



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 995 542 846  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: POLARCUS SHIPHOLDING AS  
Forretningsadresse: Filipstad brygge 1  
0252 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

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

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Erik Mogens Mathiesen  
Dato for fastsettelse av årsregnskapet: 27.06.2019

### Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert  
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

*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, 01.09.2020



## Resultatregnskap

Beløp i: USD	Note	2018	2017
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	4		3 665 000
<b>Sum inntekter</b>			<b>3 665 000</b>
<b>Kostnader</b>			
Avskrivning			1 880 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler			26 980 000
Annen driftskostnad		9 000	185 000
<b>Sum kostnader</b>		<b>9 000</b>	<b>29 045 000</b>
<b>Driftsresultat</b>		<b>-9 000</b>	<b>-25 380 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt		21 000	46 000
<b>Sum finansinntekter</b>		<b>21 000</b>	<b>46 000</b>
Annen finanskostnad	8	2 022 000	1 324 000
<b>Sum finanskostnader</b>		<b>2 022 000</b>	<b>1 324 000</b>
<b>Netto finans</b>		<b>-2 001 000</b>	<b>-1 278 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-2 010 000</b>	<b>-26 658 000</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-2 010 000</b>	<b>-26 658 000</b>
<b>Årsresultat</b>		<b>-2 010 000</b>	<b>-26 658 000</b>



## Balanse

Beløp i: USD	Note	2018	2017
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	6	50 000 000	
<b>Sum finansielle anleggsmidler</b>		<b>50 000 000</b>	
<b>Sum anleggsmidler</b>		<b>50 000 000</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Andre fordringer		11 000	6 000
Konsernfordringer	10	13 275 000	6 404 000
<b>Sum fordringer</b>		<b>13 286 000</b>	<b>6 410 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende		60 000	6 066 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>60 000</b>	<b>6 066 000</b>
<b>Sum omløpsmidler</b>		<b>13 346 000</b>	<b>12 476 000</b>
<b>SUM EIENDELER</b>		<b>63 346 000</b>	<b>12 476 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	5	112 000	74 000
Overkurs	5	245 296 000	195 334 000
<b>Sum innskutt egenkapital</b>		<b>245 408 000</b>	<b>195 408 000</b>
<b>Opptjent egenkapital</b>			



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Udekket tap		224 776 000	222 766 000
<b>Sum opptjent egenkapital</b>		<b>-224 776 000</b>	<b>-222 766 000</b>
<b>Sum egenkapital</b>		<b>20 632 000</b>	<b>-27 358 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld			3 000
Kortsiktig konserngjeld	10	42 714 000	39 819 000
Annen kortsiktig gjeld			12 000
<b>Sum kortsiktig gjeld</b>		<b>42 714 000</b>	<b>39 834 000</b>
<b>Sum gjeld</b>		<b>42 714 000</b>	<b>39 834 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>63 346 000</b>	<b>12 476 000</b>



## Polarcus Shipholding AS

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## The Board of Directors' Report

### 1 Operations and locations

Polarcus Shipholding AS (the "Company") is a company with limited liability incorporated under the laws of Norway. The registration number of the Company is 995542846 and its registered office is at c/o Wikborg Rein Advokatfirma AS, Dronning Mauds Gate 11, 0250 Oslo, 0301 Oslo, Norway. The Company acts as the holding company for four Norwegian subsidiaries within Polarcus Group. 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.

The Company is a fully owned subsidiary of Polarcus UK Limited, a company incorporated in the United Kingdom. Polarcus UK Limited is a 100% fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group (the "Group").

### 2 Comments related to the financial statements

The Company did not generate any revenue during 2018. Administrative expenses and net financial expenses totalled USD 2 million which resulted in a net loss of the same amount.

Cash generated from operating activities were negative USD 4 million. During the year, the Company raised USD 50 million in additional share capital and invested the same amount in the equity of its subsidiaries.

### 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.

### 4 Risk Factors

The Company's financial risks are primarily related to the performance of its investments in its subsidiaries. Please refer to Note 3 *Financial risk management* in the notes to the Financial Statements for further description of major risk factors.

### 5 The working environment and the employees

The Company had no employees during the year 2018. Polarcus DMCC, a fully owned subsidiary of Polarcus Limited provides administrative services to the Company from its office in Dubai, UAE.

### 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. None of the vessels owned by the Company's subsidiaries had any recordable spills in 2018.



## 7 Allocation of net income

The Board of Directors has proposed the net loss of USD 2,010,000 to be allocated to Retained earnings.

Oslo, 27 June 2019

Erik Mathiesen

Chairman of the Board

Duncan Eley

Board member



## Statement of Comprehensive Income

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Revenues</b>	4	-	3,665
<b>Operating expenses</b>			
General and administrative costs		(9)	(186)
Depreciation		-	(1,880)
Impairments		-	(26,980)
<b>Total Operating expenses</b>		<b>(9)</b>	<b>(29,046)</b>
<b>Operating profit/(loss)</b>		<b>(9)</b>	<b>(25,380)</b>
<b>Financial expenses</b>			
Finance costs	8	(2,022)	(1,324)
Finance income		21	46
<b>Net financial income/(expenses)</b>		<b>(2,001)</b>	<b>(1,278)</b>
<b>Profit/(Loss) for the period before tax</b>		<b>(2,010)</b>	<b>(26,658)</b>
Income tax expense	9	-	-
<b>Profit/(Loss) for the period/Comprehensive income/(loss)</b>		<b>(2,010)</b>	<b>(26,658)</b>



## Statement of Financial Position

<i>(In thousands of USD)</i>	Notes	31-Dec-18	31-Dec-17
<b>ASSETS</b>			
<b>Non current assets</b>			
Investment in Subsidiaries	6	50,000	-
<b>Total non current assets</b>		<b>50,000</b>	<b>-</b>
<b>Current assets</b>			
Receivable from other Group companies	10	13,275	6,404
Other current assets		11	6
Restricted cash		5	6,043
Cash and bank		55	24
<b>Total current assets</b>		<b>13,346</b>	<b>12,476</b>
<b>TOTAL ASSETS</b>		<b>63,346</b>	<b>12,476</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Paid-in share capital	5	112	74
Share Premium	5	245,296	195,334
Retained losses		(224,776)	(222,766)
<b>Total equity</b>		<b>20,632</b>	<b>(27,358)</b>
<b>Current liabilities</b>			
Loans from other Group companies	10	31,300	31,300
Payable to other Group companies	10	11,414	8,519
Other accruals and payables		-	12
Accounts payable		-	3
<b>Total Current Liabilities</b>		<b>42,714</b>	<b>39,834</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>63,346</b>	<b>12,476</b>

