Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	998 025 966
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	POLARCUS AMANI AS
Forretningsadresse:	c/o Wikborg Rein Advokatfirma AS Dronning Mauds gate 11 0250 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2016 - 31.12.2016

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:	27.06.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

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, 24.08.2019

Resultatregnskap

Beløp i: USD	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5	5 068 000	34 574 000
Sum inntekter		**5 068 000**	**34 574 000**
Kostnader			
cos		7 096 000	5 460 000
g&a		991 000	1 258 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	6	7 926 000	12 280 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		0	48 558 000
Sum kostnader		**16 013 000**	**67 556 000**
Driftsresultat		**-10 945 000**	**-32 982 000**
Finansinntekter og finanskostnader			
Annen finansinntekt		22 000	5 000
Sum finansinntekter		**22 000**	**5 000**
Annen finanskostnad	10	7 277 000	7 871 000
Sum finanskostnader		**7 277 000**	**7 871 000**
Netto finans		**-7 255 000**	**-7 866 000**
Ordinært resultat før skattekostnad		**-18 200 000**	**-40 848 000**
Ordinært resultat etter skattekostnad		**-18 200 000**	**-40 848 000**
Årsresultat		**-18 200 000**	**-40 848 000**
Overføringer og disponeringer			
Udekket tap		-18 200 000	-40 848 000
Sum overføringer og disponeringer		**-18 200 000**	**-40 848 000**

Balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	6	79 655 000	86 998 000
Sum varige driftsmidler		**79 655 000**	**86 998 000**
Sum anleggsmidler		**79 655 000**	**86 998 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		0	0
Andre fordringer		1 280 000	1 612 000
Konsernfordringer	12	23 700 000	33 085 000
Sum fordringer		**24 980 000**	**34 697 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		219 000	21 000
restricted cash		7 000	0
Sum bankinnskudd, kontanter og lignende		**226 000**	**21 000**
Sum omløpsmidler		**25 206 000**	**34 718 000**
SUM EIENDELER		**104 861 000**	**121 716 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	29 000	17 000
Overkurs	7	62 597 000	3 000
Sum innskutt egenkapital		**62 626 000**	**20 000**

Balanse

Beløp i: USD	Note	2016	2015
Opptjent egenkapital			
Udekket tap		61 002 000	42 802 000
Sum opptjent egenkapital		**-61 002 000**	**-42 802 000**
Sum egenkapital		**1 624 000**	**-42 782 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	12	0	54 770 000
Sum annen langsiktig gjeld		**0**	**54 770 000**
Sum langsiktig gjeld		**0**	**54 770 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	9	80 486 000	82 359 000
Leverandørgjeld		1 610 000	267 000
Kortsiktig konserngjeld	12	19 392 000	25 895 000
Annen kortsiktig gjeld		1 749 000	1 206 000
Sum kortsiktig gjeld		**103 237 000**	**109 727 000**
Sum gjeld		**103 237 000**	**164 497 000**
SUM EGENKAPITAL OG GJELD		**104 861 000**	**121 715 000**

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	26.06.2013	01.07.2013
Telefon	Deres referanse	Vår referanse
22078139	Anders Gøbel	2013/510636

ERNST & YOUNG AS
Postboks 20 Oslo Atrium
0051 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Polarcus Amani AS, org. nr. 998 025 966

Det vises til deres brev mottatt 26. juni 2013 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Polarcus Amani AS.

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

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn
Polarcus Amani AS ble stiftet 8. februar 2012 og registrert i Foretaksregisteret 6. mars 2012. Polarcus-gruppens konsernspiss er etablert på Cayman Islands. Her er også de fleste av gruppens selskaper etablert. Polarcus Amani AS er 100 % eiet av Polarcus Shipholding AS som igjen er 100 % eid av Polarcus UK Limited, et engelsk selskap, som igjen er eiet av konsernspiss Polarcus Limited Gruppen ble notert på Oslo Børs Axess den 30. september 2009 og på Oslo Børs Primærliste 20. juni 2012. Tidligere har andre norske konsernselskaper fått tillatelse til å benytte engelsk språk. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss. Selskapet er et seismikkselskap. Dette er en internasjonal bransje og alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Selskapet har engelsk som arbeidsspråk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

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

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

Postadresse
Postboks 9200 Grønland
0134 Oslo
For elektronisk henvendelse se www.skatteetaten.no

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318

Sentralbord
800 80 000
Telefaks
22 17 08 60

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

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

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

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er indirekte eiet av et utenlandsk selskap. Eierkretsen er således begrenset. Selskapet har ingen ansatte og er finansiert gjennom egenkapital og lån fra morselskapet og konsernspiss. Selskapets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Adira AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Adira AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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

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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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Alima AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Alima AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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

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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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Amani AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Amani AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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Other information

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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Opinion on registration and documentation

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Oslo, 28 June 2017
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Asima AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Asima AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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

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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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Nadia AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Nadia AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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

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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:

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- 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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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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 statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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

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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;
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- 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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Norway AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Norway AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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.

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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

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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.

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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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Shipholding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Polarcus Shipholding AS, which comprise the statement of financial position as at 31 December 2016, 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 2016 and its financial performance 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 (management) 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.

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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

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

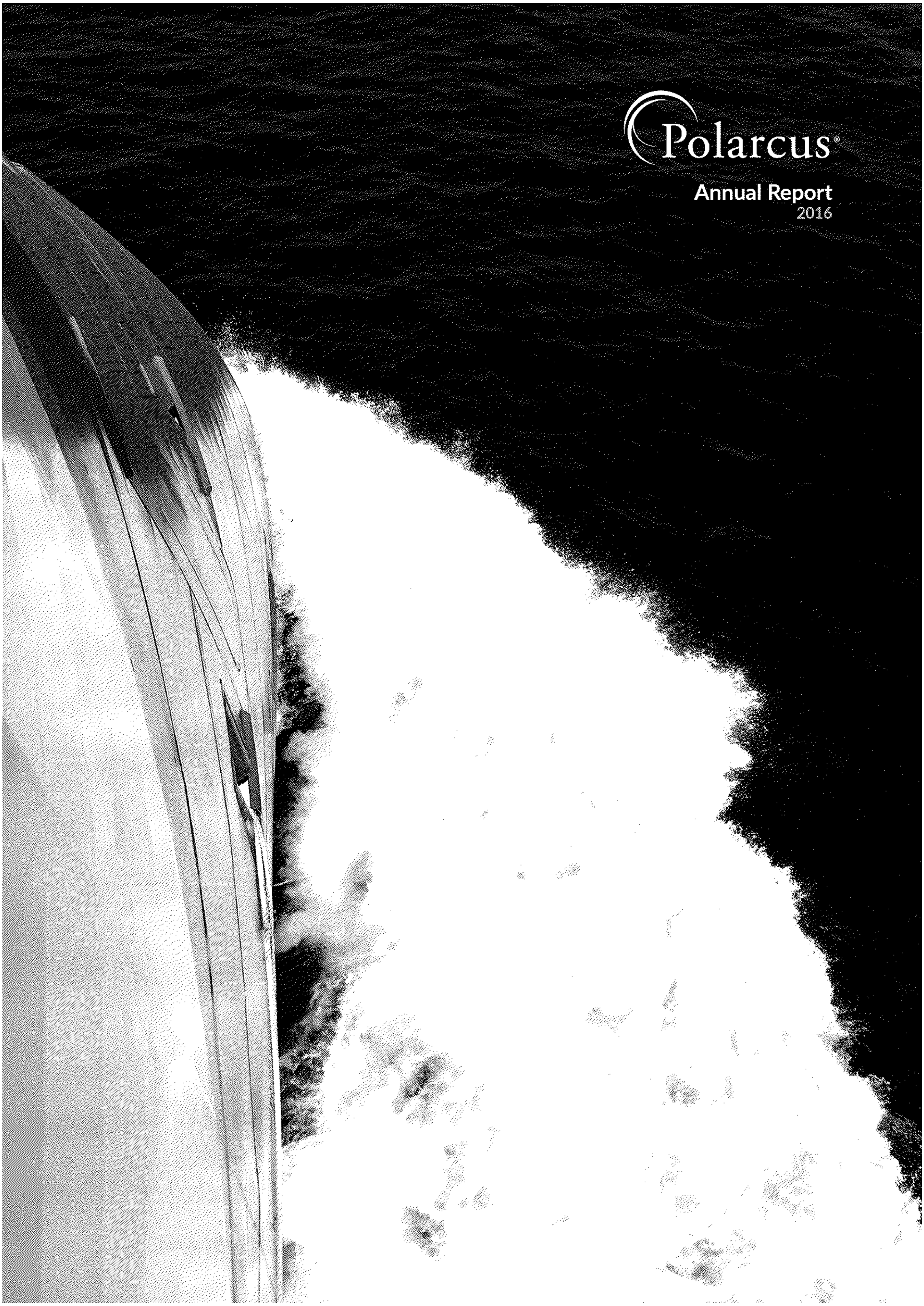
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that 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, 28 June 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)


Polarcus®
Annual Report
2016

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

Index

Polarcus in 2016

Focused leader in marine seismic acquisition

Key Financial Figures

(In millions of USD)

Revenue
243.4

Net profit
20.3

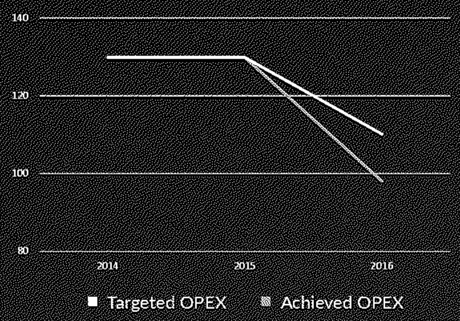
EBITDA
0.9

EBIT
(131.3)

Cash from Operations
48.1

Lowest Cost Operator

We have focused strongly on lowering the operating cost of our business, and through 2016 we managed to beat our own estimates by ~10% making Polarcus the lowest cost provider in the industry with an average daily OPEX per vessel of USD 98,000. This was achieved despite several projects being executed in new and more remote regions where operating costs are typically higher.



Innovation driving utilization

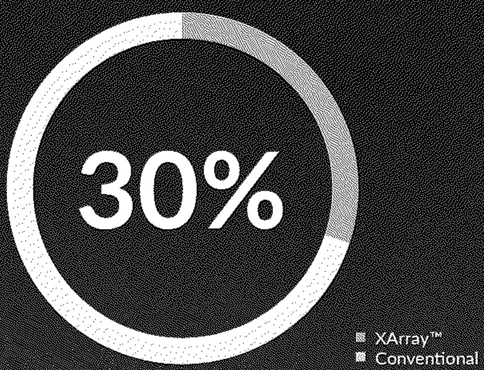
Securing industry-leading backlog for the Polarcus fleet has been critical during 2016. Our regionalized sales teams have worked extremely hard to maintain and build our booked capacity, against the backdrop of a prolonged market downturn. We are proud to have achieved 83% utilization for the full year, which is significantly above industry average.

These solid utilization numbers are largely due to the safe, efficient and reliable operational performance of our fleet, earning us repeat business from key major clients. Our continued focus on innovation has further differentiated our service offering which has also been key to securing contract awards for new clients in new geographies across the globe.

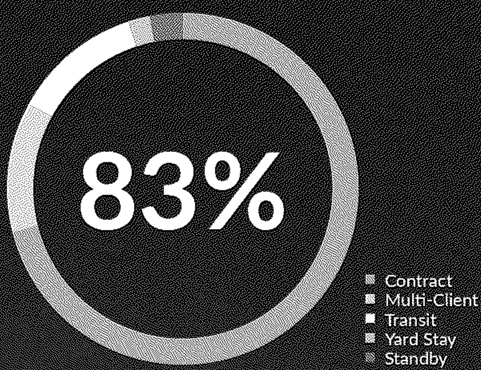
Polarcus XArray™ continued to gain traction with more than 30% of all contract square kilometers acquired by Polarcus during 2016 using this acquisition methodology. XArray™ utilizes Triple or Penta-source configurations to deliver an optimal combination of excellent data quality and improved acquisition efficiency to our clients. Increasing the number of sources improves data quality through improved sampling and image resolution for any given streamer configuration.

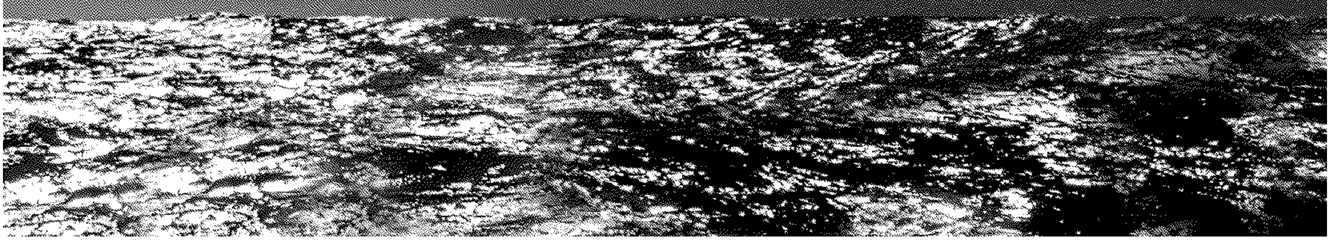
We are excited to see more clients recognize the benefits of using the Polarcus XArray™ configurations rather than simplistically adding excess streamers to improve productivity, which has been the focus of the marine seismic industry for quite some time. Through deploying less equipment in the water, Polarcus XArray™ enables optimization of existing capex inventories, thus reducing financial exposure to our investors. Importantly, this innovative technique also reduces EHSQ (Environmental, Health, Safety & Quality) exposure of field crews with less in-sea equipment requiring less maintenance and associated activities.

Total Sq. km Acquired in 2016



Fleet Utilization 2016





Chairman's letter

2016 was another difficult year for our industry but, despite this, we are proud of what Polarcus has achieved. We began the year with a restructured balance sheet which provided us with increased financial headroom. This enabled us to concentrate on our core business, making the myriad changes and improvements essential to maximizing efficiency. We have been able to report the best utilization numbers in the industry, beating the industry average by almost double digits. Our advanced technology and first rate safety and environmental performance has resulted in repeat business in most parts of the world from some of the industry's largest and most demanding clients.

The market challenges of 2016 put immense pressure on all stakeholders, none more so than our employees. Our market shows few signs of improving in the near future but the extraordinary efforts which our management and employees made during the year have created a stronger and more resilient company. Through their efforts we are better able to face the continuing challenges of the New Year. Despite the oil price increasing slightly during 2016, we are yet to reach price and depletion levels sufficient to see customers significantly increase their exploration spending.

Complementing our strengthened balance sheet, reduced cost base and increased efficiency, we have entered into long-term strategic partnerships designed to guarantee future utilization for part of our fleet. These provide us with the visibility needed to make strategic decisions about the positioning and marketing of our remaining vessels. The private placement of equity completed at the beginning of 2017 demonstrated support from both new and existing shareholders and the continuing confidence of our lenders.

This strengthening and streamlining of Polarcus was initiated and led by the company's CEO Rod Starr. Together with his executive team, Rod has, during the past two years, reshaped and repositioned the company and has established a solid foundation for future growth. Rod is now handing over the reins to Duncan Eley who steps up from his position as COO, a role he has held since 2013. The Board is grateful to Rod for his contribution and for developing our current depth of executive talent. Duncan inherits a supportive Board, the same strong executive team and a group of loyal, talented and hardworking employees. We wish him every success.

We are grateful to our financing partners, advisers and customers who continue to support Polarcus. We appreciate the immense effort and commitment of our employees and the support of all of our shareholders. We are aware that the market downturn has been challenging to both groups but we thank you and we look forward to the challenges of the coming year with confidence.

Peter Rigg
Chairman

CEO's letter

Polarcus delivered strongly in 2016 against the backdrop of another tough year for the oil and gas service industry. In spite of challenging market conditions, with reduced demand for seismic services and over supply of seismic vessels, Polarcus employees pulled together to excel in all of the areas within our control.

The Company continued to pursue and successfully secure project awards, and significantly increased its share of the proprietary contract market during the year. The extensive list of 2016 contract awards is testament to what Polarcus continues to do right. Three key characteristics are evident in the work we secured during 2016. First, we saw an increase in demand for technically advanced projects - a demand that was met with our XArray™ acquisition methodology - as well as awards for complex, 4D acquisition projects. More than 30% of our contract work during 2016 was acquired with XArray™, confirming an expanding market uptake. Secondly, awards included long-term contracts with multiple vessels committed for multiple years of work. This is important as it provides the Company with a longer-term view, in a short-term market, of committed revenues and cash flows. Finally, and as a real tribute to the Company's continued operational and EHSQ excellence, all of the contract awards secured during the second half of the year were for repeat customers.

Cost management remained a key focus for the Company in 2016. Building on our reduced cost base from 2015, which was 20% below the previous year, we continued to generate considerable efficiencies across the full supply chain. Our 2016 gross cost of sales was down a further 20% from 2015 with overhead down 10% year-over-year. Going into 2017, the market outlook continues to look challenging. In light of this, the company took measures to strengthen its balance sheet through a private placement equity raise completed in Q1 2017, accompanied by continued support from our lenders through reduced debt service payments until 2019. The private placement was significantly oversubscribed, reinforcing the Company's strong fundamentals. This new capital injection and finance cost reduction will provide approximately USD 80 million of additional liquidity for the Company through 2017 and 2018.

Polarcus is a lean and highly effective organization with the lowest cost base in the industry, and with excellence at the forefront of our commitment to deliver the highest quality products and services to our clients. We are a leader in health and safety performance and we stand alone with our Explore Green™ environmental agenda.

We have demonstrated robust performance across all areas of the business, and we continue to build on our strengths so we remain positioned to succeed in any market. Despite the continued challenging market conditions, we also remain true to our Core Values: Responsibility, Innovation and Excellence - which we practice in everything we do, every day. You will see the Polarcus Core Values shine through as you read the 2016 Annual Report.

As we look ahead, we say goodbye to Rod Starr, CEO of Polarcus from February 2015 until March 2017. Rod has been a highly effective change-agent during his time with Polarcus and has transformed the Company, establishing a solid foundation for future success. I thank Rod for his substantial contribution to the Company over the past two years.

I would also like to thank our clients for their continued trust and support and, above all, thank our employees for their tireless commitment and extraordinary efforts, which enables Polarcus to continue to be THE best marine geophysical company in the world. With the continued support of our clients, employees and shareholders, I am confident that Polarcus will capture the opportunities ahead for the benefit of all our stakeholders.

Duncan Eley
CEO

Excellence in our delivery

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.

Marine Contract

Polarcus is the leading player in the contract seismic market offering exclusive seismic surveys to oil and gas exploration companies globally.

Multi-Client

Polarcus develops high quality multi-client projects in-house. From inception through to final data products, each project is supported by a sound business case for success, taking into consideration factors such as prospectivity and acreage availability.

Geophysical & Imaging Services

Our highly experienced geophysical team and data processing experts focus on delivering tailor-made solutions to our clients, in order to overcome geological challenges and achieve their geophysical objectives.

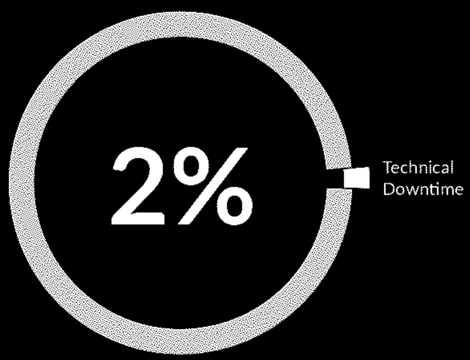
Marine Operations

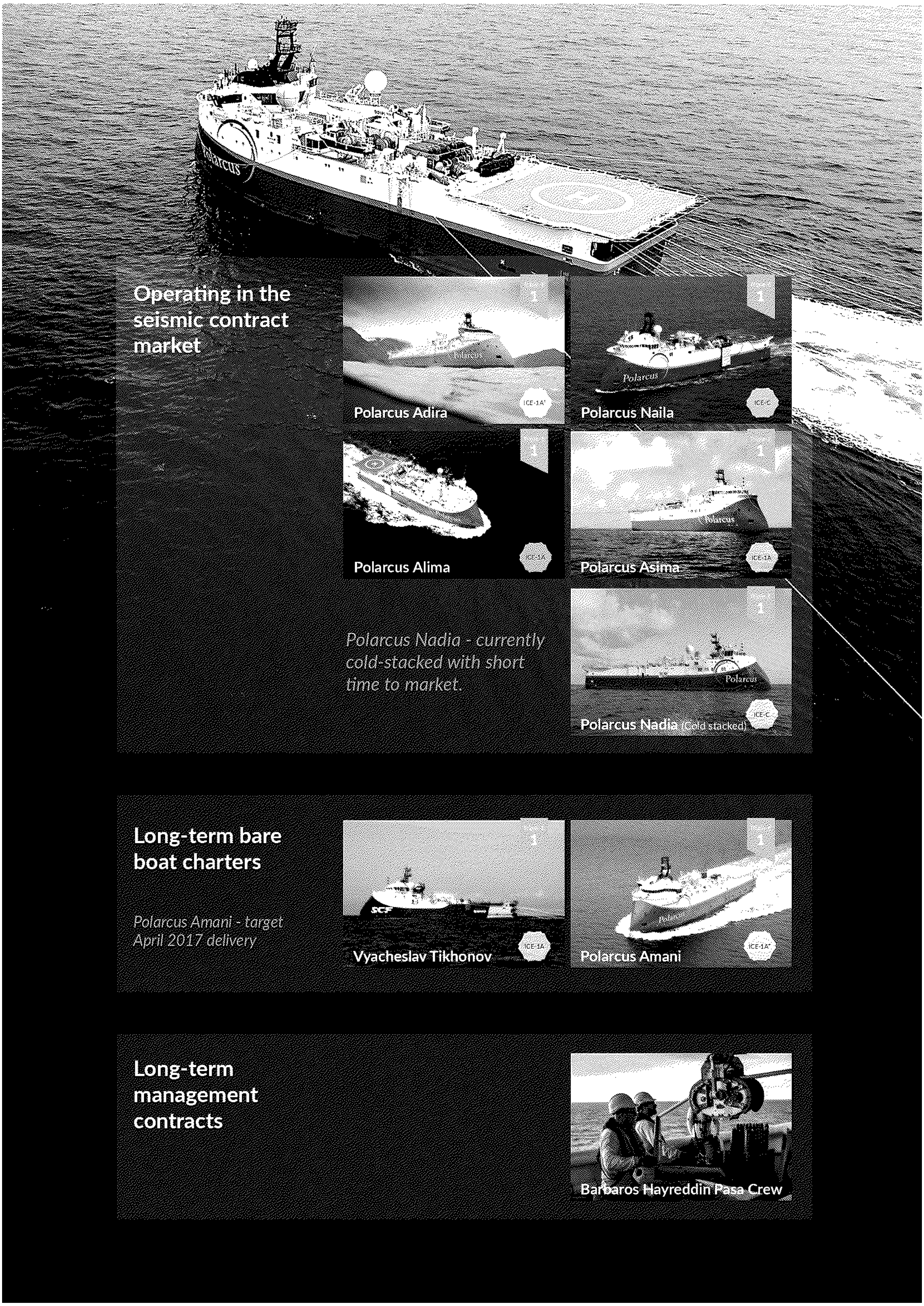
Operating with the industry's youngest and most uniform fleet, we are able to offer safe, efficient and environmentally sound seismic acquisition with the lowest operating cost in the industry.

Polarcus Fleet

Polarcus operates the youngest and most uniform seismic fleet in the industry, all equipped with unique environmental credentials and industry-leading Ice Class rating. By streamlining our organization and optimizing our operations, we have achieved the lowest operating cost among our peers and a technical downtime of ~2% in 2016. We are proud to say that we operate the most efficient seismic fleet in the industry.

Four vessels are currently (as of Q1 2017) operated by Polarcus, one vessel is on long-term bare boat charter to Sovcomflot with an additional vessel to be delivered in April, and one vessel which is owned by Turkish Petroleum is under a long-term seismic management contract.




Operating in the seismic contract market
Polarcus Adira
Polarcus Naila
Polarcus Alima
Polarcus Asima
Polarcus Nadia - currently cold-stacked with short time to market.
Polarcus Nadia (Cold stacked)
Long-term bare boat charters
Polarcus Amani - target April 2017 delivery
Vyacheslav Tikhonov
Polarcus Amani
Long-term management contracts
Barbaros Hayreddin Pasa Crew

Responsibility at our core

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

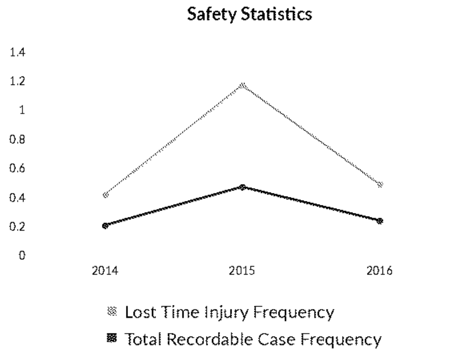
To achieve this vision we are committed to being at the leading edge of geophysical, maritime and technological innovation. We have set ourselves an ambitious environmental agenda that aims to minimize our environmental footprint through a combination of reduction, recycling and emissions monitoring.

