD)	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Secured convertible Tranche A				
Fair value at inception	16,427	14,180	14,180	14,180
Issue costs and equity portion amortized	6,475	2,246	8,721	2,246
Interest payable accrued	4,660	4,283	8,943	4,283
Interest paid	(3,994)	(3,617)	(7,612)	(3,617)
Unpaid interest included in Other accruals and payables	(666)	(666)	(1,331)	(666)
Balance at 31 December	***22,901***	***16,427***	***22,901***	***16,427***
Secured non-convertible Tranche B1				
Fair value at inception	2,332	1,950	1,950	1,950
Issue costs amortized	784	382	1,165	382
Net movements in fair value	(1,163)	-	(1,163)	-
Balance at 31 December	***1,952***	***2,332***	***1,952***	***2,332***
Secured non-convertible Tranche B2				
Fair value at inception	4,853	4,106	4,106	4,106
Issue costs amortized	1,555	746	2,301	746
Net movements in fair value	(2,297)	-	(2,297)	-
Balance at 31 December	***4,111***	***4,853***	***4,111***	***4,853***
Total carrying value at 31 December	**28,964**	**23,611**	**28,964**	**23,611**

The key terms of the USD 125 million convertible bonds as existed on 31 December 2017 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
Maturity date of CB Tranche A	30 December 2022
Maturity date of CB Tranche B1 and B2	31 December 2022
Interest - CB Tranche A (quarterly payments)	5.6% p.a
Interest rates range - CB Tranche B1 (commencing from 01 January 2018)	3.5% to 5% p.a
Interest rates range - CB Tranche B2 (commencing from 01 January 2018)	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

Secured convertible Tranche B1 and B2 in principle carry the same terms as the unsecured bonds listed under Note 23.1. The Company did not make any principal payments towards any of the traches of the convertible bonds during the year ended 31 December 2017. USD 4.0 was paid towards interest for Tranche A during the year, while no interest was payable for the tranches B1 and B2.

Also refer to Note 30.2.2 *Secured convertible bonds* for the details of amendments made to the convertible bonds as part of the Restructuring completed during Q1 2018.

24 Other interest bearing debt

	Nominal outstanding value as of		Carrying value	
(In thousands of USD)	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Fleet bank facility - Tranche 1	48,599	48,599	46,930	46,410
Fleet bank facility - Tranche 2	35,773	35,773	34,782	34,428
Fleet bank facility - Tranche 3	83,865	83,865	81,046	80,486
Fleet bank facility - Tranche 4	86,045	86,045	82,887	82,319
Liability for seismic equipment	-	6,864	-	6,864
Total	**254,282**	**261,146**	**245,646**	**250,507**
Of which:				
Current liability portion			245,646	249,649
Non-current liability			-	858

As at 31 December 2017, the Company was not in compliance with the minimum equity ratio covenant as described in Note1.1.2 *Financial covenants*. Therefore, in accordance with IAS 1.69, the above carrying value of the Company's long-term debt have been temporarily reclassified as a current liability at 31 December 2017 as the Company did not have the unconditional right to defer payment for 12 months as at that date. Subsequent to the completion of the Restructuring during Q1 2018, the Company became compliant with all of its financing covenants and the Company's debts were reclassified as non-current in the same quarter.

24.1 Fleet bank facility

As part of the Restructuring that was completed and implemented on 25 February 2016, the maturity of 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.

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Balance as at 1 January	243,644	252,688
Unpaid accrued interest as at 1 January	1,307	3,164
Amortized fees	2,002	(630)
Principal repayments	-	(8,414)
Interest payable accrued	14,473	14,232
Interest paid during the year	(14,174)	(16,089)
Unpaid accrued interest (Refer to Note 26)	(1,606)	(1,307)
Balance at the yearend	**245,646**	**243,644**

As per the terms as existed on 31 December 2017, the Fleet bank facility will mature for repayment on 30 June 2022. There will be no principal payments until 01 January 2019, while interest payments will continue as normal.

As part of the Restructuring completed during Q1 2018, financing parties to the Fleet bank facility agreed to reduced interest rates as well as a general extension of the reduced amortisation period until 01 January 2022. Refer to Note 30.2.1 *Changes to the Fleet Bank Facility* for details of amendments made to the Fleet bank facility agreement during Q1 2018 Restructuring.

24.2 Liabilities related to seismic equipment

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Balance as at 1 January	6,864	4,867
Additions	-	11,500
Down payments	-	(3,500)
Principal payments	(6,893)	(5,972)
Amortized fees	29	(32)
Finance costs-Interest charge	231	418
Interest paid	(231)	(418)
Balance at the yearend	**-**	**6,864**

During 2017, the Company fully repaid its liability under the USD 8 million bank loan for seismic equipment, drawn in March 2016 to part finance the marine seismic in-sea acquisition system that the Company purchased from Dolphin Geophysical AS.

25 Other financial liabilities

As at 31 December 2017 the Company is party to a USD:NOK cross currency interest rate swap agreement. The Company has not applied hedge accounting for this instrument and the derivative is accounted for at fair value through profit or loss. 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-17	31-Dec-16
Carrying amount and fair value at the beginning of the period	10,511	22,324
Fair value changes during the period	(1,887)	(3,585)
Part cash settlement of the instrument	-	(8,228)
Carrying amount and fair value at the period end	**8,624**	**10,511**

When the mark-to-market value of the swap is in excess of USD 7.8 million in the counterparty's favor, the Company is required to pay the excess balance as cash collateral to the counterparty ("DNB"). Such cash collateral deposited as at 31 December 2017 is USD 1.4 million (USD 3.1 million as at 31 December 2016) and is included under "Other current assets" (refer to Note 18) in the Company's consolidated statement of financial position.

As part of the Q1 2018 Restructuring, the above mentioned currency and interest rate swap were terminated. Refer to Note 30.2.6 *Termination of cross-currency swap agreement* for further details.

26 Other accruals and payables

(In thousands of USD)	31-Dec-17	31-Dec-16
Accrued interest	2,272	1,972
Accrued operating expenses	8,616	9,856
Accrued multi-client processing costs	2,425	6,618
Operating lease payable	14,939	5,126
Accrued taxes payable	4,092	7,422
Employee accruals and payable	2,643	2,632
Deferred revenue	1,375	706
Payable to joint operations partners	50	70
Total	**36,412**	**34,401**

27 Other financial assets and liabilities

27.1 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-17	31-Dec-16
Receivable from customers	19,766	47,595
Other current financial assets (Note 18)	5,935	5,584
Total assets measured at amortized cost	**25,702**	**53,179**

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-17	31-Dec-16
2.875% Convertible Bond - Tranche A (refer to Note 23.2)	22,901	16,427
Fleet bank facility (refer to Note 24.1)	245,646	243,644
Liability for seismic equipment	-	6,864
Accounts Payable	13,351	18,929
Total financial liabilities measured at amortized cost	**281,898**	**285,863**

Also refer to Note 3.1.3 *Liquidity risk*.