Oslo, 27 June 2019

Erik Mathiesen  
Chairman of the Board

Duncan Eley  
Board member



## Statement of Cash Flows

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		(2,010)	(26,658)
<b>Adjustment for:</b>			
Depreciation		-	1,880
Impairments		-	26,980
Interest expense	8	2,018	1,295
Interest income		(18)	(44)
<b>Working capital adjustments:</b>			
Increase in current assets		(6,877)	(6,196)
Increase in trade and other payables and accruals		2,880	5,183
<b>Net cash flows used in operating activities</b>		<b>(4,007)</b>	<b>2,440</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(15,424)
Investment in subsidiaries	6	(50,000)	(11,000)
<b>Net cash flows from investing activities</b>		<b>(50,000)</b>	<b>(26,424)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of ordinary shares	5	50,000	-
Receipts from/(repayment of) intra-group loans		-	31,300
Decrease/(Increase) in restricted cash		6,038	(6,043)
Interest expenses	8	(2,018)	(1,295)
Interest income		18	44
<b>Net cash flows used in financing activities</b>		<b>54,038</b>	<b>24,005</b>
<b>Net increase in cash and cash equivalents</b>		<b>31</b>	<b>21</b>
Cash and cash equivalents at the beginning of the period		24	3
<b>Cash and cash equivalents at the end of the period</b>		<b>55</b>	<b>24</b>



## Statement of Changes in Equity

For the year ended 31 December 2018

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Retained Earnings/ (Loss)	Total Equity
<b>Balance as at 1 January 2018</b>	100,000	74	195,334	(222,766)	(27,358)
Total comprehensive loss		-	-	(2,010)	(2,010)
<b>Increase in share capital</b>					
<i>Increase in face value of shares</i>					
On 23 April 2018, from NOK 5 to NOK 6, paid in at NOK 1,561 per share		13	19,987	-	20,000
On 27 April 2018, from NOK 6 to NOK 7, paid in at NOK 1,354 per share		13	16,987	-	17,000
On 3 May 2018, from NOK 7 to NOK 8, paid in at NOK 1,050 per share		12	12,988	-	13,000
<b>Balance as at 31 December 2018</b>	<b>100,000</b>	<b>112</b>	<b>245,296</b>	<b>(224,776)</b>	<b>20,632</b>

For the year ended 31 December 2017

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Retained Earnings/ (Loss)	Total Equity
<b>Balance as at 1 January 2017</b>	100,000	74	195,334	(196,108)	(700)
Total comprehensive loss	-	-	-	(26,658)	(26,658)
<b>Balance as at 31 December 2017</b>	<b>100,000</b>	<b>74</b>	<b>195,334</b>	<b>(222,766)</b>	<b>(27,358)</b>



## Notes to the Financial Statements

### 1 General information

The financial statements of Polarcus Shipholding AS (the "Company") for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 27 June 2019.

The Company acts as holding company for four Norwegian companies within the Polarcus Group.

The Company has its registered office at c/o Wikborg Rein Advokatfirma AS, Dronning Mauds Gate 11, 0250 Oslo, 0301 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 2018, the Company is a fully owned subsidiary of Polarcus UK Limited, a company incorporated in the United Kingdom. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group. Polarcus Limited's consolidated audited financial statements for the year ended 31 December 2018 are publicly available on Polarcus Group's website [www.polarcus.com](http://www.polarcus.com). The Norwegian Tax Administration has approved, in accordance with the Norwegian Accounting Act of 17 June 1998, §3-7.4, that the Company is not required to prepare consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

### 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.

## 2.5 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.

## 2.6 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.

## 2.7 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".

## 2.8 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.

## 2.9 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, except trade receivables that are measured at transaction price if the trade receivables do not contain a significant financing component. Subsequent to initial measurement, financial assets and liabilities are classified as per below.

### 2.9.1 Financial assets and liabilities measured at fair value through 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.

As at 31 December 2018 the Company does not have any financial liabilities that are measured at fair value through profit or loss.



## 2.9.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Company and includes trade 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.

## 2.9.3 Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

## 2.10 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.

## 2.11 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.

## 2.12 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 at the balance sheet date, 24%. 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 Financial risk management

### 3.1 Financial risk factors

The Company's financial risks are primarily related to the performance of its investment in its subsidiaries. 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.

#### 3.1.1 Financial market risk

##### Fluctuations in Exchange rates and currency risks

The Company's financial assets and liabilities are in USD, which is also Company's functional currency. The Company do not expect to have major revenues or costs in currencies other than USD. Therefore, the Company's foreign exchange risks are not considered to be significant.

#### 3.1.2 Credit risk

The Company's credit risks are not considered to be significant as the Company does not have any external trade receivable as of 31 December 2018. The credit risks are limited to the Company's deposits with banks and receivable from other Polarcus Group entities as per below:

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Receivable from other Group companies	13,275	6,404
Cash and short-term deposits	60	6,067
<b>Total</b>	<b>13,335</b>	<b>12,471</b>

#### 3.1.3 Liquidity risk

The table below analyses the Company's financial liabilities broken into different maturity groups based on the remaining period from 31 December 2018 to the date of contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows:

<i>(In thousands of USD)</i>	Less than 1 Year	Between 1 - 2 Years	Total
Payable to other Group companies	11,414	-	11,414
Loans from other Group companies	-	31,300	31,300
<b>Total</b>	<b>11,414</b>	<b>31,300</b>	<b>42,714</b>

## 4 Segment information

All activities of the Company are conducted and monitored as one business segment. The Company did not undertake any revenue generating activities during 2018 (revenues of USD 3.7 million by leasing out of in-sea equipment to other companies within Polarcus Group in 2017).

## 5 Share capital

The Company's issued share capital as at 31 December 2018 is NOK 800,000 divided into 100,000 shares at par value of NOK 8 per share.



<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Total
<b>Balance as at 1 January 2017</b>	100,000	74	195,334	195,408
Movements during year 2017		-	-	-
<b>Balance as at 31 December 2017</b>	100,000	74	195,334	195,408
Movements during year 2018				
<i>Increase in face value of shares</i>				
On 23 April 2018, from NOK 5 to NOK 6, paid in at NOK 1,561 per share		13	19,987	20,000
On 27 April 2018, from NOK 6 to NOK 7, paid in at NOK 1,354 per share		13	16,987	17,000
On 3 May 2018, from NOK 7 to NOK 8, paid in at NOK 1,050 per share		12	12,988	13,000
<b>Balance as at 31 December 2018</b>	100,000	112	245,296	245,408

All issued shares have been paid in as at 31 December 2018.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Polarcus UK Limited owns 100% of the paid-in share capital of the Company as at 31 December 2018. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

## 6 Investment in subsidiaries

*(In thousands of USD)*

Name of the Subsidiary	Country of Incorporation	Equity interest as of 31-Dec-18	Book value as of 31-Dec-18	Book value as of 31-Dec-17
Polarcus Adira AS	Norway	100%	20,000	-
Polarcus Amani AS	Norway	100%	13,000	-
Polarcus Asima AS	Norway	100%	17,000	-
Polarcus Alima AS	Norway	100%	-	-
<b>Total</b>			50,000	-

Movements in investment in subsidiaries during the year was as per below:

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance as at 01 January	-	-
Investments during the year	50,000	11,000
Impairments	-	(11,000)
<b>Balance as at 31 December</b>	<b>50,000</b>	<b>-</b>

The Company has assessed the above carrying value of investments in subsidiaries for impairment as at 31 December 2018. The assessment, based on the Value in Use (the "VIU") of the underlying assets owned by the subsidiaries, did not indicate any impairment. The VIU calculation requires the Company to make assumptions about the future earnings that will be generated from using the assets. These forecasts are uncertain as they require assumptions about the demand for the products and services offered by the subsidiaries, future market conditions and future technological developments. The outcome of the VIU calculation is highly sensitive to relatively small changes in those assumptions.