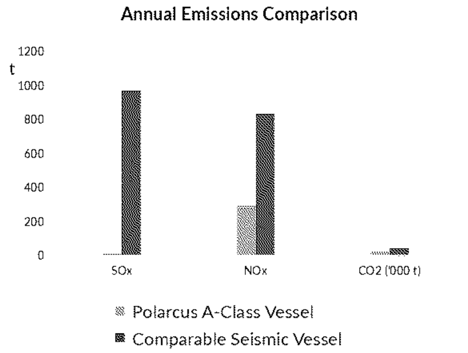
Safety for our people

Monitoring safety, security, and health conditions across our areas of operation, and in all Polarcus support locations, is the key to protecting the well-being of our people and mitigating risk. With more than four million exposure hours for our people in 2016, a critical focus on internal safety awareness performance was essential. In addition, ongoing EHSQ safety initiatives and partnerships with a number of key clients, enabled our safety culture to further evolve.

Care for our environment

In support of our vision, we have a DNV GL certified emissions monitoring and measuring tool. This verifies our ability to model the predicted gaseous emissions footprint for any project, then perform post-project analysis and reporting against the actual emissions measurements. For each project, an Emissions Certificate is produced and made available to our clients.





435 Employees

319 Field Based

116 Office Based

Read more in our 2016 CSR report >>

10


Polarcus
TEGERA

Board of Directors

Erik M Mathiesen *(b. 1970)*

Erik M Mathiesen is the SVP Business Development at Siem Industries. Previously a founding partner of Storm Capital Management, London, an independent asset management firm focusing on energy, transportation and real estate in the Nordics. He was also CEO of Storm Real Estate ASA. 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. Erik Mathisen owns 750,000 shares in the Company.

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 Ltd. where he held the position as Executive Vice President & Head of Strategic Investments until February 2016, and was also a member of the board between 2008 and 2012. His experience covers both maritime and seismic operations, strategy and commerce. Peter holds a B.Sc. in Marine Engineering from Kalmar Maritime Academy, Linnaeus University, Sweden. Peter Zickerman owns 89,201,798 shares in the Company.

Tom Henning Slethei *(b. 1974)*

Tom Henning Slethei has been an investor in the stock and bond market over almost 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. Tom Henning owns 47,430,114 shares in the Company.

Peter Rigg Chairman *(b. 1948)*

Peter Rigg has an extensive background in investment banking with more than 25 years' experience working in Asia and Europe, principally for Credit Suisse First Boston as a Worldwide Managing Director responsible for Asian Equity Capital Markets. Peter is a qualified Solicitor. He is currently the non-executive Chairman of MXC Capital plc, an AIM listed technology investment company and is a non-executive Director of Schroder's Oriental Income Fund where he serves as Chairman of the Audit and Management Engagement Committees. Peter is also a member of the Advisory Board of South West Energy, a privately owned company with oil interests in Ethiopia. Peter Rigg owns 793,488 shares in the Company.

Karen El-Tawil *(b. 1961)*

Karen El-Tawil has spent 30 years in the seismic industry. She was most recently VP Business Development for TGS-NOPEC Geophysical Company ASA, responsible for investor relations, M&A and corporate marketing. Previously she has managed multi-client sales for TGS, and exploration services and multi-client sales for Schlumberger Geco-Prakla. She has extensive experience of the international geophysical sector. She has a degree in earth science and mathematics from Adrian College, Michigan. Karen is a Board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange. Karen El-Tawil owns 42,500 shares in the Company.

Nicholas Smith *(b. 1952)*

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 AIM listed companies. He is currently Chairman of Aberdeen New Thai Investment Trust; Chairman of Schroder Asia Pacific Investment Fund, where he was previously Chair of Audit and Senior Independent Director; and a board member for JPMorgan European Small Companies Investment Trust PLC where he is also Chair of Audit. Nicholas Smith owns 0 shares in the Company.

Arnstein Wigestrand *(b. 1957)*

Arnstein Wigestrand has more than 20 years' working experience in the upstream and downstream oil industry which started as a geologist/geophysicist with Statoil followed by a number of years with Saga Petroleum. He has worked as an oil service analyst for a decade for Handelsbanken and SEB Enskilda. Arnstein is currently an independent adviser and investor. He holds a graduate engineering degree from Norges Tekniske Høgskole and a business degree from Institut Français du Pétrole. Arnstein is currently chairman of Haukeli Invest AS and SP Capital 23 AS. Arnstein Wigestrand owns 0 shares in the Company.

Chris Kelsall resigned from the Board of Directors of Polarcus as of 30 January 2017.

Executive Management

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 0 shares and holds 500,000 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 37,500 shares and holds 1,183,500 options in the Company.

Duncan Eley *(b. 1972)*

CEO (As of 17 March 2017)

Duncan has over 18 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 50,000 shares and holds 1,358,000 options in the Company.

Caleb Raywood *(b. 1970)*

General Counsel

With almost 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 0 shares and holds 500,000 options in the Company.

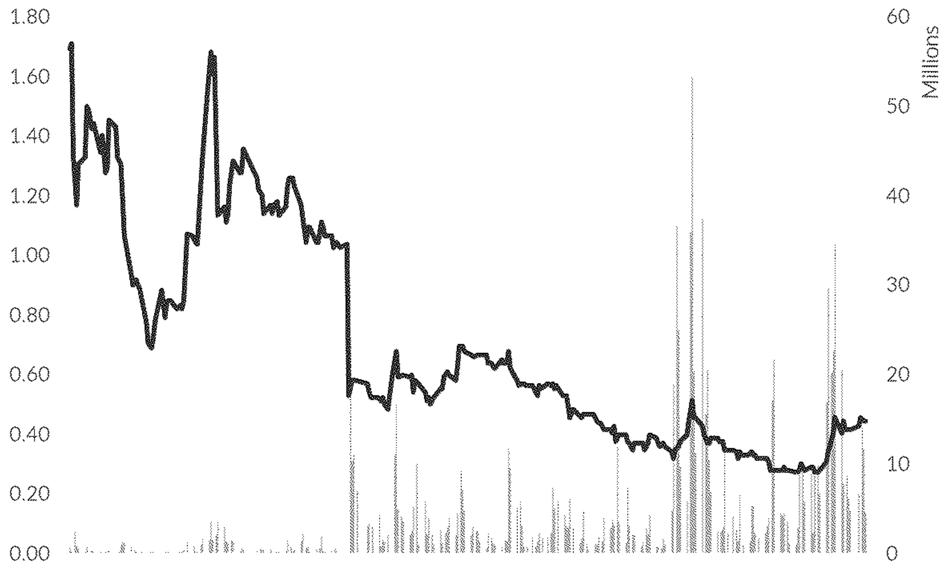
The Polarcus Share

Share Information

Shares in Polarcus are listed on the Oslo Børs under the ticker symbol 'PLCS'. During the year of 2016, a total of 1.2 billion Polarcus shares were traded at a value of NOK 560 million. This means that more than 200% of the total number of shares outstanding in Polarcus were traded during the period in over forty thousand share transactions. At the end of the year 2016, Polarcus had a market capitalization of NOK 235 million.

Share Capital

The issued and paid up share capital of the Company as of 31 December 2016 was USD 8,347,097.8 divided into 756,341,579 shares of a nominal or par value of USD 0.01 each.



Board of Directors' Report

Polarcus' achievements in 2016 include high vessel utilization, expanding into new markets and increased demand for XArray™ technology. The year was also marked by continued reduction across the Company's cost base as well as a restructuring of the balance sheet. The Company is well positioned to navigate the continued challenging market environment going in to 2017.

Key financials

	Year ended	
(In millions of USD)	2016	2015
Revenues	243.4	377.5
EBITDA (before non-recurring items)	51.4	157.0
EBITDA	0.9	142.8
EBIT (before non-recurring items)	(54.1)	15.4
EBIT	(131.3)	(314.3)
Net profit / (loss) for the period	20.3	(374.1)
Basic earnings/(loss) per share (USD)	0.046	(5.585)
Net cash flows from operating activities	48.1	167.5
Total assets	571.9	848.2
Total liabilities	393.1	736.3
Total Equity	178.8	111.9
Equity Ratio	31%	13%
Property, plant & equipment cash investment	16.4	15.1
Multi-Client projects cash investment	44.6	97.0
Total cash	14.5	68.5
Net interest bearing debt	270.7	588.1

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

1. Operations and market

- Delivered high fleet utilization and increased contract market share
- Industry leading technical downtime less than 2%
- Extended footprint into new countries, including Brazil, Colombia, Malta and Indonesia
- Expanded XArray™ technology acceptance in all regions

The Group currently controls a fleet of seven high-end 3D vessels. Five vessels are Polarcus-owned and two are chartered on operational leases. One of the vessels in the Group's fleet has been on a long-term bareboat charter since 2011, and another vessel is expected to commence a five and a half year bareboat charter in April 2017. Four of the vessels in the fleet are operated in the contract and multi-client market, while one of the vessels from the Group's fleet has been cold-stacked since Q1 2015.

As of Q1 2017, the number of active 3D seismic vessels worldwide, capable of towing more than 8 streamers, is estimated at around 30. This number has reduced from more than 40 vessels early in 2015 and from around 50 vessels in 2014. The full financial and operational impact of the global fleet reductions has not yet been seen in the market. It should be noted that there are currently around 10 vessels capable of towing 8 streamers or more that are "idle", meaning that they could be reactivated if there was increasing demand from clients.

The Company maintains a detailed database of the global 3D seismic fleet, and expects little to no growth in the number of vessels through 2018. This should enable a more balanced supply/demand outlook for offshore seismic in the short to medium term. The Company's vessels were delivered between 2009 and 2012 and comprise the youngest Ice Class fleet, incorporating many new and innovative technological features.

During 2016, the Company continued to deliver first class technical and operational performance. Technical downtime was 2.0%, down from 3.1% the previous year. Vessel utilization of 83%, consistent with 84% the prior year, comprised 71% (2015 - 60%) utilization on Contract and 12% (2015 - 24%) on Multi-Client activity. Vessel utilization includes the vessel Vyacheslav Tikhonov, which was on a bareboat charter for both 2016 and 2015, and excludes the vessel Polarcus Nadia from 1 April 2015, when she was cold-stacked.

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-16**	**31-Dec-15**
Asia Pacific ("APAC")	91,684	244,579
Europe, Africa and Middle East ("EAME")	67,375	106,579
North and South Americas ("NASA")	82,605	12,418
Total revenue	**241,664**	**363,576**

During 2016, the Company performed seismic acquisition projects in five countries that it had not previously worked in: Brazil, Colombia, Indonesia, Demark and Malta.

The Company invested USD 51.1 million in its Multi-Client library, compared to 118.7 million in 2015. Of the total investment, USD 44.6 million, or 87%, was cash paid, compared to USD 97.0 million, or 82%, the previous year. Total Multi-Client revenue recognized in the year was USD 56.6 million and library amortization was USD 56.8 million, compared to Multi-Client revenue of USD 92.8 million and amortization of USD 69.3 million in 2015. Multi-Client prefunding level was thus 124% in 2016, compared to 86% in 2015, and the Multi-Client amortization rate was 100% in 2016, compared to 75% in 2015.

As of 31 December 2016 the Company had a multi-client library with a book value of USD 45 million. The Company's data library comprises multi-client surveys offshore Australia, West Africa and Brazil. The carrying value of the Brazilian multi-client library is nil as it has been fully amortized.

XArray™

The Company's innovative acquisition configuration, XArray™, has been developed to deliver superior quality, un-interpolated data, make full use of larger streamer spreads and improve acquisition efficiency. The data quality uplift is achieved by adding additional sources rather than the industry conventional method of simply adding more streamers.

2016 was the year when the Company's clients truly adopted our XArray™ technology, with approximately 30% of all data acquired by Polarcus utilizing the innovative XArray™ Triple or Penta source acquisition configuration.

2. Financial review

Continued cost reduction

- 21% reduction in gross cost of sales and 10% reduction in G&A costs

Completion of financial restructuring (in 2016 and Q1 2017)

- USD 350 million reduction in book value of debt
- USD 185 million reduction in debt service cash payments in 2017, 2018 and 2019
- USD 40 million equity raise

Disciplined investments

- Increased Multi-Client prefunding level to 124% from 86% in 2015

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

Revenues

Revenues decreased 36% to USD 243.4 million in 2016 compared to USD 377.5 million in 2015, due to a decrease in contract and Multi-Client revenue.

Contract revenue decreased by 32% to USD 185.1 million in 2016 compared to USD 270.9 million in 2015. The decrease was driven by lower day rates on proprietary contract, and a reduction in bareboat charter and management fees.

Multi-Client revenue was USD 56.6 million in 2016, compared to USD 92.8 million in 2015. The 39% decrease was due to decrease in prefunding revenue as a result of less fleet allocation to Multi-Client, as well as a decrease in late sales. The cash investment in Multi-Client was USD 44.6 million in 2016 compared to USD 97.0 million in 2015, resulting in a prefunding level for 2016 of 124% compared to 86% in 2015.

Other income was USD 1.8 million compared to USD 13.9 million in 2015 due to less income from insurance claims for damaged in-sea equipment.

Operating expenses

Cost of sales decreased by 13% to USD 176.9 million in 2016 compared to USD 204.3 million in 2015. Gross cost of sales decreased by 15% to USD 221.7 million in 2016 compared to USD 262.3 million in 2015. The reduction in gross cost of sales is driven by continued and specific cost management initiatives across a number of suppliers, as well as a reduction in project specific costs and a reduction in the fleet size by one vessel from 1 April 2015. The significant cost reduction is achieved despite an additional gross cost of sales expense of USD 16 million in 2016 due to the operating lease reclassification from Q1 2016 relating to Polarcus Nadia and Polarcus Naila. Gross cost of sales decreased 21% from 2015, excluding the operating lease cost.

An expense for provision for onerous contracts totaling USD 46.4 million was recognized in the year, of which USD 42.5 million related to the operating lease for Polarcus Nadia. The reason for the provision is the uncertainty of the timing of when and if the vessel will be reactivated from cold stacking. At 31 December 2016, the total provision in the balance sheet relating to the operating lease for Polarcus Nadia is USD 40.2 million, an amount that represents the net present value of the remaining estimated cost to the Company during the fixed lease period. A provision for onerous contracts of USD 3.9 million was recognized in the year, representing the estimated future operating loss for which the Company had a legal or constructive obligation at the balance sheet date of delivering seismic acquisition contracts in the future. The operating costs included in calculating the operating loss include both vessel operating costs and depreciation.

General and administrative costs were USD 19.4 million in 2016 compared to USD 21.5 million in 2015.

EBITDA for the year decreased to USD 0.9 million compared to USD 142.8 million the previous year.

Depreciation and amortization

Depreciation and amortization decreased by 33% to USD 48.7 million in 2016 compared to USD 72.4 million in 2015. Of this, depreciation amounted to USD 53.0 million in 2016, compared to USD 85.4 million in 2015. The reduction in depreciation is due to a lower vessel depreciation base following the impairment charge recognized in Q4 2015, as well as two less vessels subject to depreciation in 2016 compared to the previous year due to the reclassification of Polarcus Naila and Polarcus Nadia from finance lease to operating lease in Q1 2016.

Amortization of the Multi-Client library was USD 56.8 million, or 100% of Multi-Client revenue for 2016, compared to USD 69.3 million, or 75%, in 2015.

EBIT was negative USD 131.3 million in 2016 compared to negative USD 314.3 million in 2015.

Impairment

Impairment charges decreased to USD 26.7 million in 2016 compared to USD 315.4 million in 2015.

Impairment charges totaling USD 24.8 million were recognized in 2016, of which USD 9.5 million was in relation to onboard equipment on the cold stacked vessel Polarcus Nadia. As the timing of the reactivation of Polarcus Nadia from cold lay-up is uncertain, the Company has applied a careful approach and impaired the pre-fabricated twin-fin module which had a carrying value of USD 7.0 million, as well as other equipment totaling USD 2.5 million. Before Polarcus Nadia can be reactivated, the pre-fabricated twin-fin would need to be installed on the vessel and the remainder of the propulsion upgrade completed.

Finance costs

Finance costs decreased by 39% to USD 37.0 million in 2016 compared to USD 61.1 million in 2015 due to lower interest bearing debt following the financial restructuring the Company completed in Q1 2016.

Changes in fair value of financial instruments

In 2016 the Company recorded a USD 13.6 million fair value gain on revaluation of financial instruments, up from a loss of USD 9.0 million in 2015. The gain is mainly due to a gain on revaluation of bonds that are booked at fair value through profit and loss following the completion of the financial restructuring in Q1 2016.

Gain on financial restructuring

The Company recorded a gain of USD 177.8 million in 2016, being the accounting gain following completion of the Company's financial restructuring. USD 38.6 million of the gain is a result of reclassification of the finance leases relating to Polarcus Nadia and Polarcus Naila, while USD 139.2 million is a result of derecognition from the balance sheet of the Company's pre-restructured bond loans and recognition of new bond loan financial liabilities at fair value.

Income tax

Corporate income tax increased to USD 3.2 million in 2016 compared to USD 1.1 million in 2015.

Net profit

Net profit was USD 20.3 million in 2016 compared to a net loss, after impairments of USD 315.4 million, of USD 374.1 million in 2015.

Cash flow and liquidity

Net cash flow from operating activities was USD 48.1 million in 2016 compared to USD 167.5 million in 2015. The decrease is mainly driven by the lower revenue of USD 134.1 million recorded in 2016 compared to the prior year.

Net cash flow used in investing activities was USD 61.0 million in 2016 compared to USD 99.3 million in 2015. Payments for property, plant and equipment totaled USD 16.4 million in 2016 compared to USD 15.1 million in 2015. Payments for investments in the Multi-Client library decreased to USD 44.6 million in 2016 compared to USD 97.0 million in 2015, mainly due to a reduction in the vessel allocation to Multi-Client projects from 24% the prior year to 12% in 2016.

Net cash flow from financing activities was an outflow of USD 28.2 million in 2016 compared to USD 77.6 million in 2015. Interest paid was USD 24.4 million in 2016 compared to USD 41.6 million in 2015, the reduction due to lower interest bearing debt following the financial restructuring in Q1 2016. Net proceeds of USD 7.9 million were received in the year following an USD 8.0 million bank loan to finance purchase of in-sea seismic equipment. Restricted cash deposits decreased by USD 13.8 million in 2016 to negative USD 6.3 million in 2015.

During the year the Company extinguished 47% of a cross currency swap at fair value. The payment of USD 8.3 million was funded by amounts held in restricted cash and the impact of the buyback on the Company's free cash balance was nil. The reduction in the outstanding cross currency swap reduces the Company's exposure to financial risk arising from possible future changes in its market value. The cross currency swap was entered into in July 2014 in relation to the NOK 350 million bond and the reduction aligns the cross currency swap with the underlying liability after the restructuring of the NOK 350 million bond in Q1 2016.

Unrestricted cash held at 31 December 2016 was USD 13.7 million compared to USD 54.0 million at 31 December 2015. In addition to the cash balance held, the Company has an undrawn working capital facility of USD 25 million at 31 December 2016.

Assets

Gross assets decreased by USD 276.3 million to USD 571.9 million at 31 December 2016 compared to USD 848.2 million at 31 December 2015. This was due to a decrease in non-current assets of USD 198.2 million and a decrease in current assets of USD 78.0 million.

Non-current assets decreased to USD 488.5 million at the end of the year compared to USD 686.7 million at the end of 2015. The decrease is mainly due to the reclassification from finance lease to operating lease of two of the Company's vessels - Polarcus Naila and Polarcus Nadia - in Q1 2016 as part of the Company's financial restructuring.

Total current assets decreased by 78.0 million to USD 83.4 million at 31 December 2016 compared to USD 161.4 million at 31 December 2015. This was due to a decrease in all current asset categories, largely as a result of lower earnings. Receivables from customers decreased USD 11.2 million to USD 47.6 million from USD 58.8 million, while other current assets decreased by USD 12.8 million to USD 21.3 million from USD 34.2 million. Total cash (ie. including restricted cash) decreased by USD 54.0 million to USD 14.5 million at 31 December 2016, compared to USD 68.5 million at 31 December 2015.

Liabilities

Total liabilities decreased by USD 343.1 million to USD 393.1 million at 31 December 2016 compared to USD 736.2 million at 31 December 2015. The decrease was mainly due to the financial restructuring the Company completed in Q1 2016, which resulted in a reduction in the carrying value of the Company's debt by USD 351 million in the quarter of completion, due to the renegotiated lease terms for Polarcus Naila and Polarcus Nadia , as well as amendments to the bond loans.

Total current liabilities decreased by USD 403.5 million to USD 309.8 million at 31 December 2016 compared to USD 713.3 million at 31 December 2015, mainly as a result of the change in carrying values of the finance leases and bond loans due to the financial restructuring. Total non-current liabilities increased by USD 60.3 million to USD 83.3 million at 31 December 2016 compared to USD 23.0 million at 31 December 2015, mainly due to recognition of a long-term provision in 2016 as a result of the onerous operating lease contract for Polarcus Nadia.

During Q4 2016, the Company received a reset of the Debt Service Ratio (DSR) to 0.75 from 1.25 (the "Waiver"). Due to wording included with the Waiver, a strict interpretation of IAS 1.69 requires that the Fleet Bank Facility be temporarily reclassified as a current liability at 31 December 2016 as the interpretation is that the Company did not have an unconditional right to defer payment for 12 months at that date. The Fleet Bank Facility is expected to be reclassified as a non-current liability in Q1 2017. The Company was not in default of the DSR covenant or any other covenant in any of its financing arrangements during Q4 2016.

Equity

Equity increased by USD 66.9 million to USD 178.8 million at 31 December 2016 compared to USD 111.9 million at 31 December 2015. The increase was due to the net profit of USD 20.3 million recognized in 2016, and an increase in share capital of USD 46.1 million in the year as a result of equity issued to certain bondholders during the Company's financial restructuring in Q1 2016.

Parent company's non-consolidated financial statements

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

Revenues earned by the Parent company decreased by USD 38.4 million to USD 36.2 million in 2016 from USD 74.6 million the year before, due to a decrease in all revenue streams. Revenue from crewing services decreased by USD 13.1 million to USD 36.2 million from USD 49.3 million. Revenue from lease of in-sea equipment reduced to nil from USD 19.7 million the prior year, while insurance income was nil compared to USD 5.6 million in 2015.

Operating expenses increased by USD 356.1 million to USD 487.8 million compared to USD 131.7 million in 2015, mainly due to an increase in impairment charges. An impairment charge of USD 430.9 million (2015 – 60.4 million) was recognized in the year, of which USD 209.5 million (2015 – USD 18.8 million) related to investments in subsidiaries and joint ventures, USD 220.7 million (2015 – nil) related to impairments of receivables from Group companies and USD 0.8 million (2015 – 15.0 million) related to impairments of seismic equipment.

Depreciation and amortization decreased by USD 8.2 million to USD 7.9 million from USD 16.1 million, mainly as a result of a lower depreciation base following the impairment of seismic equipment recognized at the end of 2015.

Finance costs decreased by USD 9.4 million to USD 17.6 million from USD 27.0 million in 2015, mainly as a result of lower finance costs following the financial restructuring completed in Q1 2016. Finance income decreased by USD 19.5 million to USD 14.8 million from USD 34.4 million, while changes in fair value of financial instruments was positive USD 13.3 million compared to negative USD 9.0 million in 2015. The change in fair value of financial instruments relates to the gains on the accounting for the cross currency swap referred to above, and accounting for the unsecured bonds at fair value subsequent to completion of the Company's financial restructuring in Q1 2016. The Company recognized a gain on financial restructuring of USD 139.0 million in 2016.

The Parent company recorded a loss of USD 302.0 million in 2016 compared to a loss of USD 58.8 million in 2015. The Board of Directors proposes to allocate the loss for the year to the retained earnings equity reserve.

The Parent Company's gross assets decreased by USD 459.3 million to USD 286.7 million at 31 December 2016 compared to USD 746.0 million at 31 December 2015. The decrease is mainly due to a decrease in the carrying value of loans to subsidiaries as a result of converting the loans to equity investments and subsequently recording an accounting non-cash impairment of the carrying value of investments. Total non-current assets decreased by USD 384.8 million to USD 145.8 million from USD 530.6 million, mainly due to a decrease in long-term loans to subsidiaries.

Total current assets decreased by USD 74.5 million to USD 140.9 million from USD 215.4 million at the end of 2015. Total cash (including restricted) decreased by USD 28.5 million to USD 1.3 million at 31 December 2016 compared to USD 29.9 million at 31 December 2015. Current receivables from subsidiaries decreased by USD 31.5 million to USD 65.5 million from USD 97.0 million.

The Parent Company's total liabilities decreased by USD 203.9 million to USD 52.8 million at 31 December 2016 compared to USD 256.7 million at 31 December 2015, mainly due to a reduction in the carrying value of bond loans as a result of the financial restructuring completed by the Company in 2016.

3. Going concern

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

The decline in oil prices and consequent cautious spending by oil companies has negatively impacted the Company's earnings over the past three years. Over this period the Company has taken numerous steps to mitigate the impact of reduced earnings, including reducing its cost base through a combination of cost management initiatives, organizational streamlining of headcount and reductions in employee remuneration and benefits. Additionally, the Group completed financial restructuring in February 2016, reducing its debt service payments by USD 140 million over the subsequent two years, extending maturities of all financing arrangements, including the USD 25 million working capital facility and amending selected loan covenants to provide additional financial flexibility more reflective of the market environment. The restructuring also resulted in reducing the carrying value of debt in the balance sheet by USD 351 million and increasing book equity by USD 224 million. In March 2017 the Company completed a NOK 330 million (approximately USD 40 million) equity raise and leveraged the contingencies that were incorporated into the February 2016 restructuring, extending the amortization freeze in the Fleet Bank Facility by a further year to 1 January 2019, reducing instalments in 2018 by approximately USD 30 million. The amortization freeze triggers a one-year extension of the reduced operating lease rates for Polarcus Nadia and Polarcus Naila until 1 January 2019, reducing the lease payment in 2018 by approximately USD 15 million. The Company also extended its USD 25 million working capital facility with DNB Bank ASA (the "WCF") by one year to 1 July 2019 which further improves the Company's financial flexibility.