27.2 Fair values

(in thousands of USD)	Fair value hierarchy	31-Dec-17 Carrying Amount	31-Dec-17 Fair value	31-Dec-16 Carrying Amount	31-Dec-16 Fair value
Financial assets					
Cash and deposits		33,664	33,664	14,462	14,462
Receivable from customers		19,766	19,766	47,595	47,595
Total		**53,430**	**53,430**	**62,057**	**62,057**
Financial liabilities					
Accounts payable		13,351	13,351	18,929	18,929
2.875% convertible bonds - Tranche A (Note 23.2)	Level-1	22,901	28,532	16,427	30,315
2.875% convertible bonds - Tranche B1 (Note 23.2)	Level-1	1,952	1,952	2,332	2,332
2.875% convertible bonds - Tranche B2 (Note 23.2)	Level-1	4,111	4,111	4,853	4,853
95M USD 8% senior unsecured bonds (Note 23.1.1)	Level-1	12,314	12,314	7,040	7,040
350M NOK senior unsecured bond (Note 23.1.2)	Level-1	7,369	7,369	3,930	3,930
Other interest bearing debt (Note 24)	Level-2	245,646	218,930	250,507	242,500
Total		**307,644**	**67,629**	**304,019**	**309,900**

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.

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.

During 2017 there has not been any transfer of financial instruments between above different levels.

28 Operating leases

28.1 Group as a Lessee

As at 31 December 2017, the Group had two vessels, *Polarcus Nadia* and *Polarcus Naila* under an operating lease arrangement. During Q1 2018, as part of the Restructuring, the Company purchased these vessels and the lease agreements were terminated.

Polarcus Nadia has been cold stacked since Q1 2015. Due to the uncertainties in the timing when the vessel will be reactivated from cold stacking, the Group had recognised a provision for onerous lease arrangement. Based on the Company's updated estimate of onerous lease contract provision at 31 December 2017, the Company reversed USD 32.5 million from the previously expensed operating lease contract provision. Also refer to Note 8 *Provisions*.

Also refer to Note 30.2.4 *Termination of operating leases and buyback of vessels* for further details.

28.2 Group as a lessor

As at 31 December 2017 the Group had two vessels, *Vyacheslav Tikhonov* and *Ivan Gubkin* (formerly called as *Polarcus Amani*), chartered out under two separate Bareboat Charter Party Agreements (BBCPs). The minimum lease period for *Vyacheslav Tikhonov* will expire in August 2019. The lease period for *Ivan Gubkin* commenced on 21 April 2017 and will expire on 20 October 2022.

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

(In thousands of USD)	31-Dec-17	31-Dec-16
Within one year	27,090	14,454
After one year but not more than five years	57,737	23,522
Total	**84,828**	**37,976**

29 Related parties

29.1 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-2017	Equity interest as at 31-Dec-2016
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. *(Liquidated during 2017)*	Cayman Islands	-	100%
Polarcus 6 Ltd. *(Liquidated during 2017)*	Cayman Islands	-	100%
Polarcus MC Ltd	Cayman Islands	100%	100%
Polarcus Samur Ltd. *(Liquidated during 2017)*	Cayman Islands	-	100%
Polarcus Seismic Limited	Cayman Islands	100%	100%
Polarcus Selma Ltd.	Cayman Islands	100%	100%
Polarcus Group Services Limited *(incorporated during 2017)*	Cayman Islands	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 US Inc.-Colombia branch	Colombia	100%	100%
Polarcus Multi-client (CY) Ltd.	Cyprus	100%	100%
Polarcus Asia Pacific Pte. Ltd	Singapore	100%	100%
Polarcus France SAS	France	100%	100%
Polarcus Nigeria Limited*	Nigeria	49%	49%
Polarcus Ghana Limited	Ghana	90%	90%

*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 29.2 *Investment in joint ventures*.

29.2 Investment in joint ventures

29.2.1 Investment in Polarcus Nigeria Ltd ("PNL")

The Group owns 49% of equity in 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. During 2016, the Company impaired 100% of the carrying value of its investment in PNL due to the impairment of underlying multi-client assets in PNL.

29.2.2 Investment in Polarcus Ghana Ltd

The Group owns 90% of equity in Polarcus Ghana Ltd, a joint venture incorporated in Ghana together with Lysam Limited. As at 31 December 2017, the Group has made an investment of USD 0.2 million in this joint venture (USD 0.2 million as at 31 December 2016). The principal activity of Polarcus Ghana Ltd is to provide marine seismic data acquisition and processing services to the Ghanaian and international oil and gas industry. Polarcus Ghana Ltd was incorporated on 06 June 2016 and had no major business activities since then until 31 December 2017.

29.3 Transactions with related parties

Zickerman Group DMCC, a company wholly owned by a board member Mr. Peter Zickerman, has been engaged by the Company to perform strategic consultancy services. During 2017, the Company has paid USD 0.5 million to Zickerman Group DMCC for consultancy services (2016 - USD 0.5 million).

The Group had no other major transactions with related parties during the year ended 31 December 2017.

29.4 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 2017				Benefits paid to pension plan	Stock options expensed
		Salaries	Bonus	Other Allowances	Total paid salary and Allowances		
Roderick Albert Starr	CEO (employed to 9-Jun-17)	188	-	108	295	-	24
Duncan Eley	CEO	481	126	158	765	48	35
Hans-Peter Burlid	CFO	370	125	150	645	37	33
Other members of executive management (2 employees)		530	-	328	858	48	8
		1,569	251	744	2,563	133	100

*Other members of executive management include Caleb Raywood (General Counsel & Company Secretary) and Tamzin Steel (SVP People & Business Services).

(In thousands of USD)

		Paid in year 2016				Benefits paid to pension plan	Stock options expensed
		Salaries	Bonus	Other Allow-ances	Total paid salary and benefits		
Roderick Albert Starr	CEO	425	22	126	573	43	20
Duncan Eley	COO	297	16	182	495	31	35
Hans-Peter Burlid	CFO (from 01-Mar-16)	288	16	151	455	30	33
Other members of executive management (5 employ-ees)		472	15	1,583	2,070	46	90
		1,482	69	2,042	3,593	151	178

Other members of executive management include Tom Henrik Sundby (ex-CFO), Carl Peter Zickerman (ex-EVP) and Paul Hanna (ex-VP HR) who left their employment during 2016. Other allowances paid in 2016 include USD 1.3 million severance payments made to these three ex-employees.

Upon termination by the Company of the employment of any member of the Management (other than for cases of gross misconduct), the member is entitled to a severance payment of between 6 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).