## 7 Other financial assets and liabilities

Financial assets measured at amortized cost are as follows:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
Receivable from other Group companies	13,275	6,404
<b>Total financial assets measured at amortized cost</b>	<b>13,275</b>	<b>6,404</b>

Financial liabilities measured at amortized cost are as follows:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
Loans from other Group companies	31,300	31,300
Payable to other Group companies	11,414	8,519
Accounts Payable	-	3
<b>Total financial liabilities measured at amortized cost</b>	<b>42,714</b>	<b>39,822</b>

### 7.1 Fair values

<i>(in thousands of USD)</i>	31-Dec-18		31-Dec-17	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash and deposits	55	55	24	24
Receivable from other Group companies	13,275	13,275	6,404	6,404
Other financial assets	11	11	6	6
<b>Total</b>	<b>13,291</b>	<b>13,291</b>	<b>6,434</b>	<b>6,434</b>
<b>Financial liabilities</b>				
Loans from other Group companies	31,300	31,300	31,300	31,300
Payable to other Group companies	11,414	11,414	8,519	8,519
Accounts Payables	-	-	3	3
<b>Total</b>	<b>42,714</b>	<b>42,714</b>	<b>39,822</b>	<b>39,822</b>

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

## 8 Finance costs

Finance costs of USD 2.0 million during 2018 (USD 1.3 million in 2017) mainly represents the interest expenses on loan from other Group companies.



## 9 Income Tax Expense

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Tax payable	-	-
Change in deferred tax	-	-
<b>Total tax expense</b>	-	-
<b>Calculation of this year's tax basis:</b>		
<i>(according to Norwegian tax regulation)</i>		
Profit/(loss) before tax	(2,010)	(26,641)
Permanente differences	-	13,919
Change in temporary differences	-	-
Interest limitation	1,872	1,257
Tax basis for the year	<b>(138)</b>	<b>(11,466)</b>
Utilized tax loss carry forwards	-	-
Tax payable	-	-
<b>Overview temporary differences</b>		
Tax loss carry forwards	(15,945)	(15,394)
Interest limitations	(5,241)	(3,533)
<b>Total</b>	<b>(21,186)</b>	<b>(18,947)</b>
22% deferred tax (2017: 23%)	<b>(4,661)</b>	<b>(4,358)</b>
Not recognized deferred tax assets	<b>4,661</b>	<b>4,358</b>
Recognized deferred tax assets	-	-
<b>Explanation of why this year's tax expense is not 23% of the net profit before tax:</b>		
23% tax of profit/(loss)	(462)	(6,394)
23% of permanent differences	-	3,340
23% of interest limitations	431	302
Change in not recognized deferred tax assets	31	2,752
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.

## 10 Related-party transactions

Polarcus UK Limited holds 100% of the paid-in share capital of the Company as at 31 December 2018. Polarcus UK Limited is a fully owned subsidiary of Polarcus Limited, the ultimate parent company in the Polarcus Group.

### 10.1 Transactions with other Group companies

Below is a summary of the Company's transactions with other companies in Polarcus Group during the year ended 31 December 2018 and balances due to and from other Group companies in the ordinary course of Company's business as at the yearend.



<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Purchase of in-sea equipment	-	15,424
Lease out of in-sea equipment	-	3,665
Interest expense on loan from related party	2,018	1,245
Balance payable to other Group companies at yearend	11,414	8,519
Balance receivable from other Group companies at yearend	13,275	6,404

The receivable and payable balances above are interest-free and expected to be settled within 12 months from the reporting date.

## 10.2 Loan from other Group companies

As at 31 December 2018 the Company has an outstanding loan of USD 31.3 million payable to Polarcus Limited at an interest rate of LIBOR+4% (same as at 31 December 2017). The loan is repayable on demand or on the date when insolvency or similar proceedings is initiated in respect of the Company.

## 10.3 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.

## 10.4 Payments to auditor

Audit fee for 2018 is NOK 55,100 exclusive of VAT (2017: NOK 52,900).

## 11 Authorization of financial statements

The financial statements for the year ended 31 December 2018 were authorized in accordance with a resolution of the directors on 27 June 2019.



Statsautoriserte revisorer  
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo  
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret, NO 976 389 387 MVA  
Tlf: +47 24 00 24 00

www.ey.no  
Medlemmer av Den norske revisorforening

## 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 2018, statement of comprehensive income and 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 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 2018 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act §3-9 and regulations on simplified IFRS as set by The Norwegian Department of Finance.

#### 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 and Chief Executive Officer (management) are 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 simplified IFRS, 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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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. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

### **Report on other legal and regulatory requirements**

#### **Opinion on the Board of Directors' report**

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



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### 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, 27 June 2019

ERNST & YOUNG AS

Finn Ole Edstrøm

State Authorised Public Accountant (Norway)



## Skattedirektoratet

Saksbehandler Jan Heststad	Seres dato 14.12.2019	Vår dato 12.01.2019
Telefon 22679325	Seres referanse Thomas Håve	Vår referanse 2019/125285

Ernst & Young AS  
Oslo Atrium, Postboks 20  
0051 Oslo

### Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk

Det vises til deres brev av 14. desember 2010 samt e-post av 12. januar 2011 med supplerende opplysninger i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for:

- Polarcus Asima AS org. nr: 995 542 846
- Polarcus Alima AS org. nr: 995 963 426

#### Bakgrunn:

Polarcus Alima AS er et 100 % eid datterselskap av Polarcus Asima AS som igjen er beleid av det engelske selskapet Polarcus UK Ltd. Konsernsipiss i Polarcus gruppen er Polarcus Limited som er registrert på Cayman Islands. Konsernsipissen er notert på Oslo Børs Axess, og det er opplyst at dette selskapet har fått dispensasjon fra verdipapirhandelloven § 5-13 om at årsrapporteringen skal skje på norsk språk. De største aksjonærene i gruppen er Drydocks World LLC registrert i Dubai samt Zieckerman Holding Limited og Zieckerman Group Limited, begge registrert på British Virgin Islands.

Polarcus Limited er et maritimt seismikkelskap hvorav de her søkende datterselskap, eller seismikkskip som benyttes i driften. Driften skjer offshore og globalt. Det er ikke egne ansatte i de to norske selskapene. Arbeidsspråket internt i konsernet er engelsk, og kun ca 10 % av konsernets ansatte er norskspråklige. De fleste av selskapenes kontaktpartnere er også utenlandske eller har engelsk som daglig arbeidsspråk.

Den norske versjonen utarbeides kun for å tilfredsstille regnskapslovens krav. Nyten i forhold til kostnaden ved å utarbeide et norsk årsregnskap og –beretning, anses derfor som liten. Det søkes derfor om dispensasjon.