In addition to a reduction in the cost base, during the past 18 months the Company has further regionalized its sales force to be closer to its clients, developed a new and more efficient seismic acquisition technique, XArray™, and introduced a new Fast Track processing product marketed as 'Priority Processing'. These measures have enhanced the Company's service delivery and offerings, with the aim of providing backlog and increased utilization in order to optimize the revenue generation.

Major financial restructuring completed during Q1 2016

On 6 January 2016, the Company announced that discussions with various finance providers have been successful and proposed a Restructuring plan (the "Restructuring"). On 22 January 2016 a joint bond holders meeting approved the Restructuring plan and, subsequently, on 27 January 2016, an extraordinary general meeting of the Company's shareholders also approved the Restructuring plan. The Restructuring was completed and implemented on 25 February 2016 by finalizing the documentation with all different financing parties.

The Restructuring provided the Company with a significantly reduced debt service and an improved balance sheet. In Q1 2016 the Restructuring reduced the carrying value of the Company's interest bearing debt in the statement of financial position by approximately USD 351 million, following renegotiated lease terms and the introduction of new call option prices for the bonds. In addition, debt service cash payments during 2016 and 2017 were reduced by approximately USD 140 million. The Restructuring resulted in an accounting gain of USD 178 million in Q1 2016, largely as a result of a reduction in the carrying values of its debt liabilities.

The details of changes to the terms of each financing arrangement due to the above Restructuring is explained under relevant notes to the financial statements (Note 15 Bond loans, Note 16.1 Fleet bank facility and Note 17 Operating leases).

Further improvements in liquidity post balance sheet date

On 8 March 2017, the Company announced that it had completed an equity raise of NOK 330 million, or approximately USD 40 million, through a private placement (the "Private Placement"). The transaction leverages the conditions that were incorporated into the restructuring completed by the Company in February 2016. As a result of the equity raise, the Fleet Bank Facility lenders agreed to a loan amortization freeze extension until 1 January 2019, improving liquidity by approximately USD 30 million in 2018. The loan amortization freeze triggers a one year extension of the reduced operating lease rates for Polarcus Naila and Polarcus Nadia until 1 January 2019, improving liquidity by approximately USD 15 million in 2018. The private placement and reduction in debt service gives the Company total improved liquidity of approximately USD 85 million through the end of 2018, less restricted cash of USD 6 million that will be paid into an escrow account from the equity proceeds. The Company has also received support to extend the USD 25 million working capital facility by one year to 1 July 2019, which further improves the Company's financial flexibility. Refer to Note 32 Subsequent events.

The Private Placement, supplemented by the debt service reductions, improves the Company's liquidity by approximately USD 80 million through the end of 2018. Certain amendments were also made to the Debt Service Ratio and equity covenants.

On 9 February 2017, a Norwegian subsidiary of Polarcus Limited entered a heads of agreement (HOA) with SCF GEO AS ("Sovcomflot"), to charter a vessel on bareboat terms with delivery scheduled for April 2017, subject to certain conditions being fulfilled. The fixed period of the Charter will be 5½ years with options to extend for up to four additional months. The minimum nominal value of the fixed period of the contract is approximately USD 70 million, with optional add-ons. The vessel will be delivered without streamers and the streamer package on board the vessel will be available for other vessels in the Polarcus fleet. The Charter provides the Company with stable secured income for a prolonged period, as well as reduces the Company's CAPEX requirements for new streamers over the next two to three years. Refer to Note 32 Subsequent events.

Covenants

The Company is subject to certain covenants as part of its financing arrangements, including a Debt Service Ratio ("DSR") covenant. Under the arrangements of the Private Placement and related debt service reductions described above, the DSR requirement will be 1.00 for 2017 and 2018, increasing to 2.0 from 2019 onwards. Equity raised in the private placement in Q1 2017 will be added to EBITDA for the purposes of calculating the DSR. The onerous contract provision of USD 20 million recognized in Q1 2016 and the onerous contract provision of USD 26.4 million recognized in Q4 2016 are excluded from EBITDA for the purposes of the DSR covenant.

Actual DSR for the purpose of the existing USD 410 million Fleet Bank Facility agreement was 1.19 for the 12 months ended 31 December 2016. Qualifying EBITDA was USD 47.2 million and interest and principal payments on external debt relevant for calculating the DSR totaled USD 39.7 million in the same 12 month period. The DSR covenant is based on EBITDA and as the Company's EBITDA can vary significantly from quarter-to-quarter as a result of the accounting adjustments related to Multi-Client surveys performed by the Company, the DSR covenant is sensitive to vessel allocation to Multi-Client projects. The timing of the Company's Multi-Client projects and Multi-Client revenues will impact the DSR covenant.

Other covenants of the Fleet Bank Facility require the Company to maintain positive working capital, minimum book equity ratio and a minimum free cash balance of USD 10 million. For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 38.7 million as at 31 December 2016, the full undrawn working capital facility of USD 25 million is included. The tenor of the working capital facility was extended by one year to 01 July 2019 following the private placement in Q1 2017. The Company is also subject to rolling covenants regarding Multi-Client capacity allocation and pre-funding requirements, as well as the above mentioned minimum debt service levels.

Under the associated conditions of the private placement completed in Q1 2017, the book equity ratio covenant adjusted for MC library was removed and the book equity ratio covenant has been reduced to 20%. The book equity ratio covenant is not fundamentally a cash or liquidity based covenant as it is based on the book equity as shown in the Company's financial statements prepared in accordance with IFRS. The Company's book equity is significantly affected by the accounting profits and losses that the Company recognizes. The Company's accounting profits and losses in recent years have been volatile, which to a large extent has been due to non-cash accounting adjustments, including impairments of vessels and multi-client assets, onerous contract provisions, gains on financial restructuring, bad debt provisions and fair value movements of financial instruments measured at fair value. Such non-cash accounting adjustments are inherently difficult to predict. As the Company's accounting profits and losses can vary significantly from period to period as a result of non-cash accounting adjustments, the book equity ratio is sensitive to such adjustments.

During 2016 the Company recognized asset impairments of USD 26.7 million (2015 – USD 315.4 million) and Note 4.1 to the consolidated financial statements describes the risk of future impairments should there be a change in any of the underlying assumptions used in the Company's impairment testing. Since the amendment to the Company's bond liabilities completed during Q1 2016, the amended unsecured bonds are accounted for at fair value through profit and loss using mark-to-market. In 2016, a non-cash gain of USD 9.7 million was recognized on the fair value accounting for the unsecured bonds. The future price development of the unsecured bonds is not under the control of the Company and there is a risk that in future periods the Company will be subject to fair value variations on the mark-to-market accounting for the bonds, which may negatively impact the Company's net profit and equity ratio.

Should the Company have to recognize any unforeseen accounting charges, such as additional impairment of assets, fair value losses on financial instruments, bad debts, onerous contract provisions, or experience much lower than anticipated earnings through 2017 than expected, there is a risk that the Company would breach the equity ratio covenant towards the end of 2017.

The table below shows the status of selected financial covenants of the Company as at 31 December 2016.

Selected financial covenants – minimum requirements	31-Dec-16	31-Dec-15
Debt Service Ratio – 0.75 for Q4 2016	1.2	2.6
Working capital – positive	25m	92m
Book equity ratio – 25% (reduced to 20% from Q1 2017)	32%	13%
Minimum liquidity reserve – USD 10m	39m	79m

The Company's data acquisition operations are exposed to extreme weather and other hazardous conditions. Further, the operations involve risks of a technical and operational nature due to the complex systems that are utilized. If any of these operational risks materialize, the Company's business may be interrupted and could result in curtailment of or delays in the Company's revenue generating activities. Any significant unforeseen events, such as operating delays, that have a negative impact on the Company's earnings will have a significant negative impact on the Company's financial position and going concern.

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, the Company expects to have sufficient liquidity to operate for at least 12 months after the balance sheet date, but is reliant on an improvement in contract pricing and/or vessel utilization during 2018. The magnitude of the improvement in market conditions required in 2018 is significantly reduced following the private placement completed post-year end and associated reduction in debt service payments through 2018. When the Company's debt service increases in 2019, the Company is reliant on an improvement in market conditions compared to its expectations for 2017 and 2018.

Management and the Board of Directors will continue to closely monitor their going concern assumptions, cash flow forecast and compliance with financing covenants, and will consider the need for additional measures on an ongoing basis.

The Company continues to successfully secure a number of contract awards and as measured from 31 December 2016, the total backlog is estimated to be USD 240 million.

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 – such as amounts owed by customers and deposits held at banks – and is the risk that the counterparty defaults and does not meet its financial obligation to the Company. Liquidity risk is the risk that the Company will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the Company's daily operations or overall financial condition.

Currency risk

The majority of the Company's financial assets and liabilities are denominated in USD, the functional currency of the Company. As of 31 December 2016, 17% (2015 – 4%) of the Group's total financial assets are denominated in foreign currencies. This mainly represents the Group's receivables from customers denominated in Australian Dollars and 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 USD 0.8 million on the Group's profit before tax.

As of 31 December 2016, approximately 1% (2015 – 6%) 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 0.4 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 2016 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.

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-16	31-Dec-15
Total interest bearing debt	285.1	644.2
Interest bearing debt with variable interest rates	54.2	90.1
% of interest bearing debt with variable interest rates	19%	14%

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.

Market price risk

As at 31 December 2016, the Group has the 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 thousands of USD)	31-Dec-16	31-Dec-15
Bonds accounted for at fair value	18,155	-
Financial derivatives accounted for at fair value	10,511	22,324
Total financial liabilities measured at fair value	**28,666**	**22,324**

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 thousands of USD)	31-Dec-16	31-Dec-15
Receivable from customers		
Receivable from customers	48,762	73,613
Provision for bad debts	(1,167)	(14,858)
Net receivable from customers	47,595	58,755
Cash and short-term deposits with banks	14,462	68,495
Advance payments to suppliers*	43	3,348
Total	**62,100**	**130,598**

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

As at 31 December 2016, the Group had a provision of USD 1.2 million for bad and doubtful debts related to the overdue accounts receivable from two of its customers (USD 14.9 million from four customers as at 31 December 2015). The Group's remaining receivables as at 31 December 2016 were owed by a total of 15 different customers (2015 – 17 customers) and three of these customers owed more than USD 5 million (2015 – 1 customer), accounting for 66% (2015 – 24%) of the total receivables from customers. USD 0.7 million of the net receivable from customers were overdue as at 31 December 2016.

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 thousands of USD)	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total < 12 months
Total as at 31 December 2016	**54,706**	**7,228**	**7,956**	**7,014**	**76,905**
Total as at 31 December 2015	82,111	5,595	7,443	6,780	101,929

(In thousands of USD)	< 1 year	1 – 2 years	2 – 5 years	> 5 years	Total
Total as at 31 December 2016	**76,905**	**30,281**	**234,818**	**414,140**	**756,143**
Total as at 31 December 2015	101,929	25,163	223,452	443,105	793,649

5. People and the organization

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

As of 31 December 2016, the Group had 435 employees (2015 – 475) of over 50 different nationalities, of which 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 the more junior maritime support roles onboard the vessels.

A significant reduction in the number of employees in 2015 was driven by the decision in Q1 2015 to cold-stack one of the Company's vessels, Polarcus Nadia, as well as a cost saving plan implemented around the same time. The cost saving initiatives lead to a reduction in staff across the organization and included both vessel crew and office based employees.

The further reduction in 2016 resulted largely from the reorganization announced on 1 February 2016 and subsequent ongoing efforts to manage costs and streamline the organization.

Polarcus is committed to being the employer of choice in the marine seismic business and to maintaining a human resource culture that is open and fair. 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 year end, the female proportion of the employees was 26% in the office population and 4% in the field population, compared to 27% and 4% at the end of 2015, respectively. Of the current four members of the Executive Management team, one is female. Of the current seven Directors on the Board, one is female. Working time arrangements and salary levels do not depend on gender.

On 17 March 2017, Polarcus announced that Duncan Eley was appointed Chief Executive Officer, replacing Rod Starr, who had resigned from the Company following completion of a two-year period of restructuring, refinancing and reorganization.

6. Strategy

Vision

The Company's vision is "to be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world".

2020 Company Strategy

The Company's 2020 Strategy is to 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.

What we do:

- **Acquire Marine Seismic Data**
- **Own & Process Seismic Data**
- **Add Value from Assets & Capabilities**

Balanced Scorecard and Company Improvement Plan

To deliver the 2020 Company Strategy there are two central management tools used to measure company performance against the 2020 Company Strategy with reference to the Company Vision.

A Balanced Scorecard is used to measure its performance against a set of defined annual goals. The Balanced Scorecard includes the following four categories to measure company performance:

- Financial (eg. revenue, profitability, cash generation)
- Business processes (eg. asset utilization, fleet backlog secured, effective implementation of safety and management system)
- External environment (eg. client satisfaction, competitor activity)
- Innovation and Growth (eg. new revenue streams, new technologies, organizational development)

The annual Company Initiatives are aligned with the Balanced Scorecard categories and defines a number of company-wide initiatives that underpin the continuous improvement of the organization.

The following are examples of annual Company Initiatives:

- Financial (eg. global tax structures, working capital initiatives)
- Business processes (eg. departmental quality optimization)
- External environment (eg. optimizing partner and supplier relationships)
- Innovation and Growth (eg. capturing innovation, intra-organization communication)

Core values

In support of the above vision and strategy, the Company has identified a set of 'Core Values' which define the Company's ethos and the way Polarcus' management, employees and contractors are expected to perform within the business.

Responsibility	*Innovation*	*Excellence*
Environmental	RIGHT Solutions	Human capital
Health & Safety	Marine acquisition	Geoscience
Ethical	Data processing	Operational
Financial	Service offering	Commercial

7. 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.

It 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 Polarcus Group.

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, is provided in the document "Corporate Governance Report for the year 2016," available for download from www.polarcus.com.

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

The BoD held 7 physical meetings, 9 phone meetings and executed 7 written resolutions in 2016. The BoD also held 7 formal update and discussion phone calls in 2016.

The attendance by the various directors at the board meetings during 2016 is reflected in the table below:

Board Member	*No. of Physical Meetings*	*No. of Phone Meetings*
Peter Rigg	7	9
Tore Karlsson (to 12 May 2016)	3	6
Carl Gustav Zickerman (to 12 May 2016)	3	6
Arnstein Wigestrand	7	9
Karen El-Tawil	7	8
Tom Kichler (to 12 May 2016)	3	6
Carl Peter Zickerman (from 12 May 2016)	4	3
Erik Mathiesen (from 12 May 2016)	4	3
Christopher Kelsall (from 12 May 2016 to 29 January 2017)	4	3
Tom Henning Slethei (from 12 May 2016)	4	3
Nicholas Smith (from 06 March 2017)	-	-

Committees

The Board of Directors has established two board committees: (i) Corporate Governance and Remuneration Committee (the "CGR Committee"), and (ii) Audit Committee.

Corporate Governance and Remuneration Committee

The members of the CGR Committee as at 31 December 2016 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, or 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.

Audit Committee

As at 31 December, 2016, the members of the Audit Committee were Mr. Arnstein Wigestrand (Chair), Mr. Peter Rigg and Mr. Chris Kelsall.

The Audit Committee is mandated: to review and update the Company's governance commitments and structure regularly; to review the Company's proposals for quarterly financial statements and associated accounting memos and press releases; to supervise all issues related to the Company's accounts; to supervise the implementation of new, and changes to existing, accounting principles; to provide high level supervision of the budget process; to review and evaluate the Company's internal financial controls and, on behalf of the Board, to liaise with the Company's auditor and monitor the auditor's independence.

8. Corporate Social Responsibility (CSR)

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

Polarcus' vision is:

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

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

The core values are reflected in the Company's seven overriding Commitments:

- Business Ethics and Conflict of Interest
- Drug and Alcohol Free Workplace
- Environment and Community
- Health and Safety
- Security
- Quality
- Dignity at Work and Human Rights

To ensure compliance with the Polarcus Commitments, Polarcus has developed procedures, checklists and manuals, which provide the necessary reference, standards and instruction for responsibility in carrying out daily tasks. In accordance with the Company's requirements, reflecting ISM, ISPS, ISO 9001, ISO 14001, OSHAS 18001 certification requirements, all Company procedures are reviewed and, where applicable, revised annually.

A report on Polarcus' Corporate Social Responsibility describing Polarcus' compliance with its Commitments during 2016 is provided in the document "Corporate Social Responsibility for the year 2016," which can be downloaded from www.polarcus.com. Polarcus is not required to report on CSR in compliance with the Norwegian Accounting Act Section 3-3c.

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

Continue to be the only marine seismic company regularly reporting on vessel emissions

- Vessel emissions > 15% better than IMO regulations

Proactive safety culture

- Improved LTIF (Lost time injury frequency) of 0.26 (2015: 0.47) and TRCF (Total recordable case frequency) of 0.51 (2015: 1.17) compared to prior year

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, both onshore and offshore. The Company believes its EHSQ systems, monitoring and management are among the best in the industry.

During 2016, 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 intends to transition to the ISO 9001 and ISO 14001 2016 standards during 2017.

In November 2016, Polarcus was re-awarded the Triple-E™ Level-1 rating for Polarcus Adira, Polarcus Amani, Polarcus Alima, Polarcus Asima, and Polarcus Naila. Polarcus continues to be the only seismic ship owner and operator in the world to have achieved this rating across its 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 2016.

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 2016 is as follows:

Figures in emissions per km^2	2016	2015	2014	2013	2012
CO2 Emission (t)	2.10	1.58	2.89	2.53	2.42
NOx Emission (t)	0.023	0.015	0.021	0.018	0.018
SOx Emission (t)	0.001	0.001	0.002	0.002	0.002

The three greenhouse gas emissions in 2016 were all below the IMO guidelines. In 2016 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.

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 2016 the Company's performance on the industry recognized reporting EHSQ measures was as follows:

	2016	2015	2014	2013	2012
Restricted work cases (RWC)	1	2	1	1	1
Medical treatment cases (MTC)	-	1	-	1	2
Lost time injury (LTI)	1	2	1	3	4
Lost time injury frequency (LTIF)	0.26	0.47	0.21	0.63	0.99
Total recordable case frequency	0.52	1.17	0.42	1.05	1.73
First aid cases (FAC)	29	54	60	73	107
Near miss (NM)	143	186	204	259	339
Non-conformance corrective action preventative action (NCCAPA)	11,358	11,554	13,532	13,691	12,690
Improvement suggestions	3,489	4,146	5,020	5,261	5,346

10. Outlook

The marine seismic market continues to be challenging, with continued limited exploration spending by oil companies. The lower demand, combined with excess vessel capacity in the market, drives high competition for proprietary contracts.

In this competitive market environment, Polarcus continues to focus on its business fundamentals of efficient and safe project execution, high fleet utilization and securing backlog. The recent announcements of a multi-year contract award with TGS and the heads of agreement for a long-term bareboat charter with Sovcomflot, provide additional extended visibility on the Company's fleet utilization during a depressed market. The successfully subscribed Private Placement completed by the Company in March 2017, combined with the extension of reduced debt and lease payments to 2019, will provide Polarcus with a financial foundation to continue to focus on operational excellence, cost efficiency and backlog for the fleet.

The Company will continue to focus on optimizing its operational cost profile and controlling the pace of its investments. The Company expects CAPEX investments of USD 15 million and Multi-Client investments of USD 20 million in 2017. The Multi-Client pre-funding level target is to be in excess of 110%.

The Company continues to successfully secure a number of contract awards and as measured from 31 December 2016, the total backlog is estimated to be USD 240 million.

06 April 2017

Peter Rigg
Chairman

Karen El-Tawil
Board Member

Tom Henning Slethei
Board Member

Carl Peter Zickerman
Board Member

Erik Mathiesen
Board Member

Arnstein Wigestrand
Board Member

Nicholas Smith
Board Member

Duncan Eley
CEO

Consolidated Financial Statements

For the year ended 31 December 2016

Consolidated Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended 31-Dec-16	31-Dec-15
Revenues			
Contract revenue	5	185,095	270,757
Multi-client revenue	5	56,569	92,819
Other income	5	1,752	13,895
Total Revenues		**243,416**	**377,471**
Operating expenses			
Cost of sales	21	(176,850)	(204,287)
General and administrative costs	22	(19,359)	(21,536)
Onerous contract provision cost	19	(46,356)	(8,803)
Depreciation and amortization	23	(48,672)	(72,414)
Multi-client amortization	7	(56,807)	(69,274)
Impairments	24	(26,658)	(315,430)
Total Operating expenses		**(374,702)**	**(691,744)**
Operating profit/(loss)		**(131,286)**	**(314,273)**
Profit/(loss) from joint ventures	8	(1,220)	(983)
Finance costs	25	(37,041)	(61,136)
Finance income	26	1,961	12,395
Changes in fair value of financial instruments	27	13,315	(9,013)
Gain on financial restructuring	28	177,787	-
		154,803	**(58,738)**
Profit/(loss) before tax		**23,517**	**(373,011)**
Income tax expense	29	(3,243)	(1,093)
Net profit/(loss) and total comprehensive income/(loss)		**20,274**	**(374,105)**
Earnings per share attributable to the equity holders during the period *(In USD)*			
- Basic	30	0.046	(5.585)
- Diluted	30	0.046	(5.585)

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Consolidated Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-16	31-Dec-15
ASSETS			
Non-current Assets			
Property, plant and equipment	6	443,377	634,419
Multi-client project library	7	45,107	50,828
Investment in joint ventures	8	-	1,220
Intangible assets		-	255
Total Non-current Assets		**488,484**	**686,721**
Current Assets			
Receivables from customers	3	47,595	58,755
Other current assets	9	21,337	34,185
Restricted cash	10	731	14,519
Cash and bank	11	13,731	53,976
Total Current Assets		**83,394**	**161,434**
TOTAL ASSETS		**571,878**	**848,156**
EQUITY and LIABILITIES			
Equity			
Issued share capital	12	5,305	13,396
Share premium	12	586,401	532,222
Other reserves	14	29,865	32,556
Retained earnings/(loss)		(442,764)	(466,309)
Total Equity		**178,807**	**111,865**
Non-current Liabilities			
Bond loans	15	34,582	-
Other interest bearing debt	16	858	644
Long-term provisions	19	37,320	-
Other financial liabilities	18	10,511	22,324
Total Non-current Liabilities		**83,271**	**22,968**
Current Liabilities			
Bond loans	15	-	220,625
Finance leases	17	-	166,018
Other interest bearing debt	16	249,649	256,911
Provisions	19	6,820	8,803
Accounts payables		18,929	30,109
Other accruals and payables	20	34,401	30,858
Total Current Liabilities		**309,800**	**713,323**
TOTAL EQUITY and LIABILITIES		**571,878**	**848,156**

Consolidated Statement of Cash Flows

(In thousands of USD)	Notes	Year ended 31-Dec-16	31-Dec-15
Cash flows from operating activities			
Profit/(loss) for the period		20,274	(374,105)
Adjustment for:			
Depreciation and amortization	23	48,672	72,414
Multi-client amortization	7	56,807	69,274
Impairments	24	26,658	315,430
Changes in fair value of financial instruments	27	(13,315)	9,013
Employee share option expenses	12	581	505
Interest expense	25	32,659	55,055
Interest income	26	(93)	(799)
Gain on financial restructuring	28	(177,787)	-
Effect of currency (gain)/loss		(620)	(4,785)
Gain on buyback of convertible bonds		-	(1,204)
Net movements in provisions	19	30,553	8,803
Loss from joint ventures	8	1,220	983
Working capital adjustments:			
Decrease/(Increase) in current assets		19,727	22,284
Increase/(Decrease) in trade payables and accruals		2,745	(5,375)
Net cash flows from operating activities		**48,082**	**167,494**
Cash flows from investing activities			
Payments for property, plant and equipment		(16,387)	(15,125)
Proceeds from the disposal of multi-client projects		-	25,197
Payments for multi-client project library		(44,649)	(96,969)
Payments for intangible assets		(7)	(12,439)
Net cash flows used in investing activities		**(61,042)**	**(99,336)**
Cash flows from financing activities			
Net receipt from bank loans	16	7,900	-
Repayment of bond loans		-	(777)
Repayment of finance lease		-	(7,653)
Repayment of other interest bearing debt	16	(14,386)	(15,144)
Interest paid		(24,413)	(41,632)
Financial restructuring fees paid		(6,231)	-
Other finance costs paid		(959)	(6,372)
Decrease/(Increase) in restricted cash	10	13,788	(6,282)
Security deposit related to currency swaps	18	4,280	(510)
Paid towards liability under currency swaps	18	(8,228)	-
Interest received	26	93	799
Net cash flows used in financing activities		**(28,156)**	**(77,571)**
Effect of foreign currency revaluation on cash		872	(2,098)
Net increase in cash and cash equivalents		**(40,245)**	**(11,512)**
Cash and cash equivalents at the beginning of the period		53,976	65,488
Cash and cash equivalents at the end of the period		**13,731**	**53,976**

Consolidated Statement of Changes in Equity

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 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)**	**178,806**

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

For the year ended 31 December 2015

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

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

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 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 06 April 2017.