29.5 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 in year 2017	Paid in year 2016
Peter M. Rigg, *Chairman*	20-Jun-08		119	123
Karen El-Tawil	13-Feb-14		59	57
Tom Henning Slethei	12-May-16		56	36
Carl Peter Zickerman	12-May-16		50	32
Erik Mathiesen	12-May-16		50	32
Henrik Madsen	03-May-17	21-Nov-17	48	-
Nicholas Smith	06-Mar-17		45	-
Arnstein Wigestrand	29-Apr-13	03-May-17	17	57
Christopher Kelsall	12-May-16	29-Jan-17	4	35
Carl-Gustav Zickerman	17-Dec-07	12-May-16	-	18
Tore Karlsson	20-Jun-08	12-May-16	-	21
Thomas Kichler	13-Feb-14	12-May-16	-	23
Total			**445**	**432**

30 Subsequent events

30.1 Changes in the authorised share capital and Equity issues

In an Extraordinary General Meeting ("EGM") held on 15 February 2018, the Company's shareholders resolved to increase the authorised share capital of the Company to USD 59,108,915.70, divided into 591,089,157 shares of a nominal or par value of USD 0.10 each.

On 01 March 2018, the Company issued 230,769,231 new shares at a subscription price of NOK 1.30 raising NOK 300 million in gross proceeds through the Private Placement. Following the issue of the Private Placement shares, the Company's issued share capital is USD 38,420,777 divided into 384,207,770 shares of a nominal value of USD 0.10 each.

Following a joint bondholders meeting held on 12 February 2018 and associated option for bondholders to apply to convert bonds to equity, on 13 March 2018 the Company issued 98,868,742 new shares to the unsecured bondholders who opted to convert the unsecured bonds to equity as per Alternative-2 described under Note 30.2.3 below ("Bond Conversion").

Following the issue of the Private Placement and Bond Conversion shares, the Company's issued share capital is USD 48,307,651 divided into 483,076,512 shares, each with a par value of USD 0.10.

On 05 April 2018, the Company issued 30,769,231 new shares at a subscription price of NOK 1.30 raising NOK 40 million with through a Repair Offering. Following the issue of the Private Placement shares, Bond Conversion shares and Repair Offering shares the Company's issued share capital is USD 51,384,574 divided into 513,845,743 shares at par value of USD 0.10 each.

30.2 The Restructuring

On 25 January 2018, the Company announced that it has obtained support for a restructuring of its balance sheet from key stakeholders of the Company. The Restructuring was conditional upon the Company successfully completing certain closing conditions. All closing conditions were completed on 1 March 2018.

The main changes to the Company's financing arrangements and improvements in the Company's liquidity position as a result of the Restructuring are as per below.

30.2.1 Changes to the Fleet Bank Facility

Financing parties to the existing fleet bank facility (the "Fleet Bank Facility") agreed to a general extension of the fixed amortization freeze until 01 January 2022 (previously 01 January 2019). However, during this period, the principal part of Tranche-3 of the Fleet Bank Facility will receive fixed amortisation of USD 4 million annually in equal quarterly instalments for the period that the vessel *Ivan Gubkin* continues to be on a third-party bareboat charter. All postponed amortisation payments will be added to the payment due on the final maturity date. The reduction in fixed instalments between 2019 and 2021 improves the Company's liquidity by approximately USD 79 million.

The lenders of the Fleet Bank Facility also agreed to reduced interest rates. All loans under the Fleet Bank Facility will continue to receive cash interest equal to the CIRR rate/floating rate that applies to the relevant loan in accordance with the pre-Restructuring agreement. Tranche-3 of the Fleet Bank Facility that is related to the vessel *Ivan Gubkin* will receive a guarantee premium of 2.75% p.a. for any period that the vessel is on a third-party bareboat charter. For any period that *Ivan Gubkin* is not on a third-party bareboat charter, Tranche-3 will receive a guarantee premium as per the below table (the "Margin Grid") along with all other tranches.

The interest payable under the guarantee premiums for all tranches of the Fleet Bank Facility other than Tranche-3 (the "Non-Preferred loans") will be calculated at the rates mentioned in the below Margin Grid, based on the Company's last twelve months' adjusted EBITDA, defined as EBITDA *less* multi-client cash investments.

Adjusted EBITDA	Interest payable under guarantee premium		
	Cash interest	Payments in kind*	Total
<35 million	0.75%	0.375%	1.125%
35-50 million	1.00%	0.375%	1.375%
50-75 million	1.75%	0.375%	2.125%
75-90 million	2.75%	0.375%	3.125%
>90 million	3.25%	0.375%	3.625%

*Payments in kind at the rate prescribed above will accrue periodically but are not payable until the final maturity date.

The lenders of the Fleet Bank Facility also agreed to certain changes in the financial covenants applicable from 1 January 2018. The key changes are:

- Minimum equity ratio, Debt Service ratio and Minimum market value covenants are removed
- The minimum prefunding level for multi-client projects is reduced to 50% from the current 70% for the period up to and including 31 December 2019 and, thereafter the minimum prefunding level is restored to 70%.
- The lenders of the Fleet Bank Facility will participate in a new cash sweep arrangement.

30.2.2 Secured convertible bonds

The maturity of the Secured convertible bonds was extended to 1 July 2022 (previously 30 March 2022). An interest rate of 5.6% annually will be payable in cash for the period that the vessel *Vyacheslav Tikhonov* is on a third-party bareboat charter party. If *Vyacheslav Tikhonov* is no longer on a third-party bareboat charter party, the interest rate will be the sum of 2.90% + the applicable amount as per the Margin Grid provided under Note 30.2.1 above. The conversion price for the bonds was amended to USD 125.871 per share from USD 138.694 per share. Subsequently, the number of potential shares associated with convertible bonds is 581,034.

Amortisation payments of USD 4.6 million annually in equal quarterly instalments will be payable for as long as *Vyacheslav Tikhonov* is on a third-party bareboat charter party. If the hire rate of the charter is adjusted from the existing hire rate, the amortization payment will be adjusted pro rata for the revised charter earnings for the period of such hire adjustment. If *Vyacheslav Tikhonov* is no longer on hire under a third-party bareboat charter, the Secured bonds will be treated in the same way as the Non-Preferred Loans with respect to amortization payments. Any postponed amortization payments will be added to the payment on the final maturity date.

A cash sweep mechanism is applicable for the Secured convertible bonds for any periods when *Vyacheslav Tikhonov* is no longer on hire under a third-party bareboat charter.

30.2.3 Unsecured bond loans

The maturity date of the Unsecured bond loans was extended to 1 January 2025 (previously 30 December 2022). The Unsecured bonds will accrue interest of 5% annually as payment-in-kind.