#### Skattedirektoratets vurdering og konklusjon

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

Postadresse	Besøksadresse	Sentraltbord
Postboks 4800 Lørenveid	Se www.skattedaten.no	500 80 050
0134 Øyn	Org. nr: 995250118	Telefax
For elektronisk henvendelse se www.skattedaten.no		22 17 88 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 sløvt fordelt informasjon."*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som et verktøy i sin kontrollvirksomhet.

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


Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjonen som skal vurderes ved en dispensasjonssøknad. Selskapene inngår i et konsern registrert i utlandet. Selskapene er engasjert i en internasjonal bransje hvor engelsk språk benyttes som språk. Det må derfor påregnes at alle parter behersker engelsk språk, både internt i selskapet og blant interessenter.

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

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

Vennligst oppgi vår referanse ved henvisninger i anledning saken.

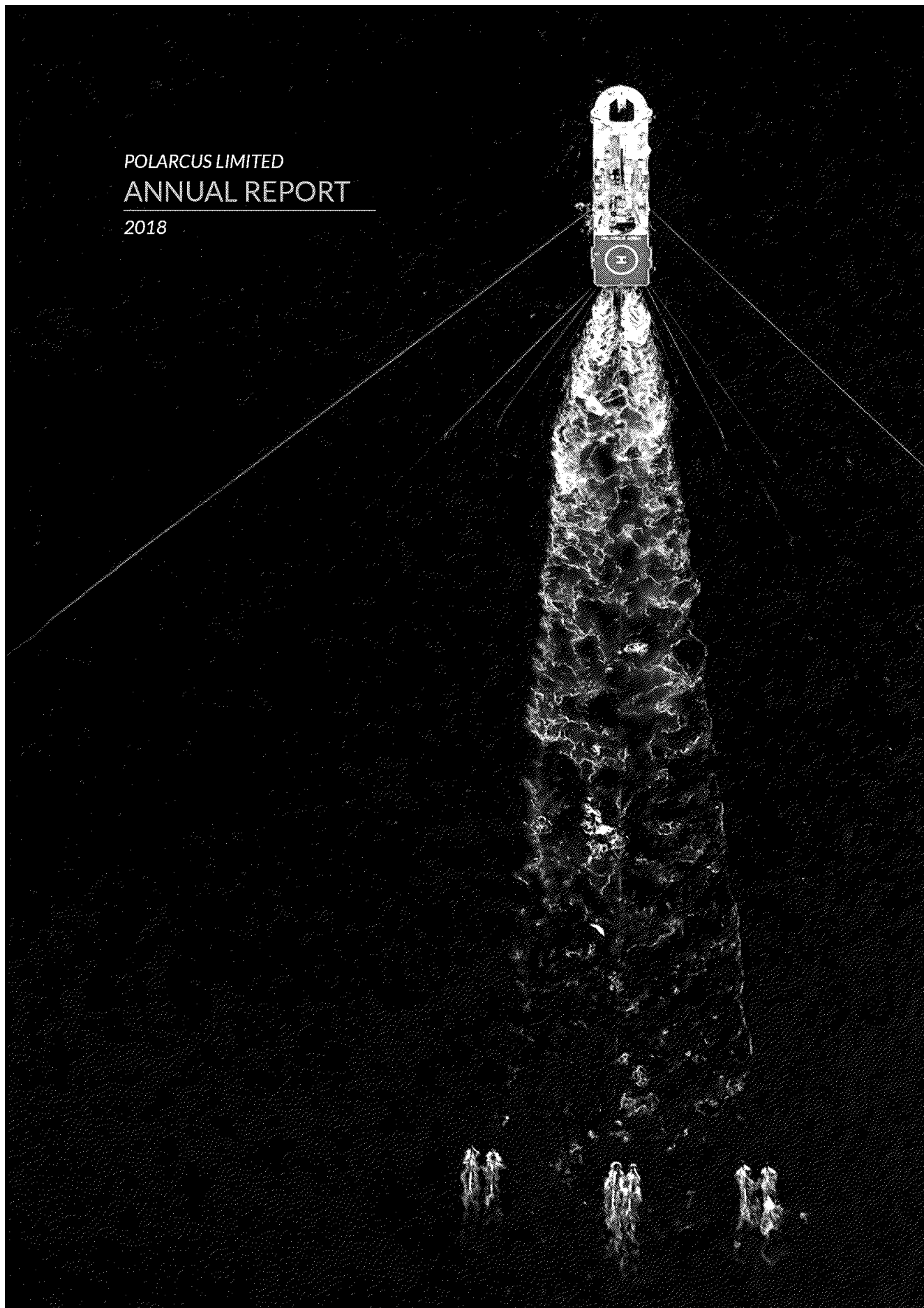
Med hilsen

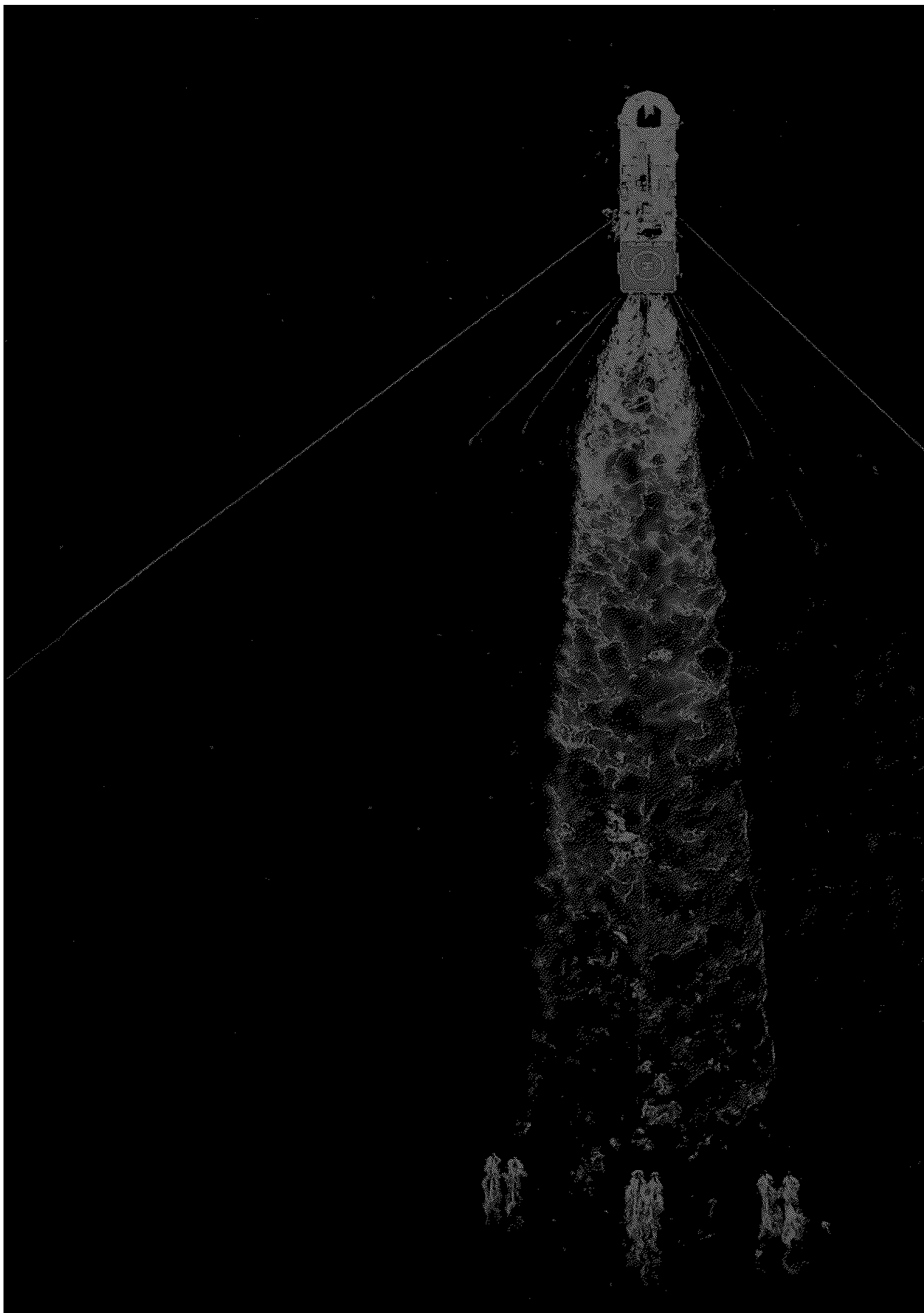
  
Torstein Kinchen Helleland  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

  
Jan Hopstved



POLARCUS LIMITED  
ANNUAL REPORT  
2018





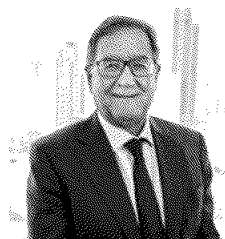


POLARCUS LIMITED

## ANNUAL REPORT 2018

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**MIKE MANNERING**  
CHAIRMAN OF THE BOARD

My first year as Chairman of Polarcus has been a truly interesting one. Throughout 2018, I have had the pleasure of familiarizing myself with an organization that has weathered the longest and most disruptive downturn that our industry has ever experienced. Utilizing its agility and innovative spirit, Polarcus is emerging from this downturn stronger than ever before.

Polarcus' operational performance remains at very high levels and the global sales and marketing teams have been able to place us in a strong position going in to 2019. As we begin to see tangible signs of a recovering marine seismic market, Polarcus is well positioned to capitalize on improving industry fundamentals, with a very clear objective to return to delivering positive financial results to our stakeholders.

However, oil price remains a key driver of industry sentiment. Average price per BBL during 2018 was around USD 70 which was a significant improvement over 2017 and supported the increased levels of activity witnessed during the year. This is now starting to translate into more sustainable pricing levels. That said, a slump in the oil price from USD 80 to below USD 60 in Q4 2018 was an unwelcome reminder of the market volatility and whilst the price of oil has stabilized in the early part of 2019, we do anticipate some further volatility in oil price going forward. This will be driven by an underlying increase in hydrocarbon demand overlaid with the complexities of global supply and geopolitical uncertainties. Most experts agree that there is a supply gap emerging and as our clients gain confidence in the benefits of re-investing in offshore hydrocarbon exploration, we should continue to see an improvement in pricing going in to 2019.

Polarcus has positioned itself as the focused geophysical service provider and is well prepared to meet this growing demand for marine seismic exploration. We have become the preferred provider of marine acquisition services for many E&P companies due to our operational excellence, industry-leading safety performance and efficiency of service delivery. I am also impressed that Polarcus had the foresight to invest and develop environmental technologies and initiatives since the Company's inception in 2008, which are well-aligned with the new regulations that NGOs and governing bodies are now enforcing.

Finally, I would like to thank our financial stakeholders and our clients for their continued support and our employees and our suppliers, for their dedication and hard work. As the market continues to develop and several vessel operators leave the marine acquisition space to become pure play multi-client companies, we enter an incredibly interesting era for the marine seismic industry. I am proud to be Chairman of the most efficient, innovative and sustainable marine geophysical company as we make our way forward into this new reality.

  