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

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

The Group currently operates a fleet of six high end 3D vessels, *Polarcus Naila*, *Polarcus Asima*, *Polarcus Alima*, *Polarcus Amani*, *Polarcus Adira* and *Vyacheslav Tikhonov*. *Polarcus Nadia*, one of the vessels from the Group's fleet has been cold-stacked from Q1 2015.

1.1 Going concern, liquidity risk and loan covenants

These consolidated financial statements for the year ended 31 December 2016 have been prepared using the going concern assumption.

The decline in oil prices and consequent cautious spending by oil companies has negatively impacted the Company's earnings over the past three years. Over this period the Company has taken numerous steps to mitigate the impact of reduced earnings, including reducing its cost base through a combination of cost management initiatives, organizational streamlining of headcount and reductions in employee remuneration and benefits. Additionally, the Group completed financial restructuring in February 2016, reducing its debt service payments by USD 140 million over the subsequent two years, extending maturities of all financing arrangements, including the USD 25 million working capital facility and amending selected loan covenants to provide additional financial flexibility more reflective of the market environment. The restructuring also resulted in reducing the carrying value of debt in the balance sheet by USD 351 million and increasing book equity by USD 224 million. In March 2017 the Company completed a NOK 330 million (approximately USD 40 million) equity raise (see Note 32.2) and leveraged the contingencies that were incorporated into the February 2016 restructuring, extending the amortization freeze in the Fleet Bank Facility by a further year to 01 January 2019, reducing instalments in 2018 by approximately USD 30 million. The amortization freeze triggers a one-year extension of the reduced operating lease rates for *Polarcus Nadia* and *Polarcus Naila* until 1 January 2019, reducing the lease payment in 2018 by approximately USD 15 million. The Company also concluded negotiations with DNB Bank ASA to extend its USD 25 million working capital facility (the "WCF") by one year to 01 July 2019 which further improves the Company's financial flexibility.

In addition to a reduction in the cost base, during the past 18 months the Company has further regionalized its sales force to be closer to its clients, developed a new and more efficient seismic acquisition technique, XArray™, and introduced a new Fast Track processing product, marketed as 'Priority Processing'. These measures have enhanced the Company's service delivery and offerings, with the aim of providing backlog and increased utilization in order to optimize the revenue generation.

Major financial restructuring completed during Q1 2016

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

The Restructuring provided the Company with a significantly reduced debt service and an improved balance sheet. In Q1 2016 the Restructuring reduced the carrying value of the Company's interest bearing debt in the statement of financial position by approximately USD 351 million, following renegotiated lease terms and the introduction of new call option prices for the bonds. In addition, debt service cash payments during 2016 and 2017 were reduced by approximately USD 140 million. The Restructuring resulted in an accounting gain of USD 178 million in Q1 2016, largely as a result of a reduction in the carrying values of its debt liabilities.

The details of changes to the terms of each financing arrangement due to the above Restructuring is explained under relevant notes to the financial statements (Note 15 *Bond loans*, Note 16.1 *Fleet bank facility* and Note 17 *Operating leases*).

Further improvements in liquidity post balance sheet date

On 08 March 2017, the Company announced that it had completed an equity raise of NOK 330 million, or approximately USD 40 million, in share capital through a private equity placement (the "Private Placement"). The transaction leverages the conditions that were incorporated into the restructuring completed by the Company in February 2016. As a result of the equity raise, the Fleet Bank Facility lenders agreed to a loan amortization freeze extension until 01 January 2019, improving liquidity by approximately USD 30 million in 2018. The loan amortization freeze triggers a one year extension of the reduced operating lease rates for *Polarcus Naila* and *Polarcus Nadia* until 01 January 2019, improving liquidity by approximately USD 15 million in 2018. The private placement and reduction in debt service gives the Company total improved liquidity of approximately USD 85 million through the end of 2018, less restricted cash of USD 6 million that will be paid into an escrow account from the equity proceeds. The Company has also received support to extend the USD 25 million working capital facility by one year to 01 July 2019, which further improves the Company's financial flexibility. Refer to Note 32 *Subsequent events*.

The Private Placement, supplemented by the debt service reductions, improves the Company's liquidity by approximately USD 80 million through the end of 2018. Certain amendments were also made to the Debt Service Ratio and equity covenants.

On 09 February 2017, a Norwegian subsidiary of Polarcus Limited entered a heads of agreement (HOA) with SCF GEO AS ("Sovcomflot"), to charter a vessel on bareboat terms with delivery scheduled for April 2017, subject to certain conditions being fulfilled. The fixed period of the Charter will be 5½ years with options to extend for up to four additional months. The minimum nominal value of the fixed period of the contract is approximately USD 70 million, with optional add-ons. The vessel will be delivered without streamers and the streamer package on board the vessel will be available for other vessels in the Polarcus fleet. The Charter provides the Company with stable secured income for a prolonged period, as well as reduces the Company's CAPEX requirements for new streamers over the next two to three years. Refer to Note 32 *Subsequent events*.

Covenants

The Company is subject to certain covenants as part of its financing arrangements, including a Debt Service Ratio ("DSR") covenant. Under the arrangements of the Private Placement and related debt service reductions described above, the DSR requirement will be 1.0 for 2017 and 2018, increasing to 2.0 from 2019 onwards. Equity raised in the private placement in Q1 2017 will be added to EBITDA for the purposes of calculating the DSR. The onerous contract provision of USD 20 million recognized in Q1 2016 and the onerous contract provision of USD 26.4 million recognized in Q4 2016 are excluded from EBITDA for the purposes of the DSR covenant.

Actual DSR for the purpose of the existing USD 410 million Fleet Bank Facility agreement was 1.19 for the 12 months ended 31 December 2016. Qualifying EBITDA was USD 47.2 million and interest and principal payments on external debt relevant for calculating the DSR totaled USD 39.7 million in the same 12 month period. The DSR covenant is based on EBITDA and as the Company's EBITDA can vary significantly from quarter-to-quarter as a result of the accounting adjustments related to Multi-Client surveys performed by the Company, the DSR covenant is sensitive to vessel allocation to Multi-Client projects. The timing of the Company's Multi-Client projects and Multi-Client revenues will impact the DSR covenant.

Other covenants of the Fleet Bank Facility require the Company to maintain positive working capital, minimum book equity ratio and a minimum free cash balance of USD 10 million. For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 38.7 million as at 31 December 2016, the full undrawn working capital facility of USD 25 million is included. The tenor of the working capital facility was extended by one year to 01 July 2019 following the private placement in Q1 2017. The Company is also subject to rolling covenants regarding Multi-Client capacity allocation and pre-funding requirements, as well as the above mentioned minimum debt service levels.

Under the associated conditions of the private placement completed in Q1 2017, the book equity ratio covenant adjusted for MC library was removed and the book equity ratio covenant has been reduced to 20%. The book equity ratio covenant is not fundamentally a cash or liquidity based covenant as it is based on the book equity as shown in the Company's financial statements prepared in accordance with IFRS. The Company's book equity is significantly affected by the accounting profits and losses that the Company recognizes. The Company's accounting profits and losses in recent years have been volatile, which to a large extent has been due to non-cash accounting adjustments, including impairments of vessels and multi-client assets, onerous contract provisions, gains on financial restructuring, bad debt provisions and fair value movements of financial instruments measured at fair value. Such non-cash accounting adjustments are inherently difficult to predict. As the Company's accounting profits and losses can vary significantly from period to period as a result of non-cash accounting adjustments, the book equity ratio is sensitive to such adjustments.

During 2016 the Company recognized asset impairments of USD 26.7 million (2015 – USD 315.4 million) and Note 4.1 describes the risk of future impairments should there be a change in any of the underlying assumptions used in the Company's impairment testing. Since the amendment to the Company's bond liabilities completed during Q1 2016, the amended unsecured bonds are accounted for at fair value through profit and loss using mark-to-market. In 2016, a non-cash gain of USD 9.7 million was recognized on the fair value accounting for the unsecured bonds. The future price development of the unsecured bonds is not under the control of the Company and there is a risk that in future periods the Company will be subject to fair value variations on the mark-to-market accounting for the bonds, which may negatively impact the Company's net profit and equity ratio.

Should the Company have to recognize any unforeseen accounting charges, such as additional impairment of assets, fair value losses on financial instruments, bad debts, onerous contract provisions, or experience much lower than anticipated earnings through 2017 than expected, there is a risk that the Company would breach the equity ratio covenant towards the end of 2017.

The table below shows the status of selected financial covenants of the Company as at 31 December 2016.

Selected financial covenants – minimum requirements	31-Dec-16	31-Dec-15
Debt Service Ratio – 0.75 for Q4 2016	1.2	2.6
Working capital – positive	25m	92m
Book equity ratio – 25% (reduced to 20% from Q1 2017)	32%	13%
Minimum liquidity reserve – USD 10m	39m	79m

The Company's compliance with its financial covenants is dependent upon maintaining a certain level of liquidity as well as recognizing certain levels of operating and accounting profits, both of which are dependent upon securing sufficient earnings in the future, as described below.

Future outlook

The Company's data acquisition operations are exposed to extreme weather and other hazardous conditions. Further, the operations involve risks of a technical and operational nature due to the complex systems that are utilized. If any of these operational risks materialize, the Company's business may be interrupted and could result in curtailment of or delays in the Company's revenue generating activities. Any significant unforeseen events, such as operating delays, that have a negative impact on the Company's earnings will have a significant negative impact on the Company's financial position and going concern.

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, the Company expects to have sufficient liquidity to operate for at least 12 months after the balance sheet date, but is reliant on an improvement in contract pricing and/or vessel utilization during 2018, as well as securing certain levels of income from the Company's multi-client assets. The magnitude of the improvement in market conditions required in 2018 is significantly reduced following the private placement completed post-yearend end and associated reduction in debt service payments through 2018. When the Company's debt service increases in 2019, the Company is reliant on an improvement in market conditions compared to its expectations for 2017 and 2018.

Management and the Board of Directors will continue to closely monitor their going concern assumptions, cash flow forecast and compliance with financing covenants, and will consider the need for additional measures on an ongoing basis. Management and the Board of Directors confirm that the financial statements have been prepared under the going concern assumption and conclude this assumption is appropriate

The Company continues to successfully secure a number of contract awards and as measured from 31 December 2016, the total backlog is estimated to be USD 240 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 Classification of general and administrative costs

Effective 01 January 2016, the Group classifies and discloses the cost of its Sales and Multi-Client departments' general and administrative costs as "Cost of sales" in the consolidated statement of comprehensive income. These costs were classified and disclosed as "General and administrative costs" in earlier periods. All comparative numbers are restated to reflect the change in classification. This change does not affect the total operating expenses reported in the earlier periods.

2.3.2 Classification of amortization of multi-client libraries

Effective 01 January 2016, the Group discloses the amortization of its Multi-Client libraries separately in the consolidated statement of comprehensive income. Amortization of Multi-Client libraries was included and disclosed under "Depreciation and amortization" in the earlier periods. All comparative numbers are restated to reflect the change in classification. This change does not affect the total operating expenses reported in the earlier periods.

2.3.3 New and amended accounting standards and interpretations

The Group applied for the first time certain accounting standards and amendments, which are effective for annual periods beginning on or after 01 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to these standards, effective 01 January 2016, prohibits the use of a revenue-based depreciation or amortization method. The amendment to IAS 38 had a prospective impact to the Company's financial statements from 01 January 2016 as the Company ceased applying revenue-based amortization to its Multi-Client data libraries on completed multi-client projects. As a result of the amendments, the Company applies a straight-line amortization over a maximum of four years from the date of completion of a Multi-Client project. There was no change to the amortization method during the prefunding stage of the multi-client projects.

During the year ended 31 December 2016 the Company commenced straight line amortization on two of its completed multi-Client library projects, recognizing a total of USD 7.3 million amortization using the straight line method.

None of the other 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.

2.3.4 Future changes in accounting policies

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting period beginning on 01 January 2017 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 plans to 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 preliminary 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 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 (i.e. Proprietary sales/contract sales and multi-client late sales).

If the Company had implemented IFRS 15 from 01 January 2016 and applied it to all of its Multi-Client projects, the Multi-Client prefunding revenue the Company recognized in 2016 would have been reduced by USD 44.5 million to USD 10.8 million, with a corresponding increase in current assets, while Multi-Client amortization would have been reduced by USD 39.9 million from USD 16.9 million, and the net profit the Company recorded in the year would have decreased by USD 4.6 million.

The Company has been in discussions with its auditor as well as other seismic acquisition companies regarding the assessment of the interpretation of IFRS 15 in relation to revenue generated by seismic acquisition contracts. 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. IFRS 16 is expected to have significant impact in the Group's financial statements mainly due to the lease arrangements that the Group has entered into for two of its vessels, *Polarcus Nadia* and *Polarcus Naila*. The Group plans to adopt the new standard on 01 January 2019.

Under IFRS 16, all leases will be accounted for similar to the current accounting treatment (in accordance with IAS 17) for finance leases. The cost of the Company's operating leases for *Polarcus Nadia* and *Polarcus Naila* was recorded within cost of sales in the income statement in 2016. Under IFRS 16, the cost of such leases will not be recorded in cost of sales. Instead, it is expected that the capitalized leases will be depreciated over the lease term and the cost presented within the Company's other depreciation, while the interest element of discounting will be presented as a finance charge. Consequently, the Group's operating profit will increase subsequent to implementation of IFRS 16.

If the Company implemented IFRS 16 on 01 January 2017, the Company would recognize a right to use asset estimated at USD 67.1 million and a corresponding lease liability, of which USD 6.1 million would be classified as a current liability and USD 61 million as a non-current liability, after which the Company's book equity ratio would be 28% (down from 31% at 31 December 2016). These estimated amounts are based on the future contractual lease payments as per the lease terms existed at 31 December 2016 and discounted using an effective interest of 10.85%. The actual discount rate used when the Company implements IFRS 16 may differ from that used for these estimations.

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. The Group recognizes pre-funding revenue as the services are performed on a proportional performance basis provided that other revenue recognition criteria are met. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date.

Late sales

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

2.6.2 Proprietary sales/contract sales

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

2.6.3 Other income

Revenue for management fees is recognized as the services are performed and at the contractual day rat. 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 establishes an amortization rate for each Multi-Client project based on estimated future sales of each project. Sales estimates are adjusted over time in relation to the development of the market. The principle on which the Multi-Client project is amortized during its Prefunding stage is based on the assumption that the cost of the project will be recoverable by future revenue earned from the future sale of the data licenses. The amortization rate to be applied during prefunding stage is calculated by dividing the net costs (net book value plus expected future costs) of the project by the expected future revenues from sales of the data licenses.

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, USA and Norway 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 2015 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 15 *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-16	31-Dec-15
Financial assets		
Cash and bank		
Norwegian Kroner ("NOK")	180	35
British Pounds ("GBP")	279	689
Euro ("EUR")	421	673
Brazilian Reals ("BRL")	623	-
Other foreign currencies (total of 8 different currencies)	732	2,602
Total cash and bank denominated in foreign currencies	**2,235**	**4,000**
Cash and bank denominated in USD	*11,496*	*49,976*
Restricted cash denominated in USD	*731*	*14,519*
Receivable from customers		
Denominated in foreign currencies	25,397	-
Denominated in USD	*22,198*	*58,755*
Financial liabilities		
Bond loans denominated in NOK	3,930	39,345
Total loans and borrowings denominated in foreign currencies	**3,930**	**39,345**
Loans and borrowings denominated in USD	*281,159*	*604,853*

As of 31 December 2016, 17% of the Group's total financial assets are denominated in foreign currencies. This mainly represents the Group's receivables from customers denominated in Australian Dollars and 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 +/- USD 0.8 million on the Group's profit before tax.

As of 31 December 2016, approximately 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 0.4 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 2016 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 has entered into a cross currency interest rate swap agreement for its liability under the NOK 350 million bond loans to swap the fixed interest rate NOK obligations under this bond loan into USD floating rate obligations (also refer to Note 15.2.2 *350M NOK Senior unsecured bonds* and Note 18 *Other financial liabilities*).

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-16	31-Dec-15
Total interest bearing debt	285,089	644,198
Interest bearing debit with variable interest rates	54,184	90,092
% of interest bearing debt with variable interest rates	19%	14%

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

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

(In thousands of USD)	Effective interest rate (%)	Maturity	31-Dec-16	31-Dec-15
Convertible bonds (refer to Note 15.1)	13.58	Dec-22	23,611	96,607
8% unsecured bonds (refer to Note 15.2.1)	21.33	Dec-22	7,040	84,673
NOK 350 million unsecured bond (refer to Note 15.2.2)	18.81	Dec-22	3,930	39,345
Long-term finance lease*	-	-	-	166,018
Fleet bank facility Tranche 1 (refer to Note 16.1)	6.68	Aug-22	32,846	32,811
Fleet bank facility Tranche 1 (refer to Note 16.1)	4.15 (variable)	Aug-22	13,564	15,284
Fleet bank facility Tranche 2 (refer to Note 16.1)	4.15 (variable)	Mar-23	34,428	35,463
Fleet bank facility Tranche 3 (refer to Note 16.1)	5.6	Mar-24	80,486	82,359
Fleet bank facility Tranche 4 (refer to Note 16.1)	5.6	Jun-24	82,319	86,771
Liability for seismic equipment (refer to Note 16.2)	1.81	Apr-17	673	4,867
Liability for seismic equipment (refer to Note 16.2)	5.51 (variable)	Feb-18	6,191	-
Total interest bearing debt			**285,089**	**644,198**

*Long-term finance lease was reclassified as Operational lease effective Q1 2016 as a result of the Restructuring. Refer to Note 17.1 *Group as a lessee* for further details.

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*.

Market price risk

As at 31 December 2016, 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 thousands of USD)	Fair value 31-Dec-16 (%)*	31-Dec-16	31-Dec-15
2.875% convertible bonds - Tranche B1 (Note 15.1)	23.8%	2,332	-
2.875% convertible bonds - Tranche B2 (Note 15.1)	23.5%	4,853	-
95M USD 8% senior unsecured bonds (Note 15.2.1)	8.3%	7,040	-
350M NOK senior unsecured bond (Note 15.2.2)	10.3%	3,930	-
Liability under currency swap instrument (Note 18)	-	10,511	22,324
Total financial liabilities measured at fair value		**28,666**	**22,324**

*Percentage of the outstanding principal amount under each bond loans. Also refer to Note 15 *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-16	31-Dec-15
Receivable from customers		
Receivable from customers	48,762	73,613
Provision for bad debts	(1,167)	(14,858)
Net receivable from customers	**47,595**	**58,755**
Cash and short-term deposits with banks	14,462	68,495
Advance payments to suppliers*	43	3,348
Total	**62,100**	**130,598**

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

As at 31 December 2016, the Group had a provision of USD 1.2 million for bad and doubtful debts related to the overdue accounts receivable from two of its customers (USD 14.9 million - from four customers - as at 31 December 2015). The Group's remaining receivables as at 31 December 2016 were owed by a total of 15 different customers (2015 – 17 customers) and three of these customers owed more than USD 5 million (2015 – 1 customer), accounting for 66% (2015 – 24%) of the total receivables from customers. USD 0.7 million of the net receivable from customers were overdue as at 31 December 2016.

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

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Balance as at 01 January	14,858	6,563
Receipts from customers during the year	(2,289)	-
Amounts written-off as bad debt*	(12,348)	-
Additional provisions during the year	947	8,295
Balance as at 31 December	**1,167**	**14,858**

*USD 12.3 million written-off as bad debt during 2016 relates to receivables from two customers for proprietary contract work that the Group performed during 2014. The Group retained the underlying seismic data from these projects which was sold to a new customer during 2016 for a net consideration of USD 6 million, which was recognised as Contract revenue in the consolidated statement of comprehensive income in 2016. Hence, the effective net loss related to these bad debts written off during 2016 was USD 6.3 million.

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 32 *Subsequent events* for details of the revised payments terms agreed with different financing parties during Q1 2017. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In thousands of USD)	2017	2018	2019 to 2021	2022 onwards	Total
Repayment of fleet bank facility	-	-	90,862	163,420	254,282
Interest payments for fleet bank facility	13,985	13,417	30,307	12,115	69,824
Repayment of bond loans	-	5,706	17,119	204,536	227,362
Interest payments of bond loans	3,994	3,875	32,742	15,430	56,042
Repayment of liability for seismic equipment	6,063	889	-	-	6,952
Interest payments under liability for seismic equipment	242	7	-	-	249
Operating leases payable	6,388	6,388	63,787	18,638	95,200
Accounts payable	18,929	-	-	-	18,929
Other payables	27,303	-	-	-	27,303
Total	**76,905**	**30,281**	**234,818**	**414,140**	**756,143**

(In thousands of USD)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total
Interest payments for fleet bank facility	3,913	3,064	3,964	3,044	13,985
Interest payments of bond loans	999	999	999	999	3,994
Repayment of liability for seismic equipment	1,895	1,502	1,333	1,333	6,063
Interest payments under liability for seismic equipment	93	71	50	28	242
Operating leases payable	1,575	1,593	1,610	1,610	6,388
Accounts payable	18,929	-	-	-	18,929
Other payables	27,303	-	-	-	27,303
Total	**54,706**	**7,228**	**7,956**	**7,014**	**76,905**

*Of the USD 27.3 million balance of other payables, USD 9.9 million relates to accrued operating expenses, USD 6.6 million relates to accrued data processing costs, USD 7.4 million for accrued tax payables, USD 2.6 million for employee related payables and USD 0.8 million relates other items. Also refer to Note 20 *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. The Company has call options ranging from 33% to 50% of par value for A Tranches of the Unsecured bonds and B1 Tranches of the Convertible bonds, while the call options range from 24% to 36% for B Tranches of the Unsecured bonds and B2 Tranches of the Convertible bonds. The call option is dependent on which year the Company calls the bonds. The blended call option for all tranches in 2018 is 27% of par value. If the Company exercises the call options, the principal repayments it will be required to make will be significantly lower than the amounts shown in the above maturity table. The table below shows the call prices on the two tranches of the restructured bonds. Also refer to Note 15 *Bond loans.*

Year	Tranche A*	Tranche B*
2017	34%	24.5%
2018 (interest commences from 01 July 2018)	35%	25%
2019	38%	27%
2020	41.5%	29.5%
2021	45%	32.5%
2022	50%	36%

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

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

3.2 Capital management

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

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

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

The Group considers both capital and net interest bearing debt as relevant components of funding, and hence, part of its capital management. The Group aims to have funding of a level appropriate to its objectives, strategy and risk profile. The Group monitors its capital structure on the basis of total equity to total assets ratio and at 31 December 2016 the Group had a book equity ratio of 31% (2015 – 13%). In Q1 2017, the Group increased its equity following a private placement of approximately USD 40 million in gross proceeds.

During the past three years the Company's earnings and equity have been negatively impacted by the depressed market conditions, while the Company has recognized certain non-cash accounting adjustments, including impairment charges totaling USD 370.9 million over the last three years to end 2016 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 2016 was USD 270 million (2015 – USD 588 million).

The Group has a USD 25 million working capital facility ("WCF") in place until 01 July 2019. The WCF is in place to provide a safety 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. During the year, 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 25 February 2016 when the lease terms were amended as part of the Company's Restructuring. As part of the Restructuring, the purchase options were removed from the lease arrangements, as well as certain other lease terms were amended (see Note 16). As a result of these amendments to the lease arrangements, the leases no longer meet the definition of a finance lease and were reclassified from financial leases to operational leases in Q1 2016.

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 2016 the market capitalization of the Company 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 470 million of the seismic vessels and equipment (refer to Note 6 *Property, plant and equipment*). The impairment test based on the Value in Use (VIU) method indicated an impairment of USD 24.4 million. Also refer to Note 24 *Impairments*.

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

The VIU calculation is based on the net present value of future cash flows the Company expects to generate using the assets in their current condition. The calculation requires the Group to make assumptions in the VIU test about the future earnings the Group will derive 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, then the assumptions may be based on the Group's expectations about the future.

For impairment testing, the assets are separated into four CGUs (cash generating units), being the i) Fleet (excl. *Polarcus Amani*, *Polarcus Nadia* and *Vyacheslav Tikhonov*), ii) *Polarcus Nadia*, iii) *Polarcus Amani* and iv) *Vyacheslav Tikhonov*. The Fleet CGU VIU test is based on a scenario analysis, whereby six scenarios with varying assumptions about the speed and magnitude of the future market recovery, as well as the future vessel operating cost base are assessed. The probability of each of the six scenarios is estimated and a weighted average of all scenarios calculated. Of the total impairment of USD 24.4 million, USD 9.5 million relates equipment owned by Polarcus Nadia, a vessel currently cold stacked, including USD 7.0 million for a full impairment of a pre-fabricated twin fin built for the vessel before it was cold stacked. USD 14.9 million relates to the vessel Tikhonov. There was no impairment of the Fleet CGU. Headroom on the carrying value of USD 278 million of the Fleet CGU was USD 4 million.