The total outstanding principal amount under each tranche of the Unsecured bond loans was reduced to the previously applicable call price level for that tranche in 2018, which is the new nominal amount. The bonds are callable at any time.

Unsecured bond holders were given an option to choose between Alternative 1 and Alternative 2 as described below. The amount of unsecured bonds that could be converted as per Alternative 2 was limited to 50% of the total outstanding amount of unsecured Bonds.

- Alternative 1 - Continue to hold unsecured bonds on the amended terms set out above or,
- Alternative 2 - Convert Unsecured bonds into equity. Unsecured bonds converted under Alternative 2 were converted to 70% of the new nominal value (ie. after the reduction of principal amount as set out above has been carried out) and at a conversion price of NOK 1.30 per share.

By 12 February 2018, the Company had received applications from the Unsecured bondholders to covert more than 50% of the outstanding Unsecured bonds into shares as per Alternative 2 above. Consequently, the Company converted approximately 50% of the total Unsecured bonds into 98,868,742 shares. Bondholders that applied for shares received an allocation of approximately 70.5% of their application.

On 14 March 2018, the Company merged unsecured tranches under each of the bond issues into one tranche. Following the bond write down, the bond conversion and the merger of different tranches, the Company has the following bonds outstanding at nominal value:

Issue	ISIN	Ticker	Currency	Amount
Convertible bond - Tranche A	NO0010607435		USD	69,580,000
Convertible bond - Tranche B	NO0010757263		USD	3,555,354
Unsecured USD bond	NO0010680150	PLCS02	USD	9,826,617
Unsecured NOK bond	NO0010714389	PLCS03	NOK	53,514,847

The above table includes unsecured USD bonds of nominal value USD 3.3 million held by Polarcus.

30.2.4 Termination of operating leases and buyback of vessels

On 26 February 2018, as part of the Restructuring, Polarcus and GSH2 Seismic Carrier I AS ("GSH") terminated the operating lease arrangement for the vessels *Polarcus Nadia* and *Polarcus Naila* ("N-Class Vessels") in exchange for the Company purchasing the vessels from GSH for a total consideration of USD 75 million in fully financed debt and issue of warrants. The purchase price of USD 75 million was fully financed through a New Fleet Facility, as described in Note 30.2.5 below.

As part of the consideration, the Company issued 12,846,144 warrants to GSH, representing approximately 2.5% of the Company's issued share capital after completion of the Restructuring, Private Placement and the Repair Issue. The exercise price for the warrants is set at NOK 3.90 and the warrants are exercisable at any time until 30 November 2022.

The Company has agreed to a profit-split mechanism in the event of the Company selling any of the N-Class vessels prior to 31 December 2018. GSH and its lenders will be entitled to 80% of any profit from the sale proceeds over and above the purchase prices for respective vessels as mentioned above, adjusted for certain additional cost incurred by the Company prior to making such sale. The maximum profit-split payable to GSH and its lenders for both vessels combined shall not exceed USD 22 million.

At 31 December 2017, the Company has an aggregate accrued expense of USD 14.9 million relating to the operating lease arrangements for the N-Class vessels. Full amount of such accrued expenses were credited to the income statement in Q1 2018 on termination of the leases.

30.2.5 New Fleet Facility

On 26 February 2018 the Company took out a New Fleet Facility of USD 75 million to finance the purchase of the N-Class Vessels from GSH. The New Fleet Facility is divided into two loans: Loan 1 of approximately USD 29 million to finance the purchase price of *Polarcus Nadia* and Loan 2 of approximately USD 46 million for *Polarcus Naila.*

There will be no fixed amortizations on the New Fleet Facility until 1 January 2022 unless an N-Class Vessel is on a third-party bareboat charter, in which case New Facility Lenders shall receive 32% of charter revenue in fixed amortisation of the relevant Facility. After 1 January 2022, the New Fleet Facility will be repaid by annual amortization payments of USD 6.25 million pro rata between Loan 1 and Loan 2. The final maturity of the New Fleet Facility is 31 December 2024.

The interest for the New Fleet Facility is set at CIRR or floating rate plus guarantee premium as applicable to Non-Preferred loans as specified under the Margin Grid under Note 30.2.1.

The New Fleet Facility will participate in a cash sweep mechanism together with Fleet Bank Facility lenders and the holders of Secured convertible bonds.

30.2.6 Termination of cross-currency swap agreement

As part of the Restructuring, the Company and DNB agreed to terminate the USD:NOK cross currency interest rate swap agreement. The cost of termination of the swap agreement being USD 7.7 million, was fully financed through a new loan facility provided by DNB.

The new loan facility is subject to an interest rate of USD LIBOR+4% and is repayable in three instalments: USD 2 million on 30 June 2019, USD 3 million on 30 June 2020 and USD 2.7 million on 30 June 2021.

30.2.7 Amendments to the Working Capital Facility

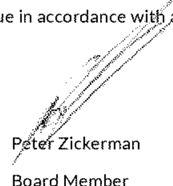
The existing agreement for the Working Capital Facility with DNB has been amended to increase the commitment to USD 40 million (previously USD 25 million) and the final maturity date has been extended to 30 June 2022.

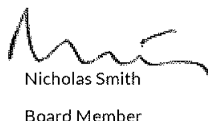
31 Authorization of financial statements

The consolidated financial statements for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the directors on 12 April 2018.

Peter Rigg
Chairman

Karen El-Tawil
Board Member


Peter Zickerman
Board Member


Nicholas Smith
Board Member

Tom Henning Slethei
Board Member

Erik Mathiesen
Board Member

Duncan Eley
CEO

Alternative performance measures

In order to measure performance on a historic basis, the Company has primarily made use of the non-IFRS measures as described below. These are Alternative Performance Measures ("APMs") which are provided to give a deeper understanding of the Company's financial performance. The Company uses APMs to provide supplemental information to the IFRS financial measures.

The non-IFRS financial measures presented herein are not recognised measurements of financial performance under IFRS, but are used by the Company to monitor and analyse the underlying performance of its business and operations. These should not be considered as an alternative to profit and loss for the period, operating profit for the period or any other measures of performance under generally accepted accounting principles.

The Company believes that the non-IFRS measures presented herein are commonly used by investors in comparing performance between companies.

Accordingly, the Company discloses the non-IFRS financial measures presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods. Because other companies may calculate the non-IFRS financial measures presented herein differently, the non-IFRS financial measures presented herein may not be comparable to similarly defined terms or measures used by other companies.

EBIT (before non-recurring items) and EBITDA (before non-recurring items) show the EBIT and EBITDA of the Company after adjustments for impairment charges, the cost of onerous contract provisions and restructuring costs. These APMs are financial performance measures that are adjusted for the impact of items that are not considered by the Company to be part of the underlying core business as they are considered to be more irregular in both amount and frequency of occurrence.