Mike Mannering  
Chairman



**DUNCAN ELEY**  
CHIEF EXECUTIVE OFFICER

2018 was a year of solid improvements for Polarcus. Underlying demand grew, evidenced by a 20% increase in square kilometers tendered by E&P companies in 2018 compared to 2017, and we were able to improve our revenue and fleet utilization in each quarter. Importantly, increases in pricing accompanied the elevated tender activity, with rates up approximately 25%, compared to 12 months earlier, for projects secured late in 2018 that will be acquired in H1 2019.

As the broader E&P industry refocuses on replacing hydrocarbon reserves, we expect exploration demand to underpin further improvements in the marine seismic sector. I believe we are approaching the point where developments on both the supply and demand side will finally lead to more sustainable pricing.

Industry recovery has, however, been slower than anticipated. This underscores the importance of the financial restructuring Polarcus completed in early 2018 that provided a debt-service runway through to 2022. I am very appreciative of the support from our shareholders, finance partners and other stakeholders which was crucial to enabling this restructuring.

Meanwhile the marine seismic space is transforming with a reduced number of competitors in the marine acquisition arena, and Polarcus' client-base increasing through the growing number of pure-play multi-client companies that no longer own or operate seismic vessels. As industry leaders in providing high quality, safe and efficient marine seismic data acquisition, Polarcus has much to offer an expanding number of clients showing rejuvenated interest in offshore exploration.

During 2018, our field crews, operational support and geophysical organization have continued to build on our industry-leading performance in safety, quality and operational efficiency. Together with our innovative technology solutions, these achievements see us firmly established as the preferred provider of geophysical services to a growing number of leading E&P companies. I must acknowledge and thank the loyal, committed and highly talented Polarcus employees who work tirelessly to deliver this performance as the industry sits poised for recovery.

Against a backdrop of increasing exploration demand, improvements in pricing and a structural transformation in the marine seismic industry, I am excited that Polarcus is so well positioned to capitalize on the solid foundation we have created.

We are already working hard to deliver on the high expectations of our stakeholders. I look forward to updating you throughout 2019.

  
Duncan Eley  
CEO



POLARCUS LIMITED

## AT A GLANCE

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### *The Focused Geophysical Service Provider*

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

Polarcus is focused on the provision of geophysical services in the acquisition segment of the marine seismic market. 2018 has seen a bifurcation of the market into a reduced number of marine acquisition-focused companies and a growing number of pure-play multi-client companies. Polarcus is an industry leader in the delivery of safe, high quality and efficient marine acquisition services to a growing number of leading E&P companies.

### Geophysical solutions

Our talented team of geophysicists are continually pushing the boundaries to achieve the most optimal geophysical solutions to enable imaging of the world's most challenging geologies. Polarcus is committed to using innovative solutions to solve our clients' imaging challenges and to deliver their exploration success in a sustainable manner.

Polarcus is an industry leader offering marine seismic data acquisition methods and techniques, survey design, geophysical QC, and data processing. Led by our Chief Geophysicist, this team has developed technology solutions and geophysical tool kits to service our clients' imaging objectives.

### Marine acquisition services

Our office-based team and offshore crews work together to operate our fleet of ultra-modern seismic vessels equipped with advanced maritime and seismic technologies, ensuring safe and efficient acquisition of marine seismic data.