The VIU test involves estimates about key assumptions during the five year period following the balance sheet date, so 2017 to 2021 inclusive. The key assumptions used in year five, or 2021, 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 2021 until the last year the Company expects to generate cash flows from the assets. 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**	**3D seismic industry historical average since 2004**	**Weighted average used in VIU test**	**Sensitivity of weighted average rate**	**Sensitivity of weighted average rate**	**Increase in impairment charge**
Revenue day rate	227	233	229	2%	4	9,000
OPEX day rate	124	N/A	116	3%	4	18,000
Utilization	82%	N/A	80%	200bp	N/A	42,000
WACC	N/A	N/A	11.44%	100bp	N/A	11,000

If the weighted average revenue day rate changed negatively by 2%, then the impairment charge would increase by approximately USD 9 million. If the weighted average OPEX day rate changed negatively by 3% then the impairment charge would increase by USD 18 million. If vessel utilization is reduced to 78% from 80%, then the impairment charge would increase by USD 42 million. If the discount rate used in the VIU test increased to 12.44% from 11.44%, the impairment charge would increase by USD 11 million.

4.1.2 Impairment assessment of Multi-Client projects library

As at 31 December 2016, due to the impairment indicators as mentioned in 4.1.1 above, 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.

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. A discount rate of 11.44% was used.

As a result of the VIU test, no impairment was recorded as the recoverable amounts of the Group's remaining Multi-Client projects were higher than their carrying values. For sensitivity testing purposes, even if the discount rate used changed by one percentage point, the VIU test would still indicate no impairment. If the discount rate increased by five percentage points, the VIU would indicate an impairment of approximately USD 2 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 2016. Of these projects that are in prefunding stage, two of the projects (both in Brazil) were amortized at 100% of the cost due to the limited late sales potential of these projects. The remaining project in the prefunding stage was amortized at 90% of the prefunding revenue recognized during the year.

4.2.2 Amortization after completion

Once a multi-client project is finished (i.e. after 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 minimum one year and maximum four years. The period of straight line amortization depends upon the expected pattern of future revenue. 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 had two multi-client projects at 31 December 2016 for which straight line amortization was applicable during the year. For one of these projects a straight line amortization period of one year is applied and for the other, a straight line amortization period of three years is applied. The straight line amortization recognized on the two completed projects during 2016 was USD 7.3 million.

4.3 Provision for onerous 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 depreciation of the equipment required to deliver the project, including vessel and streamer depreciation. For the calculation of provision for onerous contracts, the Group includes seismic survey projects for which the Group had a legal and/or constructive obligation at the balance sheet date to deliver the contract.

As at 31 December 2016, the Group had recognized a provision of USD 3.9 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 2017. The projects are expected to be completed during the first quarter 2017.

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 at 31 December 2016, the Group had recognized USD 40.2 million in the consolidated statement of financial position with a corresponding cost on a separate line in the consolidated income statement as an onerous contract provision relating to the operating lease of *Polarcus Nadia*, an amount which represents the present value of the remaining cost to the Company during the fixed lease period. The reason for the provision is that it is uncertain as to the timing when the vessel will be reactivated from cold stacking.

5 Segment information

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

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

In the long-term, the Company expects similar gross margins on Contract and Multi-Client operations. IFRS 8.12(a) requires that the nature of the products and services need to be similar for segment aggregation to be acceptable. In both Proprietary contracts and Multi-Client, the customer receives the same data set. The only difference being legal ownership of the data set. Under Proprietary contracts, the customer legally owns the data set, while under Multi-Client, the Company retains legal ownership and the customer receives access to the data set. IFRS 8.12(b) requires that the nature of the production process to be similar. Regardless of whether or not the Company is performing a Proprietary contract or Multi-Client survey, the production process is identical. IFRS 8.12(c) requires that the type or class of customer for the products or services to be similar. Under both Contract and Multi-Client, the Company's customers are similar. The Company's customers are oil and gas companies, and there is no difference in the sub-set of customers that purchase contract or Multi-Client data. IFRS 8.12(d) requires that the methods used to distribute the products or provide the service to be similar. For Proprietary contracts and Multi-Client pre-funding customers, the methods used to distribute the product are the same. The method used to distribute the product is different for Multi-Client late sales. The Multi-Client late sales that the Company has achieved historically is significantly lower compared to the Multi-Client prefunding revenues (during 2016 98% of total Multi-Client sales were prefunding – 2015 90%). 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'.

(In thousands of USD)	Year ended 31-Dec-16 Marine	Other	Total	Year ended 31-Dec-15 Marine	Other	Total
Revenues						
Proprietary contracts*	153,821	-	153,821	215,438	-	215,438
Multi-client prefunding	55,313	-	55,313	83,554	-	83,554
Multi-client late sales	1,256		1,256	9,265	-	9,265
Bare boat charter (Operating leases)*	-	14,426	14,426	-	24,008	24,008
Management fees*	-	16,848	16,848	-	31,312	31,312
Other income (Insurance claims)**	-	1,752	1,752	-	13,895	13,895
Total Revenues	**210,390**	**33,026**	**243,416**	**308,257**	**69,214**	**377,471**
Operating costs	(166,467)	(29,741)	(196,209)	(189,726)	(36,096)	(225,822)
Provision for onerous contracts	(46,356)	-	(46,356)	(8,803)	-	(8,803)
EBITDA	**(2,433)**	**3,284**	**851**	**109,727**	**33,118**	**142,845**
Depreciation and amortization	(40,518)	(8,154)	(48,672)	(64,139)	(8,275)	(72,414)
Multi-client amortization	(56,807)	-	(56,807)	(69,274)	-	(69,274)
Impairments	(26,658)	-	(26,658)	(315,430)	-	(315,430)
Operating profit/(loss) (EBIT)	**(126,416)**	**(4,870)**	**(131,286)**	**(339,116)**	**24,843**	**(314,273)**
Net financial income/(expenses)	-	154,803	154,803	-	(58,738)	(58,738)
Profit/(loss) before tax	**(126,416)**	**149,933**	**23,517**	**(339,116)**	**(33,895)**	**(373,011)**

*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.

(In thousands of USD)	Year ended 31-Dec-16 Marine	Other	Total	Year ended 31-Dec-15 Marine	Other	Total
Total assets	490,401	79,123	569,524	746,409	100,527	846,936
Investments in joint ventures	-	-	-	1,220	-	1,220
Cash investments in long-term assets	61,042	-	61,042	124,533	-	124,533

*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:

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Asia Pacific ("APAC")	91,684	244,579
Europe, Africa and Middle East ("EAME")	67,375	106,579
North and South Americas ("NASA")	82,605	12,418
Total revenue	**241,664**	**363,576**

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

(In thousands of USD)	31-Dec-16	31-Dec-15
APAC	189,343	282,517
EAME	83,245	351,901
NASA	170,789	-
Total	**443,377**	**634,418**

The Group had five vessels included in property, plant and equipment as of 31 December 2016 (seven 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 2016 the Group provided its services to 37 different customers worldwide (43 during year 2015). Revenue earned from the largest two of these customers amounted to 23% of the Group's total operating revenue earned during the year 2016 (40% during year 2015).

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Customer 1	30,806	111,274
Customer 2	24,718	34,787
Other customers	186,140	217,515
Total revenue	**241,664**	**363,576**

6 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
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 (refer to Note 24)	(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 (refer to Note 4.1 and 24)	24,354	-	24,354
Disposals (refer to Note 24)	(4,081)	-	(4,081)
Balance as of 31 December 2016	533,790	2,891	536,681
Carrying amounts			
As of 1 January 2016	634,111	308	634,419
As of 31 December 2016	**443,205**	**172**	**443,377**
Carrying amounts held under finance lease as of 31 December 2016	-	-	-
Pledged assets as of 31 December 2016	407,190	-	407,190
Year ended 31 December 2015			
Costs			
Balance as of 01 January 2015	1,228,409	3,458	1,231,868
Additional capital expenditures	19,008	25	19,034
Disposals	(20,985)	(421)	(21,406)
Balance as of 31 December 2015	1,226,433	3,063	1,229,496
Depreciation and impairments			
Balance as of 01 January 2015	301,274	2,779	304,053
Depreciation for the year	85,410	278	85,688
Impairments	215,568	-	215,568
Disposals	(9,930)	(302)	(10,232)
Balance as of 31 December 2015	592,322	2,755	595,077
Carrying amounts			
As of 01 January 2015	927,136	679	927,815
As of 31 December 2015	**634,111**	**308**	**634,419**
Carrying amounts held under finance lease as of 31 December 2015	127,392	-	127,392
Pledged assets as of 31 December 2015	632,204	-	632,204

De-recognition of assets held under finance lease during year 2016 refers to the de-recognition of the vessels *Polarcus Nadia* and *Polarcus Naila* from the Company's consolidated statement of financial position subsequent to the changes in the terms of the lease arrangements. Also refer to Note 17.1 *Group as a lessee*.

Additional capital expenditure during the year ended 31 December 2016 include the marine seismic in-sea acquisition system that the Company purchased from Dolphin Geophysical AS, for a price of USD 11.5 million. Also refer to Note 16.2 *Liabilities related to seismic equipment*.

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

7 Multi-Client projects library

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Balance at the beginning of the year	50,828	88,731
Investments during the period	46,314	100,189
Capitalized depreciation (Note 23)	4,772	18,507
Amortization	(56,807)	(69,274)
Impairments	-	(62,128)
Disposals	-	(25,197)
Balance at the yearend	**45,107**	**50,828**

As of 31 December 2016 the Group owned five different multi-client libraries. Three of these libraries were in prefunding stage and two were completed. The straight line amortization recognized on the two completed projects during 2016 was USD 7.3 million. Out of the three projects that are in prefunding stage, two Brazilian projects are amortized at 100% of the cost due to the limited late sales potential of these projects. The remaining one project in the prefunding is amortized at 90% of the prefunding revenue recognized during the year.

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

8 Investment in joint ventures

8.1 Investment in Polarcus Nigeria Ltd ("PNL")

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Balance at the beginning of the year	1,220	2,203
Share of loss	(1,220)	(983)
Balance at the year end	**-**	**1,220**

The Group owns 50% 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.

Summarised financial information of PNL is as follows:

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Non-current assets	-	3,000
Cash and cash equivalents	-	6
Total assets	**-**	**3,006**
Financial current liabilities	750	295
Other current liabilities	-	243
Equity	(750)	2,467
Total equity and liabilities	**-**	**3,006**
Revenues	-	-
Operating expenses	(308)	(276)
Impairment of multi-client library	(3,000)	(1,613)
Net finance income/(costs)	91	(79)
Total comprehensive income/(loss)	**(3,217)**	**(1,967)**

8.2 Investment in Polarcus Ghana Ltd ("PGL")

On 06 June 2016, the Group incorporated a new joint venture in Ghana together with Lysam Limited ("Lysam"). The Group owns 90% of equity in PGL and Lysam owns remaining 10%. Investment made by the Group during 2016 was USD 0.2 million. The principal activity of PGL is to provide marine seismic data acquisition and processing services to the Ghanaian and international oil and gas industry. PGL had no major business activities during 2016.

9 Other current assets

(In thousands of USD)	31-Dec-16	31-Dec-15
Cash collateral for swaps (refer to Note 18)	3,120	7,400
Advance to employees	1,072	1,121
Advance to suppliers	43	3,348
Deposits	248	256
VAT and other indirect taxes receivable	216	1,029
Insurance receivables	-	6,516
Other receivables	885	773
Total other current financial assets measured at amortized cost	**5,584**	**20,443**
Other investments	529	529
Prepaid expenses	7,438	6,804
Deferred transit costs	443	-
Inventories onboard the vessels	7,344	6,409
Total	**21,337**	**34,185**

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

10 Restricted cash

(In thousands of USD)	31-Dec-16	31-Dec-15
Debt service retention accounts	698	2,139
Payment guarantee escrow accounts	33	9,380
Other short term deposits	-	3,000
Total	**731**	**14,519**

11 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-16	31-Dec-15
USD	11,496	49,976
NOK	180	35
GBP	279	689
EUR	421	673
BRL	623	720
AUD	46	175
Other currencies	686	1,708
Total	**13,731**	**53,976**

12 Share capital and share options

12.1 Changes in authorized share capital

The Company's authorised share capital as at 01 January 2016 was USD 18,570,000 divided into 92,850,000 shares at par value of USD 0.20.

As part of the Restructuring, on 27 January 2016, an Extraordinary General Meeting of the Company approved an increase in and amendment to the authorized share capital of the Company. Subsequently, the Company's authorised share capital was USD 19,353,682 divided into 92,850,000 shares of a nominal or par value of USD 0.20 each and 602,832,312 Class B shares of a nominal or par value of USD 0.0013 each.

Further, on 13 April 2016, an Extraordinary General Meeting of the Company approved an increase in authorised share capital by an additional 663,491,579 ordinary shares. Subsequently, the Company's authorised share capital was USD 152,051,998 divided into 756,341,579 shares of a nominal or par value of USD 0.20 each and 602,832,312 Class B shares of a nominal or par value of USD 0.0013 each.

By virtue of a special resolution passed by the shareholders which was further sanctioned by the Grand Court of the Cayman Islands on 15 August 2016, the Company reduced the par value of its each ordinary share from USD 0.20 to USD 0.01. As a result, the Company's authorised share capital was reduced from USD 152,051,998 to USD 8,347,098.

As of 31 December 2016, the Company's authorized share capital as of 31 December 2016 is 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 EGM held on 06 March 2017, the Company's authorized share capital was increased by an additional 1,122,000,000 new ordinary shares, bringing the total authorized share capital to 1,878,341,579 ordinary shares of USD 0.01 par value each.

12.2 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 2015	**669,813,679**	**13,396**	**532,222**	**545,618**
Consolidation of share capital				
On 22 November 2015 (at 10:1 from USD 0.02 to USD 0.20 per share)	(602,832,311)	-	-	-
Balance as at 31 December 2015	**66,981,368**	**13,396**	**532,222**	**545,618**
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**

As of 31 December 2016, the Company's issued and paid up share capital is USD 5,304,729, divided into 530,472,947 shares with nominal value USD 0.01 per share. All shares have equal rights in all respects, including with respect to voting and dividends.

Assuming full conversion of convertible bond loan (refer to Note 15.1) and share options (refer to Note 12.3), the total number of shares issued would increase by 22,563,672 shares.

Dilutive Instrument	Number of equivalent shares
Shares associated with convertible bonds	7,339,626
Shares associated with the stock options	17,954,600
Total	**25,294,226**

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

On 08 March 2017 the Company issued 1,000,000,000 new shares at a subscription price of NOK 0.33 raising NOK 330 million in gross proceeds through the Private Placement. Subsequently the Company's issued share capital increased to USD 15,304,729 divided into 1,530,472,947 shares, each with a par value of USD 0.01. On 05 April 2017, the Company announced the final result of a subsequent offering in relation to the Private Placement, with a total of 3,912,439 shares subscribed for at a subscription price of NOK 0.33 per share. The Company expects to issue the shares allocated in the subsequent offering on 07 April 2017 and to be admitted to trading on 10 April 2017. Also refer to Note 32 *Subsequent events.*

12.3 Employee share options

12.3.1 2008 Share option plan

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

The total fair value of options granted up to 31 December 2016 under the 2008 plan is USD 4.9 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2016		Year ended 31-Dec-2015	
	Number	WAEP (USD)	Number	WAEP (USD)
Outstanding at 01 January	33,000	13.05	137,000	10.57
Granted during the year	-	-	-	-
Expired During the year	(33,000)	-	(83,000)	-
Forfeited during the year	-	-	(21,000)	-
Outstanding as of 31 December	-	-	**33,000**	**13.05**
Exercisable as at 31 December	-	-	33,000	13.05
Exercised during the year	-	-	-	-

2008 Share option plan expired in its entirety during 2016.

12.3.2 2010 Share option plan

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

The total fair value of options granted up to 31 December 2016 under the 2010 plan is USD 3.2 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2016		Year ended 31-Dec-2015	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	537,890	79.83	612,540	79.39
Granted during the year	-	-	-	-
Expired During the year	(353,790)	-	-	-
Forfeited during the year	(20,000)	-	(74,650)	-
Outstanding as of 31 December	**164,100**	**93.23**	**537,890**	**79.83**
Exercisable as at 31 December	164,100	93.23	537,890	79.83
Exercised during the year	-	-	-	-

The range of exercise prices for options outstanding under the 2010 plan as of 31 December 2016 is NOK 72.85 – NOK 93.23 (USD 8.39 – USD 10.73). The weighted average remaining contractual life of options outstanding under this plan as of 31 December 2016 is 0.32 years.

12.3.3 2012 Share option plan

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

The total fair value of options granted up to 31 December 2016 under the 2012 plan is USD 4.2 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2016		Year ended 31-Dec-2015	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 01 January	1,299,500	50.50	1,347,500	55.23
Granted during the year	-	-	115,000	37.00
Forfeited during the year	(154,000)	-	(163,000)	-
Outstanding as of 31 December	**1,145,500**	**50.58**	**1,299,500**	**50.50**
Exercisable as at 31 December	920,500	56.81	840,500	56.40
Exercised during the year	-	-	-	-

The range of exercise prices for options outstanding under the 2012 plan as of 31 December 2016 is NOK 3.7 – NOK 58.6 (USD 0.43 – USD 6.74). The weighted average remaining contractual life as of 31 December 2016 is 0.96 years.

12.3.4 2014 Share option plan

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

The total fair value of options granted up to 31 December 2016 under the 2014 plan is USD 1.4 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2016		Year ended 31-Dec-2015	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	1,380,000	24.92	745,000	43.35
Granted during the year	-	-	650,000	4.24
Forfeited during the year	(10,000)	-	(15,000)	-
Outstanding as of 31 December	**1,370,000**	**24.79**	**1,380,000**	**24.92**
Exercisable as at 31 December	240,000	43.34	-	-
Exercised during the year	-	-	-	-

The weighted average remaining contractual life of options outstanding under 2014 plan as of 31 December 2016 is 4.81 years. Exercise price for these outstanding options is NOK 2.40 – NOK 43.80 (USD 0.28 – USD 5.04).

12.3.5 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 16,000,000 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 2016 under the 2016 plan is USD 0.46 million calculated using the Black-Scholes model.

	Year ended 31-Dec-2016		Year ended 31-Dec-2015	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	-	-	-	-
Granted during the year	15,375,000	0.79	-	-
Forfeited during the year	-	-	-	-
Forfeited during the year	(100,000)	-	-	-
Outstanding as of 31 December	**15,275,000**	**0.79**	-	-
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 2016 is 6.38 years. Exercise price for these outstanding options is NOK 0.42 – NOK 0.81 (USD 0.05 – USD 0.09).

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

	31-Dec-16	31-Dec-15
Dividend yield	0%	-
Expected volatility	78%	-
Risk-free interest rate	1.37%	-
Expected life of option (years)	7	-
Weighted average share price (NOK)	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 2016 the Group recognized an expense of USD 0.6 million for employee share options (USD 0.5 million during year 2015).

13 Other financial assets and liabilities

13.1 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-16	31-Dec-15
Receivable from customers	47,595	58,755
Other current financial assets (Note 9)	5,584	20,443
Total assets measured at amortized cost	**53,179**	**79,198**

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-16	31-Dec-15
Bond loans		
2.875% Convertible Bond - Tranche A (refer to Note 15.1)	16,427	96,607
95M USD 8% senior unsecured bonds	-	84,673
350M NOK senior unsecured bond	-	39,345
Total bond loans	16,427	220,625
Other long-term debt		
Fleet bank facility (refer to Note 16.1)	243,644	252,688
Liability for seismic equipment (refer to Note 16.2)	6,864	4,867
Total other long-term debt	250,507	257,555
Other financial liabilities		
Finance lease liabilities	-	166,018
Accounts Payable	18,929	30,109
Total other financial liabilities	18,929	196,127
Total financial liabilities measured at amortized cost	**285,863**	**674,307**

Post completion of Restructuring in Q1 2016, the unsecured bond loans and Tranche B and Tranche C of the 125M USD bonds are measured at fair value through profit or loss. Also refer to Note 15 *Bond loans*.

Also refer to Note 3.1.3 *Liquidity risk*.

13.2 Fair values

(in thousands of USD)	Fair value hierarchy	31-Dec-16 Carrying Amount	31-Dec-16 Fair value	31-Dec-15 Carrying Amount	31-Dec-15 Fair value
Financial assets					
Cash and deposits		14,462	14,462	53,976	53,976
Receivable from customers		47,595	47,595	58,755	58,755
Total		**62,057**	**62,057**	**112,731**	**112,731**
Financial liabilities					
Accounts payable		18,929	18,929	30,109	30,109
2.875% convertible bonds - Tranche A (Note 15.1)	Level-1	16,427	30,315	96,607	21,654
2.875% convertible bonds - Tranche B1 (Note 15.1)	Level-1	2,332	2,332	-	-
2.875% convertible bonds - Tranche B2 (Note 15.1)	Level-1	4,853	4,853	-	-
95M USD 8% senior unsecured bonds (Note 15.2.1)	Level-1	7,040	7,040	84,673	9,955
350M NOK senior unsecured bond (Note 15.2.2)	Level-1	3,930	3,930	39,345	4,600
Other long-term debt (Note 16)	Level-2	250,507	242,500	257,555	245,355
Finance lease liabilities	Level-2	-	-	166,018	37,205
Total		**304,019**	**309,899**	**674,307**	**348,878**

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 2016 there has not been any transfer of financial instruments between above different levels.

14 Other reserves

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Balance as at 01 January	32,556	33,149
Employee stock options (refer to Note 12.3)	581	505
Other movements (transfer to Retained earnings)		
Fair value of employee stock options unexercised and expired	(3,272)	(651)
Equity component of convertible bonds repaid	-	(447)
Balance as at the yearend	**29,865**	32,556

15 Bond loans

(In thousands of USD)	Nominal outstanding value as of **31-Dec-16**	**31-Dec-16**	**31-Dec-15**
Original bond loans			
95M USD 8% unsecured bonds		-	84,673
350M NOK unsecured bonds		-	39,345
USD 125 million 2.875% convertible bonds		-	96,607
		-	**220,625**
Restructured new bond loans			
Secured bonds ***(Note 15.1 below)***			
125M USD bonds - Secured convertible Tranche A	USD 71.3 million	16,427	-
125M USD bonds - Secured Tranche B1	USD 9.8 million	2,332	-
125M USD bonds - Secured Tranche B2	USD 20.7 million	4,853	-
Total secured bonds		**23,612**	-
Unsecured bonds ***(Notes 15.2 and 15.3 below)***			
95M USD unsecured bond - Tranche A	USD 16.6 million	1,376	-
95M USD unsecured bond - Tranche B	USD 68.7 million	5,664	-
350M NOK unsecured bonds - Tranche A	NOK 78 million	1,010	-
350M NOK unsecured bonds - Tranche B	NOK 270.6 million	2,920	-
Total unsecured bonds		**10,970**	-
Balance as at the yearend		**34,582**	**220,625**

15.1 USD 125 million Convertible bonds

Subsequent to the Restructuring that was completed and implemented on 25 February 2016, the convertible bonds were separated into three tranches, CB Tranche A, CB Tranche B1 and CB Tranche B2. CB Tranche A consists of 70% of the original bonds, with extended maturity to 30 March 2022 and adjusted amortization profile. The remaining 30% of the original bond comprises CB Tranche B1 and CB Tranche B2, which in principle carry the same terms as the unsecured bonds as summarized below in Note 15.2 (CB Tranche B1 equal to the Unsecured A Tranches below and CB Tranche B2 equal to the Unsecured B Tranches). Subsequent to the Restructuring, all accrued interest on the convertible bonds up to and including 30 November 2015 due under the original terms of the bonds was settled during Q1 2016. The number of shares issued to new CB Tranche B2 bonds subsequent to the restructuring was 79,846,150. As per the revised terms, interest on Tranche B1 and B2 will accrue only from 01 January 2018 with semi-annual interest payments, subject to the Company being able to service its bank debt in full at the time of any such payment. Interest was accrued and paid on Tranche A at a revised rate of 5.6% per year.

The Company recorded an accounting gain of USD 68 million during Q1 2016 from the restructuring of the convertible bonds (refer to Note 28 *Gain on financial restructuring*).