The following table reconciles EBITDA with EBITDA (before non-recurring items):

	Year ended	
(In millions of USD)	**31-Dec-17**	**31-Dec-16**
EBITDA	41.3	0.9
Adjusted for:		
Onerous contract provision	(27.0)	46.4
Restructuring cost	4.0	4.1
EBITDA (before non-recurring items)	18.2	51.4

The following table reconciles EBIT with EBIT (before non-recurring items):

	Year ended	
(In millions of USD)	**31-Dec-17**	**31-Dec-16**
EBIT	(137.0)	(131.3)
Adjusted for:		
Onerous contract provision	(27.0)	46.4
Restructuring cost	4.0	4.1
Impairment	91.2	26.7
EBITDA (before non-recurring items)	(68.9)	(54.1)

Definitions and glossary

The following definitions and glossary apply in this Annual Report unless otherwise dictated by the context, including the foregoing pages of this Annual Report.

Term	Definition
Backlog	The aggregate estimated value of future projects for which the Company has a signed contract or letter of award with a client. The Company uses backlog as it gives the amount of the committed activity in future periods, thus providing an indication of the Company's future revenue.
CAPEX	Capital expenditure refers to investments in property, plant and equipment, and intangible assets (excluding multi-client library investments), irrespective of whether the amount is paid for in the period. The Company uses CAPEX to indicate the level of its investments in enhancing its capital assets.
EBIT	Earnings before interest and tax. The Company uses EBIT as it provides an indication of the profitability of the operating activities. The EBIT margin presented is defined as EBIT divided by net revenues.
EBIT (before non-recurring items)	Earnings before interest and tax, excluding non-recurring items
EBITDA	Earnings before interest, tax, depreciation, amortization and impairments. The Company uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past.
EBITDA (before non-recurring items)	Earnings before interest, tax, depreciation, amortization and impairments, excluding non-recurring items
Net interest bearing debt	The total book value of the Company's non-current and current debt, less the balance of cash and cash equivalents, as well as any restricted cash that is restricted for the purposes of repaying debt. The Company uses net interest bearing debt as it provides an indication of the Company's debt position by indicating the Company's ability to pay off all its debt if they became due simultaneously using only its available cash.
Non-recurring items	Impairment charges, the cost of onerous contract provisions and restructuring costs. The Company believes that non-recurring items should be identified as they are typically non-cash items that are not expected to occur infrequently and are often a result of technical accounting judgments as opposed to operational performance.
Prefunding Level	The prefunding level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multi-client library. The Prefunding Level is considered as an important measure as it indicates how the Company's financial risk is reduced on multi-client investments.
Total cash	The total of restricted and unrestricted cash held by the Company at the reporting date. The Company uses total cash as it provides an indication of the Company's complete cash position.

Parent Company Financial Statements

Statement of Comprehensive Income

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Revenues			
Operating revenues	2	38,518	36,229
Other income	2	3,983	-
Total revenues		**42,501**	**36,229**
Operating expenses			
Cost of sales		(38,198)	(40,795)
General and administrative costs	7	(8,339)	(8,175)
Depreciation and amortization	8	(2,968)	(7,885)
Impairments	9	(139,063)	(430,971)
Total Operating expenses		**(188,568)**	**(487,826)**
Operating loss		**(146,067)**	**(451,597)**
Financial expenses			
Finance costs	10	(25,295)	(17,588)
Finance income	11	4,914	14,832
Changes in fair value of financial instruments	1	6,632	13,315
Gain on financial restructuring		-	139,029
Net financial expenses		**(13,748)**	**149,587**
Loss for the period before tax		**(159,815)**	**(302,009)**
Income tax expense		-	1
Loss for the period/Comprehensive loss after tax		**(159,815)**	**(302,008)**

Statement of Financial Position

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	31-Dec-17	31-Dec-16
ASSETS			
Non-current assets			
Property, plant and equipment	8	-	24,005
Investment in subsidiaries	3	3,703	3,703
Long-term loan to subsidiaries	12	-	118,100
Total non-current assets		**3,703**	**145,808**
Current assets			
Short-term loan to subsidiaries	12	80,397	40,605
Receivable from subsidiaries	5, 12	34,177	24,919
Other current assets	4	2,610	4,971
Accounts Receivable	5, 12	57,333	68,988
Restricted cash		1,736	669
Cash and bank		2,288	720
Total current assets		**178,541**	**140,872**
TOTAL ASSETS		182,244	286,680
EQUITY and LIABILITIES			
Equity			
Issued share capital	1	15,344	5,305
Share Premium	1	614,192	586,401
Other reserves	1	24,411	29,865
Retained earnings/(loss)		(541,485)	(387,658)
Total equity		**112,463**	**233,913**
Non-current liabilities			
Bond loans	1, 5	-	34,582
Other financial liabilities	1	8,624	10,511
Total non-current liabilities		**8,624**	**45,093**
Current liabilities			
Bond loans	1, 5	48,647	-
Other interest bearing debt		-	673
Payable to subsidiaries	5, 12	6,556	2,024
Accounts payable		4,050	3,444
Other accruals and payables	6	1,905	1,534
Total Current Liabilities		**61,158**	**7,675**
TOTAL EQUITY and LIABILITIES		182,244	286,680

Statement of Cash Flows

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-17	31-Dec-16
Cash flows from operating activities			
Loss for the period		(159,815)	(302,008)
Adjustment for:			
Depreciation and amortization	8	2,968	7,885
Impairments	9	139,063	430,971
Changes in fair value of financial instruments	1	(6,632)	(13,315)
Employee share option expenses		387	422
Effect of currency (gain)/loss		876	289
Interest expense	10	22,721	15,835
Interest income	11	(4,036)	(14,396)
Gain on financial restructuring		-	(139,029)
Working capital adjustments:			
Decrease/(Increase) in current assets		12,266	10,225
Increase/(Decrease) in trade and other payables and accruals		976	1,141
Net cash flows used in operating activities		**8,774**	**(1,980)**
Cash flows from investing activities			
Payments for property, plant and equipment	8	(1,951)	(997)
Intra-group sale of property, plant and equipment	8	15,485	-
Investment in subsidiaries	3	-	(208,296)
Decrease/(increase) in intercompany receivables		(57,831)	188,623
Net cash flows (used in) from investing activities		**(44,297)**	**(20,670)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	1	39,003	-
Transaction costs on issue of shares	1	(1,173)	-
Repayment of Other interest bearing debt		(673)	(4,194)
Interest paid		(4,786)	(8,589)
Financial restructuring fees paid		-	(3,483)
Interest income	11	4,036	14,396
Decrease/(Increase) in restricted cash		(1,067)	8,681
Security deposit related to currency swaps	1	1,750	4,280
Paid towards liability under currency swaps	1	-	(8,228)
Net cash flows from (used in) financing activities		**37,090**	**2,864**
Effect of foreign currency revaluation on cash		-	(38)
Net increase/(decrease) in cash and cash equivalents		**1,567**	(19,823)
Cash and cash equivalents at the beginning of the period		720	20,543
Cash and cash equivalents at the end of the period		**2,287**	**720**