With the foresight of operating in environmentally sensitive sea areas and regions that have been under-explored, our vessels have been designed to comply with stringent environmental regulations. Utilizing features such as a chemical-free ballast water management system and operating with low-sulfur marine gas oil, we are leading the way in sustainable exploration.

### Multi-client

We offer a library of 3D multi-client projects, developed by geoscientists for geoscientists in highly prospective areas around the globe. These high-quality multi-client projects have been acquired and processed through the application of professional project management to the design, planning, and execution of the surveys through to final imaging products.



## GLOBAL OFFICES

### HEADQUARTERS

Dubai

### NORTH AND SOUTH AMERICA

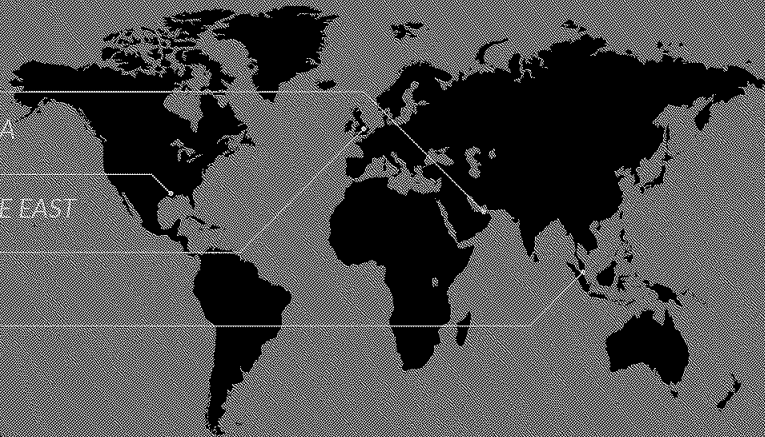
Houston

### EUROPE AFRICA AND MIDDLE EAST

London

### ASIA PACIFIC

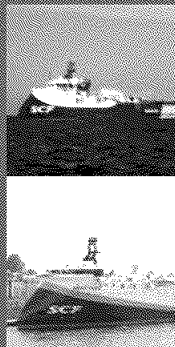
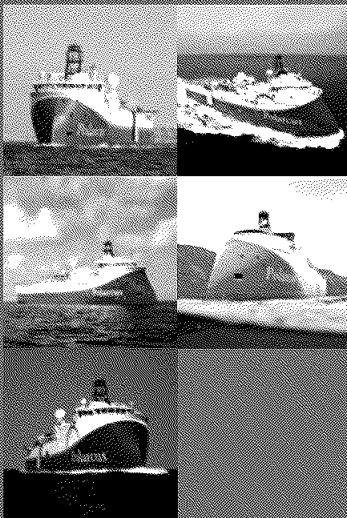
Singapore



75%  
Field employees

25%  
Office employees

## HIGH-END UNIFORM SEISMIC FLEET



Polarcus operates four high-end vessels in the global marine seismic market. The fleet is unified and uniquely equipped with the most advanced seismic acquisition and navigation equipment available. This provides full flexibility to meet customer needs from large 3D exploration projects through to complex 4D surveys.

Polarcus has strategically diversified its fleet portfolio to create complimentary revenue streams. In addition to being a leading player in the global marine acquisition market, Polarcus has two vessels on bare boat charter. Polarcus also has one vessel, Polarcus Nadia, stacked since 2015.



POLARCUS LIMITED

## AT A GLANCE

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*Financial*

### Solid improvement year-on-year

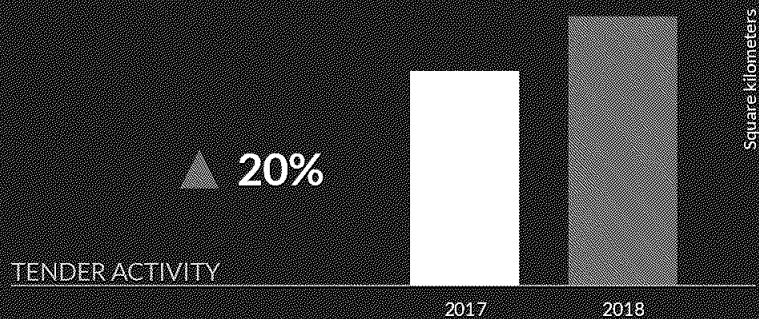
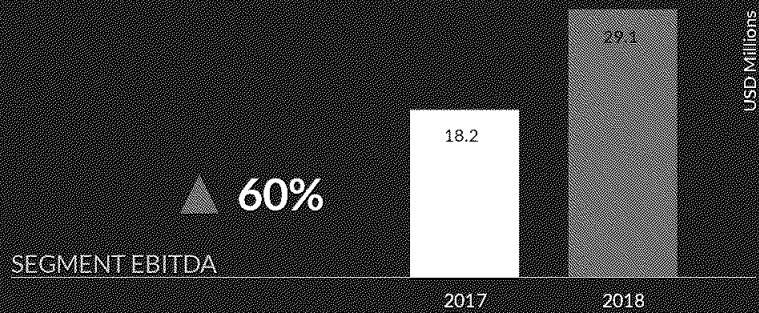
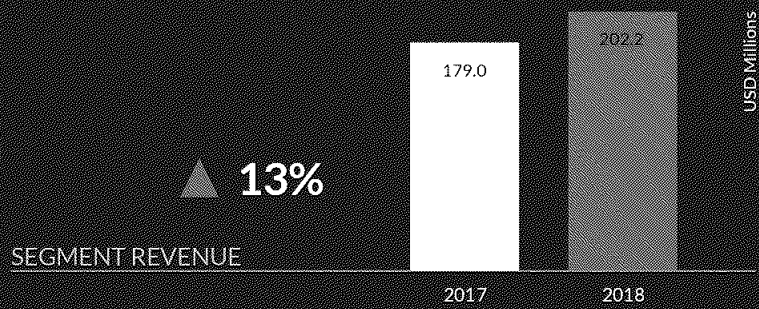
In 2018, higher revenue of USD 202.2 million, combined with a continued focus on cost control, resulted in an improved segment EBITDA of USD 29.1 million compared to USD 18.2 million in 2017. The 13% increase in revenue year-on-year was as a result of increased utilization levels and only slight improvements in contract pricing.

Recent oil price volatility has re-introduced some uncertainty around E&P companies' spending outlook. However based on discussions with clients, we hold a positive view on 2019. With the oil price around current levels, pricing in the seismic market is expected to continue to improve over the short to mid-term, driven by continued increase in demand from E&P companies and supply discipline from a reduced number of global 3D seismic vessel operators. As exploration activity and pricing levels are both expected to be higher in 2019, we plan to deliver improved EBITDA and cashflow compared to 2018. We anticipate some operating cost increases in 2019 to support elevated operational activity and a number of projects taking place in higher-cost areas.

The Company will continue to focus on improving margins by maximizing revenue, optimizing our operational cost profile and controlling the pace of our investments in a highly disciplined manner as the activity and pricing levels in the marine seismic market continue to increase. Polarcus is well-placed to further capitalise on an improving market with our industry-leading operational expertise and innovative approach to delivering our clients' geophysical requirements.