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

Nominal value of CB Tranche A	USD 71.3 million
Nominal value of CB Tranche B1	USD 9.8 million
Nominal value of CB Tranche B2	USD 20.7 million
Number of shares issued for B tranches	79,846,150
Interest - CB Tranche A	5.6% p.a
Interest rates range - CB Tranche B1 (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
Conversion price for CB Tranche A	USD 15.40 per share
Number of shares from conversion	4,631,818

	Years ended		Accumulated from inception	
(In thousands of USD)	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Original USD 125M Convertible bonds				
Balance at 1 January / on issue	96,607	96,336	95,271	95,271
Unpaid accrued interest at 1 January	950	499	-	-
Issue costs and equity portion amortized	-	2,371	24,672	24,436
Interest payable accrued/(reversed)	(411)	5,320	18,039	18,450
Interest paid	(539)	(4,869)	(18,039)	(17,500)
Buyback	-	(2,100)	(23,100)	(23,100)
Unpaid interest included in Other accruals and payables	-	(950)	-	(950)
Restructuring impact				
Transfer to new Tranche-A (Secured, convertible)	(14,180)	-	(14,180)	-
Transfer to new Tranche-B1 (Secured, non-convertible)	(1,950)	-	(1,950)	-
Transfer to new Tranche-B2 (Secured, non-convertible)	(4,106)	-	(4,106)	-
Equity shares issued	(7,940)	-	(7,940)	-
Gain on Restructuring (Refer to Note 28)	(68,430)	-	(68,665)	-
Balance at 31 December	-	**96,607**	-	**96,607**
Secured convertible Tranche A				
Fair value at inception	14,180	-	14,180	-
Issue costs and equity portion amortized	2,246	-	2,246	-
Interest payable accrued	4,283	-	4,283	-
Interest paid	(3,617)	-	(3,617)	-
Unpaid accrued interest (Refer to Note 20)	(666)	-	(666)	-
Balance at 31 December	***16,427***	-	***16,427***	-
Secured non-convertible Tranche B1				
Fair value at inception	1,950	-	1,950	-
Issue costs amortized	382	-	382	-
Balance at 31 December	***2,332***	-	***2,332***	-
Secured non-convertible Tranche B2				
Fair value at inception	4,106	-	4,106	-
Issue costs amortized	746	-	746	-
Balance at 31 December	***4,853***	-	***4,853***	-
Total carrying value at 31 December	**23,612**	**96,607**	**23,612**	**96,607**

15.2 Unsecured bonds

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

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

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

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

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

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

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

	95M USD bonds	**350M NOK bonds**
Nominal value of unsecured A tranches	USD 16.6 million	NOK 78 million
Nominal value of unsecured B tranches	USD 68.7 million	NOK 270.6 million
Number of shares issued for B tranches	265,384,592	118,260,837
Interest rates range - Tranche A	3.5% to 5% p.a	
Interest rates range - Tranche B	2.5% to 3.6% p.a	
Call price range 2016 - 2022 - Tranche A	33% to 50% of par value	
Call price range 2016 - 2022 - Tranche B	24% to 36% of par value	

15.2.1 USD 95 million 8% bonds

	Years ended		Accumulated from inception	
(In thousands of USD)	**31-Dec-16**	31-Dec-15	**31-Dec-16**	31-Dec-15
Original USD 95M 8% unsecured bonds				
Balance at 1 January / on issue	84,673	84,340	93,083	93,083
Unpaid accrued interest at 1 January	3,994	569	-	-
Issue costs amortized	-	333	990	990
Interest payable accrued/(reversed)	(684)	7,225	18,197	18,881
Interest paid	(3,310)	(3,800)	(18,197)	(14,887)
Buyback	-	-	(9,400)	(9,400)
Unpaid interest included in Other accruals and payables	-	(3,994)	-	(3,994)
Restructuring impact				
Transfer to new Tranche-A (Unsecured)	(1,951)	-	(1,951)	-
Transfer to new Tranche-**B** (Unsecured)	(8,067)	-	(8,067)	-
Equity shares issued	(26,389)	-	(26,389)	-
Gain on Restructuring (Refer to Note 28)	(48,267)	-	(48,267)	-
Balance at 31 December	-	***84,673***	-	***84,673***
Unsecured Tranche-A				
Fair value at inception	1,951	-	1,951	-
Issue costs amortized	615	-	615	-
Net movements in fair value	(1,189)	-	(1,189)	-
Balance at 31 December	***1,376***	-	***1,376***	-
Unsecured Tranche-B				
Fair value at inception	8,067	-	8,067	-
Issue costs amortized	2,752	-	2,752	-
Net movements in fair value	(5,155)	-	(5,155)	-
Balance at 31 December	***5,664***	-	***5,664***	-
Balance at 31 December	7,040	84,673	7,040	84,673

15.2.2 350M NOK Senior unsecured bonds

	Years ended		Accumulated from inception	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
Balance at 1 January / on issue	39,345	46,067	56,102	56,102
Unpaid accrued interest at 1 January	790	1,132	-	-
Issue costs amortized		161	236	236
Interest payable accrued/(reversed)	(283)	4,164	6,019	6,302
Interest paid	(507)	(4,507)	(6,020)	(5,513)
Unrealized foreign exchange (gain)/loss	290	(6,882)	(16,703)	(16,993)
Unpaid interest included in Other accruals and payables	-	(790)	-	(790)
Restructuring impact				
Transfer to new Tranche-A (Unsecured)	(1,240)	-	(1,240)	-
Transfer to new Tranche-**B** (Unsecured)	(4,303)	-	(4,303)	-
Equity shares issued	(11,759)	-	(11,759)	-
Gain on Restructuring (Refer to Note 28)	(22,332)	-	(22,332)	-
Balance at 31 December	-	***39,345***	-	***39,345***
Unsecured Tranche-A				
Fair value at inception	1,240	-	1,240	-
Issue costs amortized	382	-	382	-
Unrealized foreign exchange (gain)/loss	509	-	509	-
Net movements in fair value	(1,121)	-	(1,121)	-
Balance at 31 December	***1,010***	-	***1,010***	-
Unsecured Tranche-B				
Fair value at inception	4,303	-	4,303	-
Issue costs amortized	1,430	-	1,430	-
Unrealized foreign exchange (gain)/loss	1,771	-	1,771	-
Net movements in fair value	(4,583)	-	(4,583)	-
Balance at 31 December	***2,920***	-	***2,920***	-
Balance at 31 December	**3,930**	**39,345**	**3,930**	**39,345**

16 Other interest bearing debt

	Nominal outstanding value as of		Carrying value as at	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**	**31-Dec-16**	**31-Dec-15**
Fleet bank facility - Tranche 1	48,599	50,284	46,410	48,095
Fleet bank facility - Tranche 2	35,773	36,662.00	34,428	35,463
Fleet bank facility - Tranche 3	83,865	85,500	80,486	82,359
Fleet bank facility - Tranche 4	86,045	90,250	82,319	86,771
Liability for seismic equipment	6,864	4,867	6,864	4,867
Total	**261,146**	**267,564**	**250,507**	**257,555**
Of which:				
Current liability portion			249,649	256,911
Non-current liability			858	644

The Group is subject to a minimum Debt Service Ratio (DSR) covenant under the terms of the Fleet bank facility. During Q4 2016 the lenders agreed to a reset of the DSR covenant from 1.25 to 0.75 (the "Waiver"). Due to the wording included in the Waiver, a strict interpretation of IAS 1.69 requires that the Fleet Bank Facility be temporarily reclassified as a current liability at 31 December 2016 as the interpretation is that the Company did not have an unconditional right to defer payment for 12 months as at that date. The Fleet Bank Facility was subsequently reclassified as a non-current liability in Q1 2017.

16.1 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-16	31-Dec-15
Balance as at 1 January	252,688	265,456
Unpaid accrued interest as at 1 January	3,164	1,264
Amortized fees	(630)	(2,374)
Principal repayments	(8,414)	(10,394)
Interest payable accrued	14,232	14,585
Interest paid during the year	(16,089)	(12,685)
Unpaid accrued interest (Refer to Note 20)	(1,307)	(3,164)
Balance at the yearend	**243,644**	**252,688**

*Principal payments of USD 8.4 million made during 2016 refers to the instalments that were due up to the effective date of Restructuring and paid during Q1 2016.

Also refer to Note 30 *Subsequent events* for details of extended principal payments holiday agreed with the lenders during Q1 2017.

16.2 Liabilities related to seismic equipment

(In thousands of USD)	31-Dec-16	31-Dec-15
Balance as at 1 January / at the inception	4,867	2,927
Additions	11,500	7,437
Down payments	(3,500)	(744)
Amortized fees	(32)	-
Finance costs-Interest charge	418	446
Interest paid	(418)	(446)
Principal payments	(5,972)	(4,753)
Balance at the yearend	**6,864**	**4,867**

USD 6.2 million of the above liabilities for seismic equipment refers to the outstanding balance of a USD 8 million bank loan drawn in March 2016 to part finance the marine seismic in-sea acquisition system that the Company purchased from Dolphin Geophysical AS, for a price of USD 11.5 million (also refer to Note 6 *Property, plant and equipment*). This loan is repayable in 18 equal monthly instalments starting from September 2016, together with interest accrued thereon. The loan carries an interest rate of 5%+LIBOR and will be fully repaid by Q1 2018.

The remaining USD 0.7 million is related to the outstanding balance payable for seismic equipment bought under instalment scheme from Sercel Inc. This balance will be fully repaid by April 2017.

17 Operating leases

17.1 Group as a Lessee

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

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

Upon reclassification of the above leases from financing to operating, the Group de-recognised the vessels *Polarcus Nadia* and *Polarcus Naila* from its statement of financial position (refer to Note 6 *Property, plant and equipment*). The carrying value of these vessels held under finance lease on the date of de-recognition was USD 127.4 million. The finance lease liability de-recognised was USD 166 million.

Accordingly, the Company recorded an accounting gain of USD 39 million from the restructuring of sale and lease back arrangement during Q1 2016 (also refer to Note 28 *Gain on financial restructuring*).

Future minimum operating lease payments under the lease terms prevailing as at 31 December 2016 are as follows:

(In thousands of USD)	***Polarcus Nadia***	***Polarcus Naila***	**Total**
Within one year from 31-Dec-16	2,920	3,468	6,388
After one year but not more than five years	37,380	45,045	82,425
Total	**40,300**	**48,513**	**88,813**

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 recognised a provision of USD 40.2 million in its statement of financial position as at 31 December 2016. Also refer to Note 19 *Provisions and contingent liabilities.*

Also refer to Note 32 *Subsequent events* for details of revised lease payment terms agreed with the Lessor during Q1 2017.

17.2 Group as a lessor

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

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

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

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Within one year	14,454	14,454
After one year but not more than five years	23,522	37,937
Total	**37,976**	52,391

18 Other financial liabilities

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-16**	**31-Dec-15**
Carrying amount and fair value at the beginning of the period	22,324	13,310
Fair value changes during the period	(3,585)	9,013
Part cash settlement of the instrument	(8,228)	-
Carrying amount and fair value at the period end	**10,511**	**22,324**

On 27 September 2016 the Company extinguished 47% of the cross currency interest rate swap agreement by paying USD 8.2 million, which was funded by USD 6.6 million from restricted cash and USD 1.6 million from the cash collateral deposited under the terms of the swap agreement, both amounts held by the counterparty to the swap.

Subsequent to the above mentioned reversal, 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. Such cash collateral deposited as of 31 December 2016 is USD 3.1 million and is included under "Other current assets" (refer to Note 9) in the Company's consolidated statement of financial position.

19 Provisions and contingent liabilities

19.1 Provisions

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

As at 31 December 2016, the total provision in the balance sheet relating to the *Polarcus Nadia* operating lease was USD 40.2 million, an amount which represents the present value of the remaining cost to the Company during the fixed lease period. The reason for the provision is that it is uncertain as to the timing when the vessel will be reactivated from cold stacking. A provision for onerous contracts of USD 3.9 million was recognized in Q4 2016, representing the estimated future operating loss for which the Company had a legal or constructive obligation at the balance sheet date of delivering seismic acquisition contracts in the future. The operating costs included in calculating the operating loss include both vessel operating costs and depreciation. The onerous contract provision relating to client contracts is expected to be unwound during Q1 2017.

19.2 Contingent liabilities

In January 2017 the Singapore tax authorities (the “IRAS”) issued Polarcus Asia Pacific Pte Ltd (“PAPL”) a private ruling on the allowable amortization period for Multi-Client assets, stating that the Multi-Client data is considered a capital asset and therefore not eligible to be amortized in accordance with the accounting principle for amortization. The IRAS ruling did not indicate over what period the Multi-Client asset should be amortized for tax purposes. The Company believes that the nature of the asset qualifies it for amortization on a straight line basis over 5 years, regardless of the pattern of usage of profit derivation. As a result of the ruling, PAPL, a wholly owned subsidiary of Polarcus Ltd, expects to pay USD 1.6 million in corporate income tax in Singapore relating to the current and prior periods, an amount that is included in *Other accruals and payables* in the statement of financial position. PAPL's tax estimate is based on the assumption that revenue earned from its two Multi-Client projects is subject to income tax in Singapore and not in Australia, on the basis that PAPL did not have a permanent establishment (PE) in Australia. Rather, earnings derived in Australia on these two Multi-Client projects were subject to 10% withholding tax in Australia as they were by nature royalties. The Company's assessment, including opinions obtained from its lawyers, is that it did not have a PE in Australia and the Company understand that the Australian tax authorities (“ATO”) are currently considering this position. The Company anticipates that the probability is low that the ATO deems PAPL to have a PE in Australia.

20 Other accruals and payables

(In thousands of USD)	31-Dec-16	31-Dec-15
Accrued interest	1,972	10,368
Accrued operating expenses	9,856	6,586
Accrued multi-client processing costs	6,618	5,865
Operating lease payable	5,126	-
Accrued taxes payable	7,422	3,806
Employee accruals and payable	2,632	2,855
Deferred revenue	706	1,373
Payable to joint operations partners	70	5
Total	**34,401**	**30,858**

21 Cost of sales

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Gross cost of sales	221,740	262,277
Capitalized to multi-client projects	(36,500)	(84,115)
Net deferred transit adjustment	(443)	7,804
Cost of sales (excl. other items)	184,797	185,966
Reimbursable cost	6,718	6,021
Restructuring provision	448	4,400
Net movement in bad debt provision	690	7,900
Net movement in onerous contract provision	(15,803)	-
Net cost of sales	**176,850**	**204,287**

22 General and administrative costs

General and administrative costs consist of the following:

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Salaries and other employee benefits	10,027	11,718
Other general and administrative expenses	9,331	9,818
Total	**19,359**	**21,536**

22.1 Salaries and other employee benefits

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Salaries and bonuses	55,286	73,246
Social security costs	383	519
Pension costs	2,252	3,175
Other benefits	11,856	15,124
Crew travel related costs	7,061	9,575
Vessel crew salaries and benefits included in *Cost of sales*	(47,514)	(69,213)
Other employee costs allocated to *Cost of sales*	(19,296)	(20,708)
Net salaries and other employee benefits included in the general and administrative costs	**10,027**	**11,718**

22.2 Remuneration of the auditors

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Audit fees – Parent company and consolidated financial statements	186	167
Audit fees - subsidiaries	132	114
Audit related services	48	58
Tax advisory services	60	31
Total	**426**	**370**

23 Depreciation and amortization

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Depreciation of seismic vessels and equipment	53,047	85,410
Depreciation of office equipment	136	278
Amortization of other intangible assets	262	5,232
Depreciation capitalized to multi-client library	(4,772)	(18,507)
Total	**48,672**	**72,414**

24 Impairments

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Impairment of damaged equipment (disclosed as *Disposals* in Note 6)	2,304	11,158
Impairment of seismic vessels and equipment	24,354	215,568
Impairment of multi-client library	-	62,128
Impairment of patents and licenses	-	26,576
Total	**26,658**	**315,430**

Also refer to Note 4.1 *Assessment of impairment.*

25 Finance costs

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Interest expenses on bond loans	14,931	18,889
Interest expenses on other interest bearing debt	16,769	17,240
Interest expenses on finance leases	-	17,740
Net interest expenses	**31,700**	**53,869**
Other finance costs	959	1,186
Realized currency exchange loss	1,970	2,385
Unrealized currency exchange loss	2,411	3,696
Total	**37,041**	**61,136**

26 Finance income

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Interest income from deposit with banks	93	724
Realized exchange gain	1,073	2,031
Unrealized exchange gain	795	8,361
Gain on buyback of convertible bonds	-	1,204
Other finance income	-	75
Total	**1,961**	**12,395**

27 Changes in fair value of financial instruments

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Gain/(loss) on swaps instrument (refer to Note 18)	3,585	(9,013)
Gain/(loss) on fair value of bond loans (refer to Note 15)	9,730	-
Carrying amount and fair value at the period end	**13,315**	**(9,013)**

28 Gain on financial restructuring

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Gain on restructuring of convertible bonds (Note 15.1)	68,430	-
Gain on restructuring of unsecured bonds (Notes 15.2 and 15.3)	70,600	-
Gain on restructuring of finance leases (Note 17.1)	38,757	-
Total	**177,787**	-

29 Income tax expense

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

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Current income tax:		
Current income tax charge	3,448	2,000
Adjustments in respect of income tax of previous years	(205)	(907)
Income tax expense	**3,243**	**1,093**

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-16	31-Dec-15
Income tax liability at 01 January	1,022	-
Income tax expense for the year	3,243	2,000
Adjustments in respect of income tax of previous years	-	(907)
Income tax paid during the year	(1,461)	(71)
Income tax liability at 31 December	**2,804**	**1,022**

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

The Group conducts business in a number of jurisdictions and whether or not income tax is due may depend on a number of different variables, including, but not limited to, the existence of tax treaties, the number of days an entity is present in a jurisdiction, 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-16	31-Dec-15
Accounting profit/(loss) before tax	23,517	(373,011)
Income tax expense	3,243	1,093
Effective income tax rate	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-16	31-Dec-15
Profit/(loss) before tax	23,517	(373,011)
Tax expense at Cayman Isles corporation tax rate 0%	-	-
Recognized income tax expense	-	-
Difference	-	-
Taxes in foreign countries	3,448	2,000
Adjustments for previous years (relates to foreign countries)	(205)	(907)
Difference	3,243	1,093

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 2016, the Group has approximate tax losses carried forward (in equivalent USD) of USD 2.7 million in Australia, USD 21.4 million in Brazil, USD 4.6 million in France, USD 5 million in USA, USD 1 million in Suriname, and USD 335 million in Norway. Although the majority of the losses including those carried forward in Norway, Australia 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 2016 vary from 0% to 35% (2015 – 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 principle 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 335 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 the amounts are charged are as follows:

	Year ended 31-Dec-2016				Year ended 31-Dec-2015			
(In thousands of USD)	**Income Tax**	**WHT***	**Tonnage tax****	**Total**	**Income Tax**	**WHT***	**Tonnage tax****	**Total**
APAC	1,600	2,445	-	4,045	-	4,973	-	4,973
EAME	134	340	4	478	1,076	1,592	4	2,672
NASA	1,510	2,300	-	3,810	17	-	-	17
Total	**3,244**	**5,085**	**4**	**8,333**	**1,093**	**6,565**	**4**	**7,662**

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

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

30 Earnings per share

30.1 Basic

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

	Year ended	
(In USD)	**31-Dec-16**	**31-Dec-15**
Profit/(Loss) attributable to equity holders of the Company	20,273,727	(374,104,692)
Weighted average number of ordinary shares issued	444,359,757	66,981,368
Basic earnings per share	0.046	(5.585)

30.2 Diluted

The Company has no potential shares outstanding at the yearend dates that has a dilutive effect on the earnings per share. The share options that have been granted to selected employees as of the end of reporting period (refer to Note 12.3) and the convertible bonds giving the bond holders a right to convert the bonds to equity shares (refer to Note 15.1) have an anti-dilutive effect for the periods reported.

31 Related parties

31.1 Subsidiaries

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

Name of the subsidiary	Country of Incorporation	Equity interest as at 31-Dec-2016	Equity interest as at 31-Dec-2015
Polarcus DMCC	UAE	100%	100%
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Norway AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus 1 Ltd.	Cayman Islands	100%	100%
Polarcus 2 Ltd.	Cayman Islands	100%	100%
Polarcus 6 Ltd.	Cayman Islands	100%	100%
Polarcus MC Ltd	Cayman Islands	100%	100%
Polarcus Samur Ltd.	Cayman Islands	100%	100%
Polarcus Seismic Limited	Cayman Islands	100%	100%
Polarcus Selma Ltd.	Cayman Islands	100%	100%
Polarcus do Brasil Ltda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus UK Limited	United Kingdome	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc.-Colombia branch	Colombia	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%	-

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

31.2 Transactions with related parties

Since 01 February 2016, Zickerman Group Consulting DMCC, a company wholly owned by a board member Mr. Peter Zickerman, has been engaged by the Company to perform strategic consultancy services. During the year ended 31 December 2016, the Company has paid USD 0.5 million to Zickerman Group Consulting DMCC for consultancy services.

The Group had no other major transactions with related parties during the year ended 31 December 2016.

31.3 Transactions with joint operators

During 2016, the Group had one joint operation related to one of its Multi-Client projects in Australia. The Group has 70% share in the revenue, costs, assets and liabilities related to this project.

	Year ended	
(In thousands of USD)	31-Dec-16	31-Dec-15
Revenue from services provided to joint operations*	2,365	1,039
Receivable/(payable) to Joint operator in Australia	(69)	365
Receivable/(payable) to Joint operators (related to projects sold during 2015)	-	138

*To the extent of other joint operators' interest. Also refer to Note 2.4.2 *Joint arrangements*.

31.4 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 2016				Benefits paid to pension plan	Stock options expensed
		Salaries	Bonus	Other Allowances	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 March 2016)	288	16	151	455	30	33
Other members of executive management (5 employees)*		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 early 2016. 'Other allowances' above include USD 1.3 million severance payments made to these three ex-employees.

(In thousands of USD)

		Paid in year 2015				Benefits paid to pension plan	Stock options expensed
		Salaries	Bonus	Other Allowances	Total paid salary and benefits		
Rolf Ronningen	CEO (upto 04 February 2015)	727	-	22	749	10	59
Roderick Albert Starr	CEO (from 05 February 2015)	887	-	122	1,009	38	9
Tom Henrik Sundby	Chief Financial Officer	312	-	143	455	42	44
Duncan Eley	Chief Operating Officer	297	-	182	479	40	47
Carl Peter Zickerman	Executive Vice President	412	-	197	619	46	44
Other members of executive management (3 employees)		1,010	-	459	1,469	103	131
		3,645	-	1,125	4,770	278	334

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).

31.5 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 for the year 2016	Paid for the year 2015
Peter M. Rigg, *Chairman*	20-Jun-08		123	113
Carl-Gustav Zickerman	17-Dec-07	12-May-16	18	48
Tore Karlsson	20-Jun-08	12-May-16	21	48
Arnstein Wigestrand	29-Apr-13		57	56
Karen El-Tawil	13-Feb-14		57	48
Thomas Kichler	13-Feb-14	12-May-16	23	56
Carl Peter Zickerman	12-May-16		32	-
Tom Henning Slethei	12-May-16		36	-
Erik Mathiesen	12-May-16		32	-
Christopher Kelsall	12-May-16	29-Jan-17	35	-
Hege Sjo	20-Jun-08	02-Feb-15	-	5
Total			432	373

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32 Subsequent events

32.1 Change to the Board of Directors

On 30 January 2017 the Company announced that Mr. Chris Kelsall resigned from the board of directors of the Company with effect from 29 January 2017. On 06 March 2017, the Company appointed Mr. Nicholas Smith as a new director.

32.2 Private placement, debt service reduction and covenant ammendments

On 07 March the 2017 the Company announced it had all necessary approvals to complete a private placement equity raise (the "Private Placement"), associated debt service reductions and financial covenant amendments. The Private Placement was launched on 09 February 2017 and on 10 February 2017 the Company announced that it had conditionally allocated binding subscriptions for 1,000,000,000 new shares at a subscription price of NOK 0.33 raising NOK 330 million in gross proceeds through the Private Placement. The Private Placement was significantly oversubscribed. The Private Placement is intended to strengthen the Company's liquidity position in response to a prolonged industry downturn impacting the seismic services segment. The proposed transaction leverages the contingencies that were incorporated in the restructuring completed by the Company in February 2016.

The Company completed negotiations with the lenders in the Fleet Bank Facility (as defined below) to an extension of the amortization freeze to 01 January 2019, reducing installments in 2018 by approximately USD 30 million. The amortization freeze triggers a one-year extension of the reduced operating lease rates for *Polarcus Nadia* and *Polarcus Naila* until 01 January 2019, reducing the lease payment in 2018 by approximately USD 15 million. This will also extend the term of the two leases by one year to Q4 2022. Polarcus has also concluded negotiations with DNB Bank ASA to extend its USD 25 million working capital facility (the "WCF") by one year to 01 July 2019, which further improves the Company's financial flexibility.

In connection to the Private Placement, the bank financing parties (the "Finance Parties") agreed certain amendments to the existing USD 410 million fleet bank facility agreement, including:

a. no amortization until 01 January 2019;

b. extension of the existing cash sweep until 01 January 2019;

c. the Debt Service Ratio ("DSR") covenant being maximum 1.25x for 2017 and 2018, 2.0x for 2019 onwards and the proceeds from the Private Placement and the Subsequent Offering being counted as EBITDA for the purpose of calculating the DSR;

d. the Minimum Equity Ratio being reduced from 25% to 20% and multi-client assets being included in the calculation of the Minimum Equity Ratio; and

e. enhanced security including USD 6,000,000 deposit into a retention account for future instalments.

On 01 March 2017, the bondholders of the NOK denominated "FRN Polarcus Limited Senior Unsecured Callable Bond Issue 2014/2019" as amended with ISINs NO 0010714389 and NO0010757255 and tickers PLCS03 and PLCS03-B (the "NOK Denominated Bond") and the USD denominated "8 per cent Polarcus Limited Senior Unsecured Callable Bond Issue 2013/2018" as amended with ISINs NO0010680150 and NO0010757248 and tickers PLCS02 and PLCS02-B (the "USD Denominated Bond") (together the "Unsecured Bonds") approved an amendment to the Minimum Equity Ratio covenant mirroring the Fleet Bank Facility.

Necessary approvals by the Company's shareholders were obtained by ordinary resolution at an Extraordinary General Meeting of the Company (the "EGM") on 06 march 2017. On 08 March 2017 the Company issued 1,000,000,000 new shares at a subscription price of NOK 0.33 raising NOK 330 million in gross proceeds through the Private Placement. Subsequently the Company's issued share capital increased to USD 15,304,729 divided into 1,530,472,947 shares, each with a par value of USD 0.01.

On 05 April 2017, the Company announced the final result of a subsequent offering in relation to the Private Placement, with a total of 3,912,439 shares subscribed for at a subscription price of NOK 0.33 per share. The Company expects to issue the shares allocated in the subsequent offering on 07 April 2017 and to be admitted to trading on 10 April 2017.