Statement of Changes in Equity

(Unconsolidated Parent Company)

For the year ended 31 December 2017

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earn-ings/ (Loss)	Total Equity
Balance as at 1 January 2017	530,472,947	5,305	586,401	29,865	(387,658)	233,913
Total comprehensive income for the year		-	-	-	(159,815)	(159,815)
Employee share options		-	-	534	-	534
Other movements*		-	-	(5,988)	5,988	-
Issue of share capital						
08 March 2017 at NOK 0.33 per share	1,000,000,000	10,000	28,853	-	-	38,853
07 April 2017 at NOK 0.33 per share	3,912,439	39	111	-	-	150
Transaction costs on issue of shares		-	(1,173)			(1,173)
Consolidation of shares						
New shares issued	4	-	-	-	-	-
10:1 Consolidation on 16-May-17	(1,380,946,851)	-	-	-	-	-
Balance as at 31 December 2017	**153,438,539**	**15,344**	**614,192**	**24,411**	**(541,485)**	**112,463**

*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 2016

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earn-ings/ (Loss)	Total Equity
Balance as at 1 January 2016	66,981,368	13,396	532,222	32,556	(88,921)	489,253
Total comprehensive income for the year		-	-	-	(302,008)	(302,008)
Employee share options		-	-	581	-	581
Other movements*		-	-	(3,272)	3,272	-
Issue of share capital						
Class B shares issued to $95m bondholders		-	-	-	-	
February 2016 at USD 0.0013 per share	265,384,592	345	26,044	-	-	26,389
Class B shares issued to 350m NOK bondholders						
February 2016 at USD 0.0013 per share	118,260,837	154	11,606	-	-	11,759
Class B shares issued to $125m bondholders						
February 2016 at USD 0.0013 per share	79,846,150	104	7,836	-	-	7,940
Merger of share classes (on 13-April-2016)						
Repurchase of Class B shares at USD 0.0013 per share	(463,491,579)	(603)	-	-	-	(603)
New ordinary shares issued at USD 0.20 per share	463,491,579	92,698	(92,096)	-	-	603
Reduction in nominal value						
15 August 2016, from USD 0.20 to USD 0.01 per share		(100,790)	100,790	-	-	-
Balance as at 31 December 2016	**530,472,947**	**5,305**	**586,401**	**29,865**	**(387,658)**	**233,913**

*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 2017. 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 21), *Other reserves* (Note 22), *Bond loans* (Note 23), *Other financial liabilities* (Note 25), *Going concern, liquidity risk and loan covenants* (Note 1.1) and *Subsequent events* (Note 30).

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. 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 provision of offshore employees' services to other Group companies.

	Year ended	
(In thousands of USD)	31-Dec-17	31-Dec-16
Crewing services provided to Group companies	37,557	36,229
In-sea equipment leased to Group companies	961	-
Other income*	3,983	-
Total	**42,501**	**36,229**

*Other income above consists of USD 3.6 million gain on sale of in-sea equipment to the Company's subsidiaries and USD 0.3 million received from insurance claims towards in-sea equipment damaged/lost.

3 Investment in subsidiaries and joint ventures

(In thousands of USD)	31-Dec-17	31-Dec-16
Unquoted equity shares in subsidiaries at cost	229,171	229,171
Unquoted equity shares in joint ventures at cost	2,800	2,800
Total	**231,971**	**231,971**
Impairments	(228,268)	(228,268)
Carrying value at the yearend	**3,703**	**3,703**

The Company's direct investment in different subsidiaries as at 31 December 2017 is as follows:

(In thousands of USD)

Name of the Subsidiary	Country of Incorporation	Equity interest as of 31-Dec-17*	Equity investments at cost 31-Dec-17	Equity investments at cost 31-Dec-16
Polarcus DMCC	UAE	100%	54	54
Polarcus 1 Limited	Cayman Islands	100%	-	-
Polarcus 2 Limited *(Liquidated during 2017)*	Cayman Islands	100%	-	-
Polarcus Samur Limited *(Liquidated during 2017)*	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 Limited	Cayman Islands	100%	760	760
Polarcus Seismic Limited	Cayman Islands	100%	-	-
Polarcus Group Services Limited *(incorporated during 2017)*	Cayman Islands	100%	-	-
Polarcus UK Limited	United Kingdome	100%	208,296	208,296
Polarcus Norway AS	Norway	100%	7,012	7,012
Polarcus Multi-Client (CY) Limited	Cyprus	100%	-	-
Polarcus Asia Pacific Pte. Limited	Singapore	100%	-	-
Polarcus Nigeria Limited	Nigeria	49%	2,800	2,800
Total			**231,971**	**231,971**
Impairments			(228,268)	(228,268)
Carrying value at the yearend			**3,703**	**3,703**

* Voting rights are equivalent to shareholding for all companies.

The Company is the ultimate parent company for the subsidiaries of directly owned subsidiaries. The non-direct subsidiaries as of 31 December 2017 is as per below:

Name of the subsidiary	Country of incorporation	Equity interest as at 31-Dec-17	Equity interest as at 31-Dec-16
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 Limiteda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc. Colombia Branch	Colombia	100%	100%
Polarcus France SAS	France	100%	100%
Polarcus Ghana Limited	Ghana	90%	90%

For details of transactions and balances with subsidiaries see Note 12 *Related parties.*

4 Other current assets

(In thousands of USD)	31-Dec-17	31-Dec-16
Cash collateral for swaps	1,370	3,120
Inventories	851	931
Prepaid expenses and deposits	88	691
Other receivables	302	230
Total	**2,610**	**4,971**

5 Other financial assets and liabilities

5.1 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-17	31-Dec-16
Trade receivables from subsidiaries	57,333	64,047
Receivable from subsidiaries	34,177	34,177
Loans to subsidiaries	80,397	211,497
Other current financial assets	1,672	3,352
Total financial assets measured at amortized cost	**173,579**	**313,073**

Financial liabilities measured at amortized cost are as per below:

(in thousands of USD)	31-Dec-17	31-Dec-16
2.875% Convertible bonds - Tranche A (refer to Note 23.2 in the consolidated financial statements)	22,901	16,427
Other interest bearing debt	-	673
Payable to subsidiaries	6,556	2,024
Accounts payable	4,050	3,444
Total financial liabilities measured at amortized cost	**33,507**	**22,567**