## 2018 KEY NUMBERS





POLARCUS LIMITED

## AT A GLANCE

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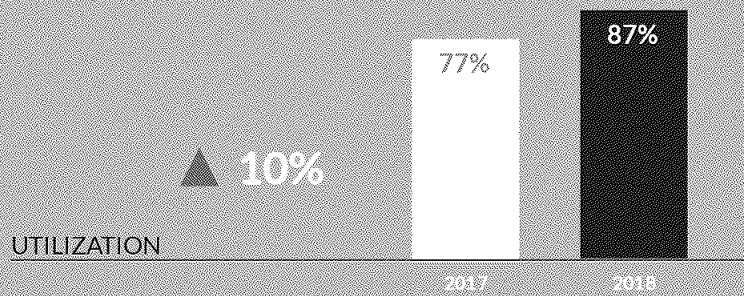
*Operational*

### Strong underlying operational performance

2018 marked another year of strong operational performance for Polarcus. With industry-leading technical delivery and solid utilization, our field crews together with our shore-based support teams continue to impress our customers. Health, safety and environmental performance continue to be top priorities for Polarcus. We maintained our strong health and safety record during 2018 with zero lost time injuries. Importantly, the Polarcus fleet is already fully compliant with the IMO 2020 sulfur cap requirements through our use of low sulfur marine gas oil (MGO). We remain committed to minimizing our environmental impact through operational efficiency and innovative technology. This is fully aligned with our objective to deliver best-in-class sustainable marine seismic data acquisition services to our clients.



## 2018 KEY NUMBERS



TECHNICAL DOWNTIME

3.3%

SAFETY RECORD

Industry average (IAGC, 2017)

0 LTIF 1.6 TRCF

0.21 1.7

Lost Time Injury Frequency  
Total Recordable Case Frequency

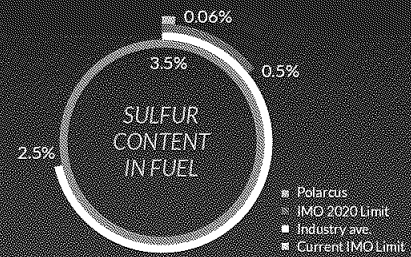


## POLARCUS CORE VALUES

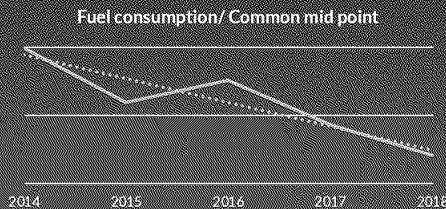
We aim to deliver superior operational performance and shareholder value by providing best-in-class marine geophysical services and demonstrating leadership in environmental responsibility. Our Core Values - Responsibility, Innovation and Excellence - are the foundation for achieving these objectives. We embed our Core Values in everything we do.

### 2018 EMISSIONS DATA

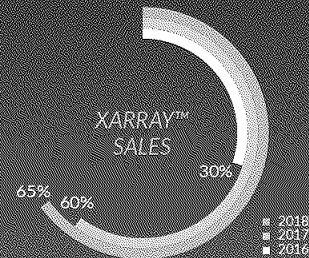
Emissions type	2018	Vs. MARPOL Limit
CO2 (ton/km2)	2.23	N/A
NOx (kg/km2)	26.7	-6%
SOx (kg/km2)	0.86	-98%



### REDUCED FUEL CONSUMPTION THROUGH INNOVATION



30%



### 2018 EHSO REPORTING

Lost Time Injury (LTI)	0
Lost Time Injury Frequency (LTIF)	0.0
Restricted Work Case (RWC)	4
Medical Treatment Case (MTC)	1
Total Recordable Case Frequency (TRCF)	1.6
First Aid Cases	20
Non Conformance Corrective Action Preventative Action Reports (NCCAPA)	9,632
Near Miss	99
Improvement Suggestions	2,394



## Responsibility

Polarcus' unique Explore Green™ agenda is central to all our business activities. Our commitment to the environment in which we live and operate is an important element of the Polarcus Core Value of 'Responsibility'. The fleet was designed and built to adhere to the most rigorous environmental standards, with equipment to measure, monitor and mitigate emissions to both sea and air. Polarcus operates with an extensive suite of environmental procedures to minimize the impact our operations have on the environment.

In 2018, Polarcus continued with its commitment to report fleet gaseous emissions on a quarterly basis in order to increase awareness and promote transparency of environmental impacts within the seismic industry.

### IMO 2020

From 1 January 2020, the limit for sulfur in fuel oil used onboard ships operating outside designated emissions-controlled areas will be reduced from 3.5% to 0.5% m/m. This will significantly reduce the amount of sulfur oxides produced by the maritime industry, providing major health and environmental benefits, particularly for populations living close to ports and coastlines.

Polarcus welcomes this initiative from the IMO, having committed to only using low sulfur MGO, since day one, as part of our Explore Green™ agenda.

In 2018, the average sulfur content of fuel consumed by our global fleet was 0.062% sulfur by mass. This represents some 55-times lower sulfur content than current global regulations.

## Innovation

In 2018 we continued to focus on operational efficiency and how our in-sea equipment can be optimized to reduce drag in the water. These efforts, combined with our geophysical innovations and our strong project execution, have resulted in a significant reduction in our fuel consumption per seismic data point acquired.

### XArray™

XArray™ is an innovative acquisition technique developed with the primary objective to enhance the resolution of data recorded both in-line and cross-line while maintaining the high productivity levels of large streamer spreads. This is achieved using multiple sources, continuous data recording, and shot interference removal processing algorithms. Each project specific solution is developed by the survey design team in response to environmental, geological and operational constraints.

A very important benefit of XArray™ is the reduction in the amount of in-sea equipment deployed compared to traditional spreads offering the same efficiency. This results in reduced exposure of field crew to elevated risk activities such as deployment and recovery of in-sea equipment, and small boat activities to maintain the seismic spread.

In 2018 we continued to see growing interest from our customers for XArray™. 65% of all seismic data acquired by Polarcus in the year was done with XArray™ multi-source configuration, compared to 60% in 2017 and 30% in 2016.

## Excellence

Polarcus' primary concern is the safety of our people. Monitoring safety, security, and health across all areas of our operations, and in all Polarcus support locations, is key to protecting employee well-being and mitigating any risks encountered. With more than three million exposure hours in 2018, ongoing excellence in safety is essential.

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

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

Find out more in our 2018 Sustainability Report ([www.polarcus.com](http://www.polarcus.com))



## BOARD OF DIRECTORS



**Mike Mannering**  
(b. 1952)  
Chairman

Mike Mannering is an experienced Chairman and Non-Executive Director with a long career in oilfield services including many senior corporate positions in

Schlumberger as well as Chairman and, subsequently, Non-Executive Director of Songa Offshore until its acquisition by Transocean. He has a BSc (First Class) in Mechanical Engineering from the University of Southampton.