32.3 5½ year bareboat charter party

On 09 February 2017, a Norwegian subsidiary of Polarcus Limited entered a heads of agreement (HOA) with SCF GEO AS ("Sovcomflot"), to charter a vessel on bareboat terms with delivery scheduled for April 2017. The fixed period of the Charter is 5½ years with options to extend for up to four additional months. The vessel will be delivered without streamers and the streamer package currently on board the vessel will be available for other vessels in the Polarcus fleet. The Charter will generate a minimum hire of USD 70 million over the fixed charter period with the possibility of increased charter hire fees based on Sovcomflot benefitting from certain market improvements. Sovcomflot have the right to purchase the vessel at any time during the charter period at pre-agreed prices. The HOA and the Charter are subject to consent of the bank lenders who have mortgagee rights over the relevant vessel. The Charter is also subject to finalizing terms with Sovcomflot.

32.4 Change of CEO

Effective 17 March 2017, the Company appointed Duncan Eley as the CEO replacing Rod Starr who resigned from the Company following the completion of a two year period of restructuring, refinancing and reorganisation.

33 Authorization of financial statements

The consolidated financial statements for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 06 April 2017.

Peter Rigg Chairman	Arnstein Wigestrand Board Member	Peter Zickerman Board Member
Karen El-Tawil Board Member	Tom Henning Slethei Board Member	Erik Mathiesen Board Member
Nicholas Smith Board Member	Duncan Eley CEO	

Alternative performance measures

In order to measure performance on a historic basis, the Group has primarily made use of the following non-IFRS measures: EBITDA, EBITDA (excluding non-recurring items), EBIT, EBIT (before non-recurring items), and Prefunding Level. These are Alternative Performance Measures ("APMs") which are provided to give a deeper understanding of the Group's financial performance. The Group 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 Group 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 Group believes that the non-IFRS measures presented herein are commonly used by investors in comparing performance between companies. Accordingly, the Group 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.

EBITDA is the abbreviation for earnings before interest, tax, depreciation, amortization and impairments. The Group 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.

EBIT is the abbreviation for earnings before interest and tax. It is an important measure for the Group as it provides an indication of the profitability of the operating activities. The EBIT margin presented is defined as EBIT divided by net revenues.

The Prefunding Level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multiclient library. The Prefunding Level is considered as an important measure as it indicates how the Group's financial risk is reduced on multi-client investments.

EBIT (before non-recurring items) and EBITDA (before non-recurring items) show the EBIT and EBITDA of the Group after adjustments for impairment charges, the cost of onerous contract provisions and retsurcturing costs. These APMs are financial performance measures that are adjusted for the impact of items that are not considered by the Group 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-16	31-Dec-15
EBITDA	0.9	142.8
Add-back:		
Onerous contract provision	46.4	8.8
Restructuring cost	4.2	5.4
EBITDA (before non-recurring items)	**51.4**	**157.0**

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

	Year ended	
(In millions of USD)	31-Dec-16	31-Dec-15
EBIT	(131.3)	(314.3)
Add-back:		
Onerous contract provision	46.4	8.8
Restructuring cost	4.2	5.4
Impairment	26.7	315.4
EBIT (before non-recurring items)	**(54.1)**	**15.4**

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.

Amortization rate	The proportion of multi-client library amortization in comparison to multi-client revenue
APM	Alternative performance measures; non-IFRS financial measures
CAPEX	Capital expenditure
CB Tranche A	A tranche under the USD 125,000,000 2.875% Secured Convertible Bond issue 2011/2016 with ISIN NO 001 0607435.
CB Tranche B1	A tranche under the USD 125,000,000 2.875% Secured Convertible Bond issue 2011/2016 with ISIN NO 001 0757263
CB Tranche B2	A tranche under the USD 125,000,000 2.875% Secured Convertible Bond issue 2011/2016 with ISIN NO 011 0757271.
DSR	Debt Service Ratio
EBIT	Earnings before interest and tax
EBIT (before non-recurring items)	Earnings before interest and tax, excluding non-recurring items
EBITDA	Earnings before interest, tax, depreciation, amortization and impairments
EBITDA (before non-recurring items)	Earnings before interest, tax, depreciation, amortization and impairments, excluding non-recurring items
EHSQ	Environment, Health, Safety, Quality
Fleet Bank Facility	The term loan facility of USD 410 million entered into with, among others, Eksportfinans ASA and Eksportkreditt Norge AS as lenders andDNB Bank ASA, DVB Bank SE, Nordic Branch and GIEK as guarantors
Group or Polarcus Group or Company	Polarcus and its consolidated subsidiaries
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB)
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
NOK Unsecured bond issue	The Company's bonds issued under ISIN NO 001 0714389 and NO 001 0757255
Non-recurring items	Impairment charges, the cost of onerous contract provisions and restructuring costs
Prefunding Level	The prefunding level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multiclient library.
Total cash	The total of restricted and unrestricted cash held by the Company at teh reporting date.
USD Unsecured bond issue	The Company's bonds issued under ISIN NO 001 0680150 and NO 001 0757248
Utilization	The proportion of time that the Company's fleet of six vessels was employed on contract seismic and multi-client projects. The Company's utilization excludes the vessel Polarcus Nadia subsequent to cold-stacking on 01 April 2015.

Parent Company Financial Statements

For the year ended 31 December 2016

Statement of Comprehensive Income

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-16	31-Dec-15
Revenues			
Operating revenues	2	36,229	69,013
Other income	2	-	5,587
Total revenues		**36,229**	**74,600**
Operating expenses			
Cost of sales	9	(40,795)	(47,037)
General and administrative costs	10	(8,175)	(8,219)
Depreciation and amortization	11	(7,885)	(16,068)
Impairments	12	(430,971)	(60,360)
Total Operating expenses		**(487,826)**	**(131,684)**
Operating loss		**(451,597)**	**(57,084)**
Finance costs	13	(17,588)	(26,979)
Finance income	14	14,832	34,375
Changes in fair value of financial instruments	1	13,315	(9,013)
Gain on financial restructuring	15	139,029	-
		149,588	**(1,617)**
Loss for the period before tax		**(302,009)**	**(58,701)**
Income tax expense		1	(54)
Loss for the period/Comprehensive loss after tax		**(302,008)**	**(58,755)**

Statement of Financial Position

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	31-Dec-16	31-Dec-15
ASSETS			
Non-current assets			
Property, plant and equipment	3	24,005	31,669
Investment in subsidiaries	4	3,703	3,703
Investment in joint ventures	1, 4	-	1,220
Long-term loan to subsidiaries	16	118,100	493,978
Total non-current assets		**145,808**	**530,571**
Current assets			
Short-term loan to subsidiaries	16	40,605	59,575
Receivable from subsidiaries	16	24,919	37,470
Accounts Receivable	16	68,988	76,561
Other current assets	5	4,971	11,903
Restricted cash		669	9,350
Cash and bank		720	20,543
Total current assets		**140,872**	**215,402**
TOTAL ASSETS		286,680	745,973
EQUITY and LIABILITIES			
Equity			
Issued share capital	1	5,305	13,396
Share Premium	1	586,401	532,222
Other reserves	1	29,865	32,556
Retained earnings/(loss)		(387,658)	(88,921)
Total equity		**233,913**	**489,253**
Non-current liabilities			
Bond loans	1, 6	34,582	-
Other interest bearing debt	7	-	644
Other financial liabilities	1	10,511	22,324
Total non-current liabilities		**45,093**	**22,968**
Current liabilities			
Bond loans	1, 6	-	220,625
Other interest bearing debt	7	673	4,223
Payable to subsidiaries	16	2,024	-
Accounts payable		3,444	530
Other accruals and payables	8	1,534	8,375
Total Current Liabilities		**7,675**	**233,753**
TOTAL EQUITY and LIABILITIES		286,680	745,973

Statement of Cash Flows

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended 31-Dec-16	31-Dec-15
Cash flows from operating activities			
Loss for the period		(302,008)	(58,755)
Adjustment for:			
Depreciation and amortization	11	7,885	16,068
Impairments	12	430,971	60,360
Changes in fair value of financial instruments	1	(13,315)	9,013
Employee share option expenses		422	449
Effect of currency (gain)/loss		289	(6,840)
Interest expense	13	15,835	20,888
Interest income	14	(14,396)	(22,255)
Gain on financial restructuring	15	(139,029)	-
Gain on buyback of convertible bonds		-	(1,204)
Working capital adjustments:			
Decrease/(Increase) in current assets		10,225	(9,932)
Increase/(Decrease) in trade and other payables and accruals		1,141	(1,797)
Net cash flows from/(used) in operating activities		**(1,980)**	**5,996**
Cash flows from investing activities			
Decrease/(Increase) in restricted cash		8,681	(9,350)
Payments for property, plant and equipment		(997)	(3,027)
Payments for intangible assets		-	(13,333)
Investment in subsidiaries	4	(208,296)	(3,205)
Decrease/(increase) in intercompany receivables		188,623	21,127
Net cash flows used in investing activities		**(11,989)**	**(7,788)**
Cash flows from financing activities			
Repayment of bond loans		-	(777)
Repayment of Other interest bearing debt	7	(4,194)	(4,752)
Interest paid		(8,589)	(12,803)
Financial restructuring fees paid		(3,483)	-
Other finance costs paid		-	(1,040)
Interest income	14	14,396	22,255
Security deposit related to currency swaps	1	4,280	(510)
Paid towards liability under currency swaps	1	(8,228)	-
Net cash flows from (used in) financing activities		**(5,817)**	**2,372**
Effect of foreign currency revaluation on cash		(38)	(44)
Net increase/(decrease) in cash and cash equivalents		**(19,823)**	537
Cash and cash equivalents at the beginning of the period		20,543	20,006
Cash and cash equivalents at the end of the period		**720**	**20,543**

Statement of Changes in Equity

(Unconsolidated Parent Company)

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 Earnings/ (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 during the period.

For the year ended 31 December 2015

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

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

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 2016. 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 12), *Other reserves* (Note 14), *Bond loans* (Note 15), *Other financial liabilities* (Note 18), *Investments in joint ventures* (Note 8) and *Going concern, liquidity risk and loan covenants* (Note 1.1).

Shares in the subsidiaries, investment in joint ventures and receivables from and loans provided to the subsidiaries are evaluated at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value of the investment in the subsidiaries and joint ventures, the Company recognizes impairment charges on investments in subsidiaries and joint ventures (refer to Note 12 *Impairments* for the details of impairment charges recorded during the year ended 31 December 2016). 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-16**	**31-Dec-15**
Crewing services provided to Group companies	36,229	49,346
In-sea equipment leased to Group companies	-	19,666
Other income (insurance claims)	-	5,587
Total	**36,229**	**74,600**

3 Property, plant and equipment

(In thousands of USD)

	In-sea equipment
Year ended 31 December 2016	
Costs	
Balance at 1 January 2016	89,162
Additional capital expenditures	997
Disposals	(1,405)
Balance as of 31 December 2016	88,754
Depreciation and impairment losses	
Balance at 1 January 2016	57,493
Depreciation for the period	7,885
Disposals	(629)
Balance as of 31 December 2016	64,749
Carrying amounts	
As of 1 January 2016	31,669
As of 31 December 2016	**24,005**
Year ended 31 December 2015	
Costs	
Balance at 1 January 2015	85,494
Additional capital expenditures	9,720
Disposals	(6,052)
Balance as of 31 December 2015	89,162
Depreciation and impairment losses	
Balance at 1 January 2015	37,272
Depreciation for the period	11,241
Impairments	11,259
Disposals	(2,279)
Balance as of 31 December 2015	57,493
Carrying amounts	
As of 1 January 2015	48,222
As of 31 December 2015	**31,669**

4 Investment in subsidiaries and joint ventures

(In thousands of USD)	31-Dec-16	31-Dec-15
Unquoted equity shares in subsidiaries at cost	229,171	20,875
Unquoted equity shares in joint ventures at cost	2,800	2,800
Total	**231,971**	**23,675**
Impairments	(228,268)	(18,752)
Carrying value at the yearend	**3,703**	**4,923**

The Company's direct investment in different subsidiaries as of 31 December 2016 is as follows:

(In thousands of USD)

Name of the Subsidiary	Country of Incorporation	Equity interest as of 31-Dec-16*	Equity investments at cost 31-Dec-16	31-Dec-15
Polarcus DMCC	UAE	100%	54	54
Polarcus 1 Limited	Cayman Islands	100%	-	-
Polarcus 2 Limited	Cayman Islands	100%	-	-
Polarcus Samur Limited	Cayman Islands	100%	-	-
Polarcus Selma Limited	Cayman Islands	100%	3,649	3,649
Polarcus MC Limited	Cayman Islands	100%	9,400	9,400
Polarcus 6 Limited	Cayman Islands	100%	760	760
Polarcus Seismic Limited	Cayman Islands	100%	-	-
Polarcus UK Limited	United Kingdome	100%	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	50%	2,800	2,800
Total			**231,971**	**23,675**
Impairments			(228,268)	(18,752)
Carrying value at the yearend			**3,703**	**4,923**

* Voting rights are equivalent to shareholding for all companies.

During 2016 the Company made new equity investment of USD 208.3 million in one of its subsidiary, Polarcus UK Limited. 100% of this new equity investment was impaired during the year. In addition, the Company also impaired USD 1.2 million being the remaining carrying amount of its investment in a joint venture, Polarcus Nigeria Limited. As of 31 December 2016, the Company has impaired all of its investments in subsidiaries and joint ventures other than the investments in Polarcus Selma Limited and Polarcus DMCC. Also refer to Note 12 *Impairments*.

The Company is the ultimate parent company for the subsidiaries of directly owned subsidiaries. The non-direct subsidiaries as of 31 December 2016 is as per below:

Name of the subsidiary	Country of incorporation	Equity interest as at 31-Dec-16	Equity interest as at 31-Dec-15
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%	-
Polarcus France SAS	France	100%	100%
Polarcus Ghana Limited	Ghana	90%	-

For details of transactions and balances with subsidiaries see Note 16 *Related parties*.

5 Other current assets

(In thousands of USD)	31-Dec-16	31-Dec-15
Cash collateral for swaps	3,120	7,400
Prepaid expenses and deposits	691	1,251
Inventories	931	-
Other receivables	230	-
Insurance claims receivable	-	3,253
Total	**4,971**	**11,903**

6 Other financial assets and liabilities

6.1 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-16	31-Dec-15
Trade receivables from subsidiaries	64,047	78,258
Receivable from subsidiaries	27,836	41,654
Loans to subsidiaries	161,425	553,553
Other current financial assets	3,352	11,903
Total financial assets measured at amortized cost	**256,659**	**685,368**

Financial liabilities measured at amortized cost are as per below:

(in thousands of USD)	31-Dec-16	31-Dec-15
2.875% Convertible bonds - Tranche A (refer to Note 15.1 in the consolidated financial statements)	16,427	96,607
8% senior unsecured bonds	-	84,673
NOK 350 million senior unsecured bond	-	39,345
Other interest bearing debt	673	4,867
Accounts payable	3,444	530
Total financial liabilities measured at amortized cost	**20,543**	**226,022**

Post completion of Restructuring in Q1 2016, the unsecured bond loans and Tranche B and Tranche C of the 125M USD bonds are measured at fair value through profit or loss. Refer to Note 15 *Bond loans* in the consolidated financial statements.

6.2 Fair values

	31-Dec-16		31-Dec-15	
(in thousands of USD)	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Cash and deposits	1,389	1,389	29,893	29,893
Trade receivables from subsidiaries	64,047	64,047	76,561	76,561
Receivable from subsidiaries	27,836	27,836	37,470	37,470
Long-term loan to subsidiaries	118,100	118,100	493,978	493,978
Short-term loan to subsidiaries	43,325	43,325	59,575	59,575
Total	**254,696**	**254,696**	**697,477**	**697,477**
Financial liabilities				
2.875% convertible bonds - Tranche A	16,427	30,315	96,607	21,654
2.875% convertible bonds - Tranche B1	2,332	2,332	-	-
2.875% convertible bonds - Tranche B2	4,853	4,853	-	-
95M USD 8% senior unsecured bonds	7,040	7,040	84,673	9,955
350M NOK senior unsecured bond	3,930	3,930	39,345	4,600
Other interest bearing debt	673	673	4,867	4,867
Accounts payable	3,444	3,444	530	530
Total	**38,698**	**52,587**	**226,022**	**41,606**

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.

7 Other interest bearing debt

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Balance as at 01 January / at the inception	4,867	2,927
Additions	-	7,437
Down payments	-	(744)
Finance costs-Interest charge	51	110
Interest paid	(51)	(110)
Monthly principal payments	(4,194)	(4,753)
Balance at the yearend	**673**	**4,867**
Of which:		
Current liability portion	673	4,223
Non-current liability	-	644

The above outstanding liability relates to the payables for seismic equipment purchased under an instalment scheme from Sercel Inc. This balance will be fully repaid by April 2017.

8 Other accruals and payables

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Employee accruals and payable	868	2,642
Accrued interest	666	5,733
Total	**1,534**	**8,375**

9 Cost of sales

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Employee salaries and other benefits	40,509	45,780
Other operational expenses	285	1,257
Total	**40,795**	**47,037**

10 General and administrative costs

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Salaries and other employee benefits	880	651
Other general and administrative expenses	7,295	7,567
Total	**8,175**	**8,219**

10.1 Salaries and other employee benefits

	Year ended	
(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Salaries and bonus	30,348	39,903
Social security costs	105	191
Pension costs	1,350	1,624
Other benefits	5,339	3,338
Crew travel related costs	4,247	1,377
Employee salaries and benefits included in cost of sales (refer to Note 10)	(40,509)	(45,780)
Total	**880**	**651**

11 Depreciation and amortization

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Depreciation of seismic equipment	7,885	11,241
Amortization of patents	-	4,827
Total	**7,885**	**16,068**

12 Impairments

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Impairment of investment in subsidiaries and joint ventures	209,516	18,752
Impairment of loans to and receivables from subsidiaries	220,679	-
Impairment of seismic equipment	776	15,032
Impairment of patents and licenses	-	26,576
Total	**430,971**	**60,360**

13 Finance costs

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Interest expenses on bond loans	14,931	18,889
Interest expenses on Other interest bearing debt	51	876
Other finance costs	853	1,122
Realized currency exchange loss	1,152	128
Unrealized currency exchange loss	601	5,962
Total	**17,588**	**26,978**

14 Finance income

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Interest income from loans to subsidiaries	14,361	22,198
Interest income from deposit with banks	35	56
Realized exchange gain	155	212
Unrealized exchange gain	280	10,704
Gain on buyback of convertible bonds	-	1,204
Total	**14,832**	**34,375**

15 Gain on financial restructuring

The Company recognized a gain of USD 139 million during 2016 as a result of the restructuring of the bond loans. Please refer to Note 15 *Bond loans* and Note 28 *Gain on financial restructuring* in the consolidated financial statements for further details.

16 Related parties

16.1 Receivable from subsidiaries

(In thousands of USD)	31-Dec-16	31-Dec-15
Polarcus UK Limited	5,891	-
Polarcus Naila AS	4,228	1,052
Polarcus US Inc.	3,494	3,344
Polarcus Multi-Client (CY) Limited	3,136	2,866
Polarcus Adira AS	2,593	3
Polarcus MC Limited	925	-
Polarcus Shipholding AS	843	-
Polarcus Seismic Limited	625	113
Polarcus Asia Pacific Pte. Limited	546	1,636
Polarcus Amani AS	433	6,218
Polarcus Alima AS	343	3,898
Polarcus DMCC	258	11,098
Polarcus Asima AS	257	-
Polarcus Nadia AS	74	4,726
Polarcus Samur Limited*	-	2,227
Receivables from other subsidiaries	1,272	288
Total	**24,919**	**37,470**

*During 2016, the Company impaired USD 2.2 million receivable from Polarcus Samur Limited.

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

16.2 Accounts receivable

(In thousands of USD)	31-Dec-16	31-Dec-15
Polarcus Amani AS	16,007	13,362
Polarcus DMCC	14,814	11,520
Polarcus Asima AS	12,833	12,996
Polarcus UK Limited	6,534	2,617
Polarcus Asia Pacific Pte. Limited	4,712	1,104
Polarcus Seismic Limited	3,564	-
Polarcus Naila AS	3,243	3,552
Polarcus Alima AS	2,095	3,900
Polarcus Adira AS	1,746	2,121
Polarcus Nadia AS	1,459	17,259
Polarcus Selma Limited	1,242	782
Polarcus Shipholding AS	512	3,368
Polarcus Egypt Limited	124	-
Polarcus Norway AS	102	373
Polarcus France SAS	-	1,942
Polarcus Seismic Limited	-	1,667
Total	**68,988**	**76,561**

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

16.3 Loans to subsidiaries

(In thousands of USD)	31-Dec-16	31-Dec-15
Long term loans		
Polarcus UK Limited (interest free)	118,100	118,100
Loans to other Group companies (all with interest at LIBOR+4%)*	-	375,878
Total long term loans	**118,100**	**493,978**
Short term loans		
Polarcus Selma Limited (interest at LIBOR+4%)	40,605	56,856
Polarcus Samur Limited (interest free)*	-	2,719
Total short term loans	**40,605**	**59,575**
Total loans to subsidiaries	**158,705**	**553,553**

*During 2016 the Company impaired USD 378.6 million loans to different subsidiaries due to the material uncertainty on the recovery of the outstanding loan amounts.

16.4 Payable to subsidiaries

As of 31 December 2016, the Company has a payable balance of USD 2 million to one of its subsidiaries, Polarcus Norway AS towards short term interest free borrowings.

16.5 Transactions with subsidiaries

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

17 Subsequent events

During Q1 2017, the Company sold in-sea equipment with carrying value of USD 15.5 million to five different subsidiaries for a total consideration of USD 19 million.

18 Authorization of financial statement

The unconsolidated financial statements of the parent company Polarcus Limited for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 06 April 2017.

Peter Rigg
Chairman

Arnstein Wigestrand
Board Member

Peter Zickerman
Board Member

Karen El-Tawil
Board Member

Tom Henning Slethei
Board Member

Erik Mathiesen
Board Member

Nicholas Smith
Board Member

Duncan Eley
CEO

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 2016 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.

06 April 2017

The Board of Directors of Polarcus Limited

Peter Rigg
Chairman

Arnstein Wigestrand
Board Member

Peter Zickerman
Board Member

Karen El-Tawil
Board Member

Tom Henning Slethei
Board Member

Erik Mathiesen
Board Member

Nicholas Smith
Board Member

Duncan Eley
CEO

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 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 statements of financial position as at 31 December 2016, the statements 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 2016 and their financial performance 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 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 of the current period. 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

The reduction in demand for seismic services triggered an impairment of the Polarcus' vessels. The book value of property, plant & equipment after impairment is USD 443.4 million. The impairment evaluation is dependent on a range of assumptions such as utilization, day rates and useful lives that are 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. Polarcus recognized an impairment of USD 24.4 million in 2016.

Our audit procedures included, among others, 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 Group 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 regarding estimation uncertainties and about the valuation model and the sensitivity to key assumptions, and note 6 regarding property, plant and equipment

Impairment assessment of Multi-Client project library

The reduction in demand for multi-client surveys triggered the need for an impairment assessment. The impairment evaluation of Polarcus' multi-client library is a key audit matter due to the significant management judgment involved related to expected future market conditions. In 2016 an impairment of nil has been recorded.

We evaluated management's assessment of impairment indicators for the multi-client libraries. Our audit procedures included, among others, evaluation of historical accuracy of prior year's assumptions, evaluation of the 2016 assumptions used by comparing them with sales forecasts provided by internal sales representatives and the assumptions for the years 2017-2022 as estimated by management based on developments and expectations in the seismic industry. Furthermore, we evaluated the valuation methodology and the discount rate applied in the value in use model. We also assessed the Polarcus' disclosures regarding those assumptions and the impairment losses of multi-client libraries recorded, which are disclosed in notes 4.1.2 – "Impairment assessment of Multi-Client projects library" and – "Multi-Client projects library" of the consolidated financial statements.

Provision for onerous contracts – Chartered-in vessels

Polarcus has two leased vessel whereas one has been cold stacked since March 2015. Due to the current market conditions and the future market expectations, the company has assessed when vessel will return into operation. The evaluation of the provision for the onerous lease contract is a key audit matter to our audit due to the significant management judgement involved related to expected future market conditions. In 2016, a provision of USD 40.2 million has been recorded.

We tested the completeness of onerous lease contracts through discussions with management, examination of contracts, evaluation of market outlook, financial viability and by testing management's assumptions related to the two lease contracts. We tested the valuation of the onerous contract provisions by evaluating whether reasonable judgements and assumptions has been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received in the future. We have evaluated the model used by management. We also assessed the Polarcus' disclosures regarding the assumptions and the provision for onerous lease recorded, which are disclosed in notes 4.3.2 – Provision for onerous contracts – Chartered-in vessels and 19 – "Provisions and contingent liabilities" of the consolidated financial statements.