5.2 Fair values

	31-Dec-17		31-Dec-16	
(in thousands of USD)	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and deposits	4,024	4,024	1,389	1,389
Trade receivables from subsidiaries	57,333	57,333	68,988	68,988
Receivable from subsidiaries	34,177	34,177	24,919	24,919
Long-term loan to subsidiaries	-	-	118,100	118,100
Short-term loan to subsidiaries	80,397	80,397	40,605	40,605
Total	**175,931**	**175,931**	**254,001**	**254,001**
Financial liabilities				
2.875% convertible bonds - Tranche A	22,901	28,532	16,427	30,315
2.875% convertible bonds - Tranche B1	1,952	1,952	2,332	2,332
2.875% convertible bonds - Tranche B2	4,111	4,111	4,853	4,853
95M USD 8% senior unsecured bonds	12,314	12,314	7,040	7,040
350M NOK senior unsecured bond	7,369	7,369	3,930	3,930
Other interest bearing debt	-	-	673	673
Payable to subsidiaries	6,556	6,556	2,024	2,024
Accounts payable	4,050	4,050	3,444	3,444
Total	**59,253**	**64,883**	**40,722**	**54,611**

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.

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.

6 Other accruals and payables

(In thousands of USD)	31-Dec-17	31-Dec-16
Employee accruals and payable	1,239	868
Accrued interest	666	666
Total	**1,905**	**1,534**

7 General and administrative costs

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Salaries and other employee benefits	746	880
Other general and administrative expenses	7,592	7,295
Total	**8,339**	**8,175**

7.1 Salaries and other employee benefits

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Salaries and bonus	25,814	30,348
Social security costs	51	105
Pension costs	1,484	1,350
Other benefits	1,734	5,339
Crew travel related costs	3,499	4,247
Employee salaries and benefits included in cost of sales	(31,836)	(40,509)
Total	**746**	**880**

8 Property, plant and equipment

(In thousands of USD)

	In-sea equipment
Year ended 31 December 2017	
Costs	
Balance at 1 January 2017	88,754
Additional capital expenditures	1,951
Balance as of 31 December 2017	90,705
Depreciation and impairment losses	
Balance at 1 January 2017	64,749
Depreciation for the period	2,968
Disposals	15,485
Impairments	7,502
Balance as of 31 December 2017	90,705
Carrying amounts	
As of 1 January 2017	24,005
As of 31 December 2017	-
Year ended 31 December 2016	
Costs	
Balance at 1 January 2016	89,162
Additional capital expenditures	997
Balance as of 31 December 2016	90,159
Depreciation and impairment losses	
Balance at 1 January 2016	57,493
Depreciation for the period	7,885
Impairments	-
Disposals	776
Balance as of 31 December 2016	66,154
Carrying amounts	
As of 1 January 2016	31,669
As of 31 December 2016	**24,005**

During Q1 2017, the Company sold in-sea equipment with carrying value of USD 15.5 million to its different subsidiaries for a total consideration of USD 19.1 million, being the estimated fair value of equipment sold calculated using a depreciated replacement cost method. The profit on such sale is disclosed as "Other income" in the Company's statement of comprehensive income. Also refer to Note 2 *Revenues*.

Based on the impairment assessment carried out as at 31 December 2017 using the Value in Use (VIU) method, the Company impaired 100% of the carrying value of its remaining in-sea equipment (USD 7.5 million).

9 Impairments

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Impairment of in-sea equipment (also refer to Note 8)	7,502	776
Impairment of loans to and receivables from subsidiaries	131,561	220,679
Impairment of investment in subsidiaries and joint ventures	-	209,516
Total	**139,063**	**430,971**

10 Finance costs

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Interest expenses on bond loans	21,929	14,931
Interest expenses on Other interest bearing debt	3	51
Other finance costs	789	853
Currency exchange losses	2,574	1,753
Total	**25,295**	**17,588**

11 Finance income

(In thousands of USD)	Year ended 31-Dec-17	31-Dec-16
Interest income from loans to subsidiaries	3,978	14,361
Interest income from deposit with banks	58	35
Foreign currency exchange gains	878	435
Total	**4,914**	**14,832**

12 Related parties

12.1 Transactions with subsidiaries

Below is a summary of the Company's transactions with its subsidiaries during the year ended 31 December 2017 and balances due to and from other Group companies in the ordinary course of Company's business as at the yearend.

(In thousands of USD)	31-Dec-17	31-Dec-16
Services received from subsidiaries	1,650	1,368
Services provided to subsidiaries	38,518	36,229
Payable to subsidiaries	6,556	2,024
Receivable from subsidiaries	91,510	93,906

Services received from subsidiaries mainly represent the management services provided by Polarcus DMCC, one of the Company's 100% directly owned subsidiaries.

During 2017, the Company provided crewing services and leased out in-sea equipment to its different subsidiaries. Also refer to Note 2 *Revenues* for details.

In addition to the above services provided to the subsidiaries, during Q1 2017, the Company sold in-sea equipment with carrying value of USD 15.5 million to its different subsidiaries for a total consideration of USD 19.1 million, being the estimated fair value of equipment sold calculated using a depreciated replacement cost method. The profit on such sale is disclosed as "Other income" in the Company's statement of comprehensive income.

The amounts payable to and receivable from the subsidiaries are non-interest bearing and are expected to be settled within 12 months from the reporting date.

12.2 Loans to subsidiaries

(In thousands of USD)	31-Dec-17	31-Dec-16
Long term loans		
Polarcus UK Limited (interest free)	-	118,100
Total long term loans	**-**	**118,100**
Short term loans		
Polarcus Selma Limited (interest at LIBOR+4%)	32,097	40,605
Polarcus Asima AS (interest at LIBOR+4%)*	17,000	-
Polarcus Shipholding AS (interest at LIBOR+4%)*	31,300	-
Total short term loans	**93,397**	**40,605**
Total loans to subsidiaries	**211,497**	**158,705**

*These loans were granted during the year ended 31 December 2017 and are repayable on demand.

During the year ended 31 December 2017, the Company received part repayment of USD 8.5 million from the loan provided to Polarcus Selma Limited.

The Company impaired USD 131.1 million of loan provided to Polarcus UK Limited as the timing and amounts of repayment are highly uncertain. Also refer to Note 9 *Impairments*.

13 Subsequent events

As at 31 December 2017 the Company had employed 259 offshore employees. During Q1 2018, the employment agreements for all of these employees were transferred to Polarcus Group Services Limited, a 100% directly owned subsidiary of the Company. Subsequently, the Company stopped providing crewing services to other Group companies.

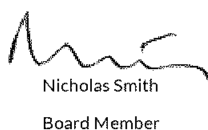
14 Authorization of financial statement

The unconsolidated financial statements of the parent company Polarcus Limited for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the directors on 12 April 2018.