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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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

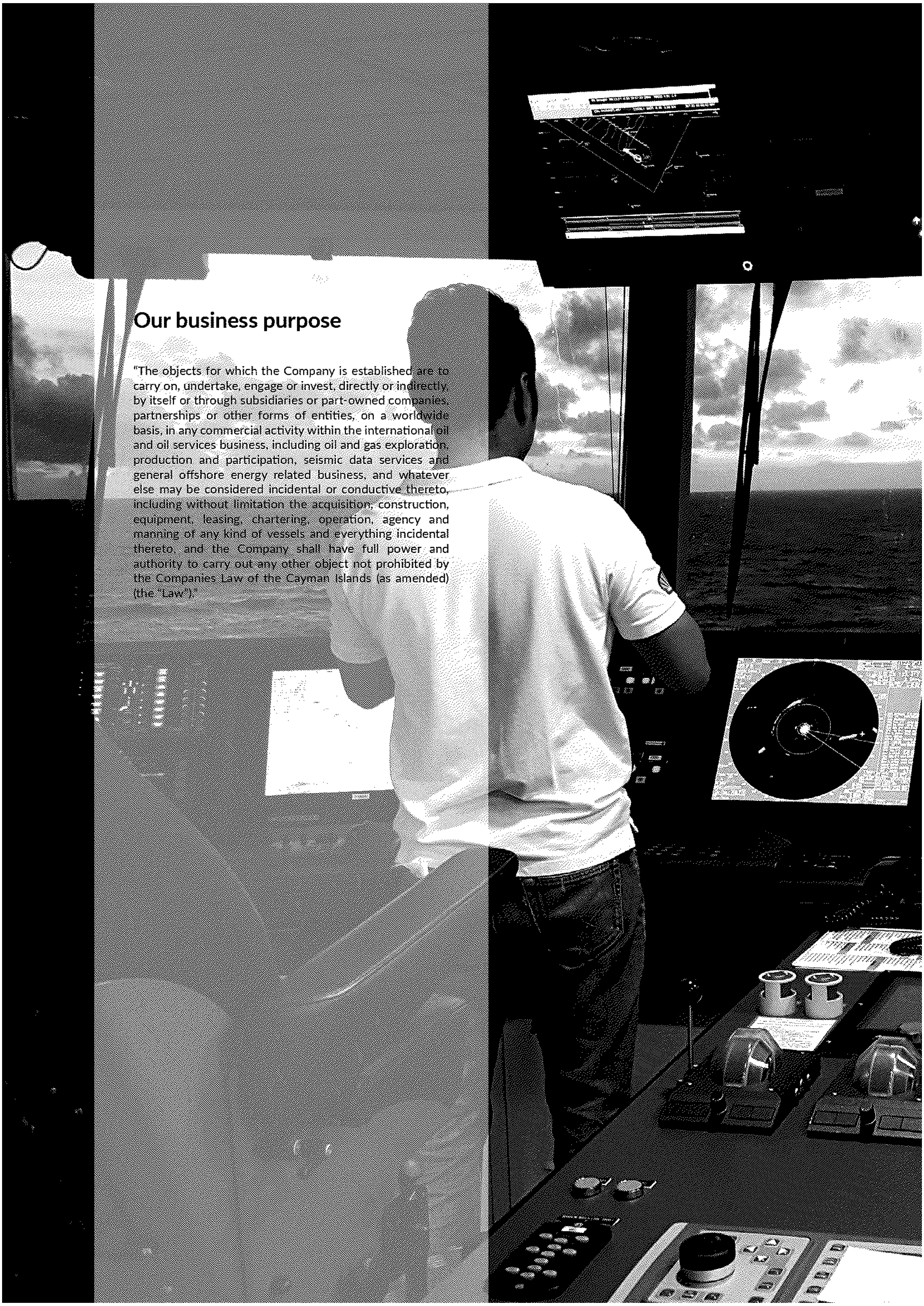
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, 6 April 2017
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)



Our business purpose

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

Addresses

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

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

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

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

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

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

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

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

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

Polarcus Servicos Geofisicos do Brasil Ltda
Reg. No: 11.428.425/0001-12
Registered address: Av. Jornalista Ricardo Marinho, No. 360, Sala 116, Parte Barra de Tijuca, Castelo, 20011-901, Rio de Janeiro, Brazil.
Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai, United Arab Emirates

Polarcus Multi-Client (CY) Ltd.
Reg. No: HE 267816
Registered address: 205 Christodoulou Chatzipavlou, Loulloupis Court, 4th Floor, Office 401, PC 3036, Limassol, Cyprus
Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai, United Arab Emirates

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

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

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

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

Polarcus Ghana Limited
Reg. No: CS078482016
Registered address: No. 4 Momotse Street, Momotse Avenue, Adabraka, Accra, Ghana.
Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai, United Arab Emirates

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

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

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

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

Polarcus US Inc - Sucursal Colombia
Reg. No: 900973118-1
Registered address: c/o Capitol Services Inc 615 South DuPont Highway, Dover, Kent County, Delaware 19901, United States of America
Correspondence Address: c/o Polarcus DMCC, PO Box 283373, Dubai, United Arab Emirates

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

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

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

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

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

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


Polarcus Limited
Almas Tower, Level 32
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100

Polarcus Amani AS

Annual Report 2016

The Board of Directors' Report

1 Operations and locations

Polarcus Amani AS (the "Company") is a company with limited liability incorporated under the laws of Norway. The registration number of the Company is 998025966 and its registered office is at c/o EconPartner AS, Dronning Mauds gate 15, 0250 Oslo, Norway. The Company owns one seismic vessel "Polarcus Amani" (the "Vessel"). 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 Shipholding AS owns 100% of the share capital of the Company as at 31 December 2016. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group (the "Group").

During the year ended 31 December 2016 the Vessel operated in Myanmar, Indonesia and Australia. Operations in all these locations were undertaken under short-term charter hire agreements between the Company and other Polarcus Group entities.

2 Comments related to the financial statements

Revenues of USD 5.1 million were generated from operations. The cost of sales totalled USD 7.1 million and general and administrative costs totalled USD 1.0 million. Depreciation for the year was USD 7.9 million after which an operating loss of USD 10.9 million was reported. The net loss for the year amounted to USD 18.2 million after deducting USD 7.3 million in financial expenses, primarily related to interest expenses on the long term borrowings described in the notes to the financial statements.

Cash flow from operating activities during the year was USD 2.7 million. Net cash used in investing activities was USD 0.6 million mainly related to additional equipment onboard the Vessel. During the year the Company raised USD 62.6 million in additional share capital and used USD 63.6 million in servicing its debts.

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.

During Q1 2016, as part of the Polarcus Group's financial restructuring, lenders of the Fleet Bank Facility agreed for a principal payment holiday up to 01 January 2018. Further, during March 2017, the lenders agreed to further extend the payment holiday up to 01 January 2019. As a result, there will be no loan amortization until 01 January 2019, while interest payments will continue as normal. These amendments together will reduce Company's debt service cash outflow by approximately USD 19 million during 2017 and 2018.

On 09 February 2017, the Company entered into a heads of agreement with SCF GEO AS ("Sovcomflot") to charter out the Vessel on bareboat terms for a fixed period of 5½ years with options to extend for up to four additional months. The vessel was delivered on 21 April 2017. The Charter will generate a minimum hire of USD 70 million over the fixed charter period.

The above mentioned amendments in the Fleet Bank Facility and the 5½ year bareboat agreement significantly reduces the Company's need for financial support from Polarcus Limited.

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 the year 2016. 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 recorded zero spills in 2016.

7 Allocation of net income

The Board of Directors has proposed the net loss of USD 18,200,000 to be allocated to Retained earnings.

Oslo, 27 June 2017

Erik Mathiesen
Chairman of the Board

Duncan Eley
Board Member

Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended 31-Dec-16	31-Dec-15
Revenues			
Operating revenues	5	4,908	33,895
Other income	5	160	680
Total Revenues		**5,068**	**34,574**
Cost of sales		(7,096)	(5,460)
General and administrative costs		(991)	(1,258)
Depreciation	6	(7,926)	(12,280)
Impairments		-	(48,558)
Total operating expenses		**(16,013)**	**(67,556)**
Operating profit/(loss)		**(10,945)**	**(32,982)**
Financial expenses			
Finance costs	10	(7,277)	(7,871)
Finance income		22	5
Net financial income/(expenses)		**(7,255)**	**(7,865)**
Loss before tax		**(18,200)**	**(40,847)**
Income tax expense	11	-	-
Loss for the period / Comprehensive loss		**(18,200)**	**(40,847)**

Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-16	31-Dec-15
ASSETS			
Non current assets			
Property, plant and equipment	6	79,655	86,998
Total non current assets		**79,655**	**86,998**
Current assets			
Receivable from other Group companies	12	23,700	33,085
Other current assets		1,280	1,612
Restricted cash		7	-
Cash and bank		219	21
Total current assets		**25,206**	**34,718**
TOTAL ASSETS		**104,861**	**121,716**
EQUITY and LIABILITIES			
Equity			
Paid-in share capital	7	29	17
Share Premium	7	62,597	3
Retained earnings/(loss)		(61,002)	(42,802)
Total equity		**1,624**	**(42,782)**
Non current liabilities			
Loans from other Group companies	12	-	54,770
Total non current liabilities		**-**	**54,770**
Current liabilities			
Interest bearing debt - external	9	80,486	82,359
Payable to other Group companies	12	19,392	25,895
Accounts payable		1,610	267
Other accruals and payables		1,749	1,206
Total Current Liabilities		**103,237**	**109,727**
TOTAL EQUITY and LIABILITIES		**104,861**	**121,716**

Erik Mathiesen
Chairman of the Board

Duncan Eley
Board Member

Statement of Cash Flows

(In thousands of USD)	Notes	Year ended 31-Dec-16	 31-Dec-15
Cash flows from operating activities			
Profit/(loss) for the period before tax		(18,200)	(40,847)
Adjustment for:			
Depreciation	6	7,926	12,280
Impairments		-	48,558
Interest expense	10	7,271	7,868
Working capital adjustments:			
Increase in current assets		9,718	(26,106)
Increase in trade and other payables and accruals		(4,009)	3,506
Net cash flows from operating activities		**2,706**	**5,259**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(583)	(329)
Net cash flows used in investing activities		**(583)**	**(329)**
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares		62,605	-
Repayment of external loans	9	(1,635)	(4,750)
Net movement in related party loans	12	(54,770)	5,000
Decrease/(Increase) in restricted cash		(7)	3,022
Interest paid		(7,212)	(6,801)
Other finance costs paid		(906)	(1,387)
Net cash flows used in financing activities		**(1,924)**	**(4,916)**
Net increase/(decrease) in cash and cash equivalents		**199**	**13**
Cash and cash equivalents at the beginning of the period		20	7
Cash and cash equivalents at the end of the period		**219**	**20**

Statement of Changes in Equity

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**	**17**	**3**	**(42,802)**	**(42,782)**
Total comprehensive loss		-	-	(18,200)	(18,200)
Increase in the face value of shares (from NOK 1 to NOK 2 per share paid in at NOK 5,170.44)		12	62,594	-	62,606
Balance as at 31 December 2016	**100,000**	**29**	**62,597**	**(61,002)**	**1,624**

For the year ended 31 December 2015

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Retained Earnings/ (Loss)	Total Equity
Balance as at 1 January 2015	**100,000**	**17**	**3**	**(1,955)**	**(1,935)**
Total comprehensive loss		-	-	(40,847)	(40,847)
Balance as at 31 December 2015	**100,000**	**17**	**3**	**(42,802)**	**(42,782)**

Notes to the Financial Statements

1 General information

The financial statements of Polarcus Amani AS (the "Company") for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 27 June 2017.

The Company provides marine towed streamer seismic data acquisition services to customers worldwide. The Company also leases out its vessel Polarcus Amani (the "Vessel") to other Polarcus Group companies under short term seismic acquisition agreements or charter hire agreements.

The Company has its registered office at c/o EconPartner AS, Dronning Mauds gate 15, 0250 Oslo, Norway. The Company is administered by Polarcus DMCC, Dubai, United Arab Emirates which is also the domicile of the Company.

As at 31 December 2016, the Company is a fully owned subsidiary of Polarcus Shipholding AS, a company incorporated in Norway. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which 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 2016 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 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 of the vessel and seismic equipment

As of 31 December 2016 the Company performed an impairment test on the carrying value of the Vessel and equipment onboard. The impairment test based on the Value in Use (VIU) method did not indicate any impairment required to be made to the carrying value of USD 79.6 million.

The VIU method is based on the net present value of future cash flows the Company expects to generate using the assets in their current condition. The four most significant assumptions used in the VIU test – revenue day rate, OPEX day rate, utilization and discount rate – are supported by actual historically achieved rates by the Company over the past five years. The assumptions used in the forecasted cash flows are based primarily on externally available information, where possible, and historically achieved rates and amounts. Where such historical or external data is not available, then the assumptions may be based on management's expectations about the future.

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

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

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.

Long term financing of the Company is in USD.

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 assets with variable interest rates (mainly deposits with banks) expose the Company to cash flow interest rate risk. However, these risks are not considered significant for the Company. Interest earned and received on these balances fluctuates with changes in market interest rates. As of 31 December 2016, the Company's financial assets at variable interest rates were denominated in NOK and USD.

The Company is subject to interest rate risk on its financial liabilities. The risk is managed using a combination of fixed and variable interest rate on its borrowings. As at 31 December 2016, the Company had no outstanding financial liabilities with a variable interest rate.

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Total interest bearing debt	80,486	137,129
Interest bearing debt with variable interest rates	-	54,770
% of interest bearing debt with variable interest rates	0%	40%

The interest rate and maturity analysis of the Company's borrowings are as per below:

(In thousands of USD)	**Effective interest rate (%)**	**Maturity**	**31-Dec-16**	**31-Dec-15**
Fleet bank facility (refer to Note 9)	5.60	Mar-24	80,486	82,359
Loans from other Group companies	4.46		-	54,770
Total			**80,486**	**137,129**

The Company entered into revised agreement for the Fleet bank facility during Q1 2017. Also refer to Note 9 *Long term debt - external loans* and Note 13 *Subsequent events* for further details.

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 the 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-16**	**31-Dec-15**
Receivable from other Group companies	23,700	33,085
Cash and short-term deposits	226	21
Total	**23,926**	**33,106**

4.1.3 Liquidity risk

The Company monitors its risk to a 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 table below analyses the Company's financial liabilities broken into different maturity groups based on the remaining period from 31 December 2016 to the date of contractual maturity. The amounts disclosed in the table are undiscounted cash flows and have been adjusted for the revised payment terms agreed with the lenders of the fleet bank facility subsequent to the balance sheet date. Also refer to Note 13 *Subsequent events* for details of the revised payments terms agreed during Q1 2017.

(In thousands of USD)	**2017**	**2018**	**2019-2021**	**2022 onwards**	**Total**
Repayment of external long term debt	-	-	28,500	55,365	83,865
Interest payment for external long term debt	4,728	4,528	10,375	4,805	24,436
Payable to other Group companies	19,392	-	-	-	19,392
Trade and other payables	3,359	-	-	-	3,359
Total	**24,120**	**4,528**	**38,875**	**60,170**	**131,052**

5 Segment information

The Company provides its 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 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 2016 can be itemized as follows:

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Exclusive client surveys (external customers)	-	(122)
Charter hire (related party)	4,908	34,017
Other income (insurance claims)	160	680
Total	**5,068**	**34,574**

The Company had one vessel, *Polarcus Amani*, in operation during the year ended 31 December 2016 and included in the property, plant and equipment. At the yearend date the Vessel was geographically located in Singapore.

6 Property, plant and equipment

(In thousands of USD)	**Seismic vessels and equipment**
Year ended 31 December 2016	
Costs	
Balance as on 1 January 2016	178,301
Additional capital expenditures	583
Disposals	(211)
Balance as of 31 December 2016	178,673
Depreciation and impairment losses	
Balance as on 1 January 2016	91,303
Depreciation for the period	7,871
Disposals	(156)
Balance as of 31 December 2016	99,018
Carrying amounts	
As of 1 January 2016	86,998
As of 31 December 2016	**79,655**
Year ended 31 December 2015	
Costs	
Balance as on 1 January 2015	179,580
Additional capital expenditures	329
Disposals	(1,608)
Balance as of 31 December 2015	178,301
Depreciation and impairment losses	
Balance as on 1 January 2015	32,073
Depreciation for the period	12,280
Impairments	47,566
Disposals	(616)
Balance as of 31 December 2015	91,303
Carrying amounts	
As of 1 January 2015	147,507
As of 31 December 2015	**86,998**

The seismic vessels and equipment consist of vessel *Polarcus Amani* and the equipment onboard.

7 Share capital

The Company's issued share capital as of 31 December 2016 is NOK 200,000 divided into 100,000 shares at par value of NOK 2 per share.

All issued shares have been paid in as at 31 December 2016.

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Total
Balance as at 1 January 2015	**100,000**	**17**	**3**	**20**
Movements during 2015	-	-	-	-
Balance as at 31 December 2015	**100,000**	**17**	**3**	**20**
Movements during 2016 Increase in the face value of shares (from NOK 1 to NOK 2 per share paid in at NOK 5,170.44)	-	12	62,593	62,605
Balance as at 31 December 2016	**100,000**	**29**	**62,597**	**62,626**

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 Shipholding AS owns 100% of the paid-in share capital of the Company as at 31 December 2016. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited which is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

8 Other financial assets and liabilities

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-16	31-Dec-15
Receivable from other Group companies	23,700	33,085

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-16	31-Dec-15
Interest bearing debt – external	80,486	82,359
Loans from other Group companies	-	54,770
Payable to other Group companies	19,392	25,895
Accounts payable	1,610	267
Other accruals and payables	1,749	1,207
Total financial liabilities measured at amortized cost	**103,237**	**164,497**

8.1 Fair values

(in thousands of USD)	31-Dec-16 Carrying Amount	31-Dec-16 Fair value	31-Dec-15 Carrying Amount	31-Dec-15 Fair value
Financial assets				
Cash and deposits	226	226	21	21
Receivable from other Group companies	23,700	23,700	33,085	33,085
Total	**23,926**	**23,926**	**33,106**	**33,106**
Financial liabilities				
Interest bearing debt – external	80,486	77,914	82,359	78,458
Loans from other Group companies	-	-	54,770	54,770
Payable to other Group companies	19,392	19,392	25,895	25,895
Accounts payable	1,610	1,610	267	267
Other financial liabilities	1,749	1,749	1,207	1,207
Total	**103,237**	**100,665**	**164,497**	**160,596**

The carrying amounts of cash and deposits, accounts receivables and payables (including from and to other Group companies) and other current financial assets and liabilities approximate their fair values largely due to the short-term maturities of these instruments.

9 Long term debt - external loans

In October 2011, several vessel owning entities within the Polarcus Group entered into a loan facility of USD 410 million with DNB and DVB Bank SE, Nordic Branch, together with Garanti-instituttet for Eksportkreditt (GIEK) and Eksportfinans ASA (the "Fleet Bank Facility"). Tranche 3 of the Fleet Bank Facility being USD 114 million was drawn by the Company and used to partly finance the construction of the Vessel. Tranche 3 has a repayment profile of 12 years with a fixed interest rate.

(In thousands of USD)	Year ended 31-Dec-16	31-Dec-15
Balance at 1 January	82,359	87,989
Unpaid accrued interest at the beginning of the year	1,207	647
Arrangement fees amortised	(238)	(880)
Principal repayments	(1,635)	(4,750)
Finance costs - Interest charge	4,748	5,007
Interest paid during the year	(5,358)	(4,447)
Unpaid accrued interest at the yearend	(598)	(1,207)
Balance at the yearend	**80,486**	**82,359**
Of which:		
Current liability portion (due within 12 months)	80,486	82,359
Non-current liability portion	-	-
Total liability at the yearend	**80,486**	**82,359**

The Polarcus Group is subject to a minimum Debt Service Ratio ("DSR") covenant under the terms of the Fleet bank facility. During Q4 2016 the lenders agreed to a reset of the DSR covenant from 1.25 to 0.75 (the "Waiver"). Due to the wording included in the Waiver, a strict interpretation of IAS 1.69 requires that the Fleet Bank Facility be temporarily reclassified as a current liability at 31 December 2016 as the interpretation is that the Company did not have an unconditional right to defer payment for 12 months as at that date. The Fleet Bank Facility was subsequently reclassified as a non-current liability in Q1 2017.

10 Finance costs

(In thousands of USD)	Year ended **31-Dec-16**	**31-Dec-15**
Interest expense on external long term debt (Note 9)	5,417	5,514
Interest on intra-group loans (Note 12)	1,854	2,354
Net interest expenses	**7,271**	**7,868**
Realized currency exchange loss	6	2
Unrealized currency exchange loss	-	1
Total	**7,277**	**7,871**

11 Income tax expense

(In thousands of USD)	Year ended **31-Dec-16**	**31-Dec-15**
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	(11,089)	(42,336)
Permanente differences	-	-
Change in temporary differences	(11,894)	20,401
Interest limitation	1,808	2,168
Tax basis for the year	**(21,175)**	**(19,767)**
Tax payable	-	-
Temporary differences		
Non-current assets and liabilities	(52,235)	(63,196)
Tax loss carry forwards	(42,301)	(21,276)
Interest limitation carried forward	(4,008)	(2,168)
Total	**(98,544)**	**(86,640)**
24% deferred tax (2015: 25 %)	**(23,651)**	**(21,660)**
Not recognized deferred tax assets	**23,651**	**21,660**
Recognized deferred tax assets	-	-
Explanation of why this year's tax expense is not 25% of the net profit before tax:		
25% tax of profit/(loss)	(2,994)	(11,431)
Not recognized deferred tax assets	2,994	11,431
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 Shipholding AS holds 100% of the paid-in share capital of the Company as at 31 December 2016. Polarcus Shipholding AS is a fully owned subsidiary of Polarcus UK Limited and Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

Below is a summary of major transactions that the Company had with other companies in Polarcus Group during the year ended 31 December 2016.

12.1 Services from other Group companies

		Year ended	
(In thousands of USD)		**31-Dec-16**	**31-Dec-15**
Polarcus DMCC	Management fees	1,038	1,244
Polarcus DMCC	Vessel operating expenses	-	766
Polarcus Limited	Vessel operating expenses	54	-
Polarcus Limited	Crewing services	738	841
Polarcus Limited	Equipment lease	-	523
Polarcus Limited	License fees	-	805
Polarcus Multi-Client (Cy) Ltd	Crewing services	41	28
Total		**1,776**	**4,207**

12.2 Services to other Group companies

		Year ended	
(In thousands of USD)		**31-Dec-16**	**31-Dec-15**
Polarcus UK Ltd	Charter hire of the Vessel	1,803	23,517
Polarcus Seismic Limited	Charter hire of the Vessel	1,935	10,500
Polarcus Asia Pacific Pte. Ltd	Charter hire of the Vessel	1,170	-
Total		**4,908**	**34,017**

12.3 Loan from other Group companies

As of 1st January 2016 the Company had an outstanding loan of USD 54.7 million from Polarcus Limited at an interest rate of LIBOR+4% per annum. On 13 September 2016, Polarcus Limited entered into an intercompany loan restructuring agreement with the Company and the Company's immediate parent Polarcus Shipholding AS. As part of the Restructuring, the outstanding loan amount of USD 54.7 million was transferred from Polarcus Ltd to Polarcus Shipholding AS. Subsequently, the loan payable to Polarcus Shipholding AS converted into equity shares. As of 31 December 2016 the Company had no outstanding loans from Polarcus group companies.

12.4 Payable to Other Group Companies

(In thousands of USD)	**31-Dec-16**	**31-Dec-15**
Polarcus Limited	16,226	19,590
Polarcus DMCC	2,986	3,184
Polarcus Multi-Client (Cy) Ltd	175	134
Polarcus Shipholding AS	5	-
Polarcus UK Limited	-	1,569
Other Group companies	-	1,418
Total	**19,392**	**25,895**

All of the above are interest-free trade payables.

12.5 Receivable from other Group companies

(In thousands of USD)	31-Dec-16	31-Dec-15
Polarcus UK Ltd	13,784	19,703
Polarcus Seismic Ltd	6,678	8,955
Polarcus Asia Pacific Pte. Ltd	1,596	-
Polarcus France SAS	872	3,658
Polarcus Asima AS	724	213
Polarcus Adira AS	46	-
Polarcus Alima AS	-	556
Total	**23,700**	**33,085**

All of the above are interest free trade receivables.

12.6 Payments to key employees and board members

The Company had no employees during the year. No remuneration 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.

12.7 Payments to auditor

Audit fee for 2016 is NOK 48,875 exclusive of VAT.

13 Subsequent events

13.1 Amendment of the Fleet Bank Facility

During Q1 2017, the Company entered in to a revised agreement with the lenders for the Fleet Bank Facility to extend the amortization freeze up to 01 January 2019 from the earlier agreed 01 January 2018. There will be no loan amortization until 01 January 2019, while interest payments will continue as normal. Total principal payments postponed from 2018 to 2024 as a result of this amendment is USD 9.5 million.

13.2 Puchase of in-sea equipment

On 15 February 2017, the Company purchased in-sea equipment worth USD 0.7 million from Polarcus Limited.

13.3 Loan from Polarcus Limited

On 14 March 2017, the Company raised USD 1 million in additional share capital by increasing the face value of its issued 100,000 shares from NOK 1 to NOK 2 per share, paid in at NOK 5,170.44 per share.

13.4 5½ year bareboat charter party

On 09 February 2017, the Company entered into a heads of agreement with SCF GEO AS ("Sovcomflot") to charter out the Vessel on bareboat terms for a fixed period of 5½ years with options to extend for up to four additional months. The vessel was delivered on 21 April 2017. The Charter will generate a minimum hire of USD 70 million over the fixed charter period.

14 Authorization of financial statements

The financial statements for the year ended 31 December 2016 were authorized in accordance with a resolution of the directors on 27 June 2017.