Peter Rigg
Chairman

Karen El-Tawil
Board Member

Peter Zickerman
Board Member


Nicholas Smith
Board Member

Tom Henning Slethei
Board Member

Erik Mathiesen
Board Member

Duncan Eley
CEO

95

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

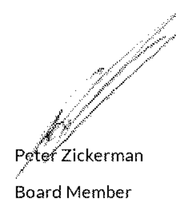
We confirm that, to the best of our knowledge, the separate financial statements for the parent company and the consolidated financial statements for the Group for the year ended 31 December 2017 have been prepared in accordance with IFRS and give a true and fair view of the Company's and the Group's 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.

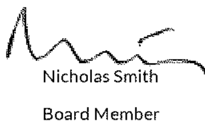
12 April 2018

The Board of Directors of Polarcus Limited

Peter Rigg
Chairman

Karen El-Tawil
Board Member


Peter Zickerman
Board Member


Nicholas Smith
Board Member

Tom Henning Slethei
Board Member

Erik Mathiesen
Board Member

Duncan Eley
CEO

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Limited, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Polarcus Limited present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessment of vessels for the Group

The continued weak market conditions triggered an impairment of the Polarcus' vessels. The impairment evaluation is dependent on a range of assumptions such as utilization, day rates and useful lives, all affected by future market developments and economic conditions and future operational costs and vessel maintenance expenses. The impairment valuation of the vessels is a key audit matter due to management's judgments involved in establishing the assumptions. The Group recognized an impairment of USD 77 million in the 2017 consolidated financial statements. The book value of the vessels after the impairment is USD 324 million.

Our audit procedures included an evaluation of key assumptions in the cash flows projected by management through comparing the assumptions to data from comparative companies and external analyst reports for the industry. We compared operating expenditures to approved budgets, to historical data and to the long-term market expectations for the industry. Furthermore, we compared the risk

premiums in the weighted average cost of capital with external data, and considered management's adjustments for company specific factors. We considered the accuracy of management's prior year forecasts, evaluated the level of consistency applied in the valuation methodology from previous years and tested the mathematical accuracy of the valuation model. We have also compared the management's value in use calculations with third party valuation reports and analysts' reports obtained by Polarcus.

Refer to note 4.1.1 "Impairment assessment of vessels and seismic equipment" and 17 "Property, plant and equipment" to the consolidated financial statements for the disclosures regarding those assumptions applied, valuation model, sensitivity to key assumptions and the impairment losses of vessels recorded.

Impairment assessment of multi-client library for the Group

The continued weak market conditions for multi-client surveys triggered an impairment of multi-client library. The impairment assessment of Polarcus' multi-client library is a key audit matter due to the significant management judgment involved related to future sales forecast based on the market conditions. The Group recognized an impairment of USD 12 million in the 2017 consolidated financial statements. The book value of the multi-client library is USD 10 million after the impairment.

We evaluated management's assessment of impairment indicators for the multi-client libraries. Our audit procedures included evaluation of historical accuracy of prior year's assumptions, evaluation of the assumptions used by comparing them with sales forecasts provided by internal sales representatives and the assumptions for the years 2018-2023 as estimated by management based on developments and expectations in the seismic industry. Furthermore, we evaluated the valuation methodology, accuracy of management's prior year forecasts and the discount rate applied in the value in use model.

Refer to note 4.1.2 "Impairment assessment of Multi-Client projects library" and 10 "Multi-Client projects library" to the consolidated financial statements for the disclosures regarding those assumptions applied, valuation model and the impairment losses of multi-client libraries recorded.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 12 April 2018
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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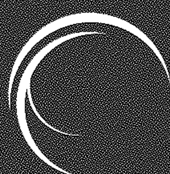


Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	10.03.2010	12.04.2010
Telefon	Deres referanse	Vår referanse
22078139	Anders Gøbel	2010/302235

ERNST & YOUNG AS
Oslo Atrium Postboks 20
0051 OSLO

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Polarcus Nadia AS, org. nr. 994 063 901

Det vises til Deres brev av 10. mars 2010. De søker på vegne av Polarcus Nadia AS om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk.

Polarcus Nadia AS er 100 % eiet av Polarcus UK Ltd., et engelsk selskap, som igjen er eiet av konsernspissen Polarcus Limited (registrert på Cayman Islands). Her er også de fleste av gruppens selskaper etablert. Polarcusgruppen ble notert på Oslo Børs Axess den 30. september 2009. Selskapets største eiere er utenlandske. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss.

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:
"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. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon. Søkeren må som et utgangspunkt for vurderingen ha en særlig interesse for kun å utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk.

Postadresse
Postboks 9200 Grønland
0134 Oslo
skattedirektoratet@skatteetaten.no

Besøksadresse
Fredrik Selmers vei 4
Org. nr: 974761076

Sentralbord
800 80 000
Telefaks
22 17 08 60

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Polarcus Nadia AS er 100 % eiet fra utlandet. Konsernspissen er hjemmehørende på Cayman Island. De fleste av gruppens selskaper er også etablert der. Polarcusgruppen ble notert på Oslo Børs Axess den 30. september 2009. Selskapets største eiere er utenlandske. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss.

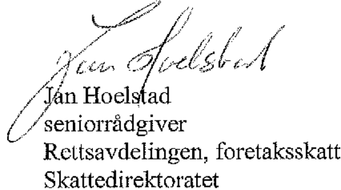
Skattedirektoratet legger derfor til grunn at det i dette tilfellet ikke syntes å være brukere av selskapets regnskapsinformasjon som foretrekker å få dette på norsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Polarcus Nadia AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet, og at øvrige opplysninger som vedtaket baserer seg på ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen



Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	10.03.2010	12.04.2010
Telefon	Deres referanse	Vår referanse
22078139	Anders Gøbel	2010/302206

ERNST & YOUNG AS
Oslo Atrium Postboks 20
0051 OSLO

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Polarcus Naila AS, org. nr. 995 097 893

Det vises til Deres brev av 10. mars 2010. De søker på vegne av Polarcus Naila AS om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk.

Polarcus Naila AS er 100 % eiet av Polarcus UK Ltd., et engelsk selskap, som igjen er eiet av konsernspissen Polarcus Limited (registrert på Cayman Islands). Her er også de fleste av gruppens selskaper etablert. Polarcusgruppen ble notert på Oslo Børs Axess den 30. september 2009. Selskapets største eiere er utenlandske. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss.

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:
"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. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon. Søkeren må som et utgangspunkt for vurderingen ha en særlig interesse for kun å utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk.

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Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Hoclstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Naila AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Naila AS, which comprise the balance sheet as at 31 December 2017, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements 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 2017 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 21 June 2018
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)