*Mr. Mannering was appointed as a director and Chairman of the Board of Polarcus Limited on 10 May 2018. As at 31 December 2018, Mr. Mannering held no shares in Polarcus.*



**Carl-Peter Zickerman**  
(b. 1972)

Peter Zickerman has over two decades of 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 also a Board member. In 2008, he founded Polarcus Limited where he held the position of Executive Vice President & Head of Strategic Investments until 2016. His experience covers both maritime and seismic operations, strategy and commerce. He holds a B.Sc. in Marine Engineering from Kalmar Maritime Academy, Linnaeus University.

*Mr. Zickerman was appointed to the Board for the first time on 9 February 2008 for a period expiring on 2 July 2012 and was again appointed to the Board on 12 May 2016. As at 31 December 2018, he held 34,925,401 shares in Polarcus through his wholly owned companies Zickerman Group Limited and Zickerman Holding Limited.*



**Karen El-Tawil**  
(b.1961)

Karen El-Tawil has spent over 30 years in the seismic industry. She retired from TGS-NOPEC Geophysical Company ASA in 2012 as VP, Business Development, responsible for investor relations, M&A and corporate marketing. Previously she has managed multi-client sales for TGS, and exploration services and multi-client sales for Schlumberger Geco-Prakla. She has extensive experience of the international geophysical sector. She has a degree in earth science and mathematics from Adrian College, Michigan. Mrs El-Tawil is a Board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange.

*Mrs. El-Tawil was appointed to the Board on 13 February 2014. As at 31 December 2018, Mrs El-Tawil held 4,250 shares in Polarcus.*



**Nicholas Smith**  
(b. 1951)

Nicholas Smith is a Chartered Accountant with a long-term career in investment banking and as CFO of Asian investment bank, Jardine Fleming Group. He has had a successful

non-executive track record in the public E&P sector and investment trusts, including seven years as Chairman of Ophir Energy plc, and as Board member for several other London listed companies. He is currently Chairman of Aberdeen New Thai Ltd, Chairman of Schroder Asia Pacific Ltd, where he was previously Chair of Audit and Senior Independent Director; and a Board member for JP Morgan European Small Companies Ltd where he is also Chair of Audit. Mr. Smith is FCA approved and holds a BA from the Open University.

*Mr. Smith was appointed as a director of the Board on 6 March 2017. As at 31 December 2018, Mr. Smith held no shares in Polarcus.*



**Erik M Mathiesen**  
(b.1970)

Erik Mathiesen is an independent advisor. He was until January 2017 a founding partner of Storm Capital Management, London, an asset management company focusing on

energy, transportation and real estate in the Nordics. He was also CEO of Storm Real Estate ASA until August 2016. He has worked in corporate finance advisory in shipping and oil services as a partner for EC Hambro Rabben, London and in corporate banking at Hambros Bank, London.

*Mr. Mathiesen was appointed to the Board on 12 May 2016. As at 31 December 2018, he held 267,308 shares in Polarcus through his wholly owned company, SISU Holding AS.*



**Tom Henning Slethei**  
(b. 1974)

Tom Henning Slethei has been an investor in the stock and bond market for more than two decades. He is Chairman and owner of various companies within real estate and

finance. He has extensive Board experience including as Chair of the nomination and compensation committees, Noreco ASA, as Chairman of the Board, Jåsund Utviklings-selskap AS and Sola Bredband AS, and as a Director at Forus Naeringspark.

*Mr. Slethei was appointed to the Board on 12 May 2016. As at 31 December 2018, he held 11,907,019 shares in Polarcus through his wholly owned company, Alto Holding AS.*



## EXECUTIVE MANAGEMENT



**Duncan Eley**  
(b. 1972)  
CEO

Duncan Eley has over 20 years of experience in the oilfield services industry. He was appointed Chief Executive Officer of Polarcus in 2017 after 8 years with

Polarcus, 3 of which were as Chief Operating Officer. Prior to joining Polarcus in 2009, Duncan worked for several years with strategy consultancy firm, L.E.K. Consulting, across the energy, transport and natural resources sectors. Prior to that, he worked with Schlumberger for 10 years supporting marine seismic operations in Europe, West Africa and North America. Duncan has a Bachelor of Science and Bachelor of Engineering from Monash University. In 2006 he completed his MBA at Erasmus University in Holland.

*As at 31 December 2018, Mr. Eley held 489,616 shares, 261,400 options in Polarcus stock, 840,000 PSUs and 360,000 RSUs.*



**Hans-Peter Burlid**  
(b. 1980)  
CFO

Hans-Peter Burlid has over 15 years of experience in the seismic industry and was appointed as CFO of the Company in 2016. Prior to joining Polarcus,

Hans-Peter served in key roles in finance, accounting and business development. He was formerly Senior Manager, Business Development and co-founder of Eastern Echo Ltd and was instrumental in the start-up of Polarcus in 2009. Hans-Peter holds a B.Sc. in Economics and Business Administration from Blekinge Institute of Technology.

*As at 31 December 2018, Mr. Burlid held 157,596 shares, 114,900 options in Polarcus stock, 630,000 PSUs and 270,000 RSUs.*



**Lars Østergaard**  
(b. 1973)  
COO

Lars Østergaard has over 13 years of experience within the oil and gas industry. He joined Polarcus in June 2018 as COO where he leads the Sales, Geophysical & Operations teams as well as the EHSQ Department. Lars was previously employed at Maersk Drilling where he held a number of operational and commercial leadership roles, most recently as Chief Commercial Officer. Lars holds a degree in Business Administration from Copenhagen Business School and a Master's Degree in Political Science from the University of Aarhus.

*As at 31 December 2018, Mr. Østergaard held 0 shares in Polarcus, 350,000 PSUs and 150,000 RSUs.*

*As at 31 December 2018, Mr. Østergaard held 0 shares in Polarcus, 350,000 PSUs and 150,000 RSUs.*



**Caleb Raywood**  
(b. 1970)  
General Counsel

Caleb Raywood has over 20 years of commercial experience, predominantly in the shipping and oil and gas service sectors. Prior to joining Polarcus

in 2016, Caleb worked as General Counsel and Company Secretary for an international offshore contracting company. Before this role, he worked for 6 years with MasterCard International Inc. as Region Counsel and 6 years at Clyde & Co, an international law firm specializing in shipping and maritime issues. Holding a Bachelor's Degree in English and European Law from the University of Essex and a Master's Degree in European Business Law from the University of Nijmegen, he leads Polarcus' team of lawyers as a qualified Barrister and Solicitor Advocate.

*As at 31 December 2018, Mr. Raywood held 134,615 shares, 50,000 options in Polarcus stock, 350,000 PSUs and 150,000 RSUs.*



**Tamzin Steel**  
(b. 1977)  
SVP People & Business Services

Tamzin Steel has over 18 years' experience working in global multinational companies in the oil and gas industry. Tamzin joined Polarcus

in 2016, prior to which she held senior leadership positions, with a focus on human resources and organizational change. Tamzin worked for KCA DEUTAG Drilling Group, an international drilling and engineering contractor, for 13 years in various global roles and latterly worked for Abu Dhabi National Energy Company (TAQA). Tamzin holds a Bachelor's Degree (with Honours) in Business Studies from Robert Gordon University, Aberdeen.

*As at 31 December 2018, Mrs. Steel held 134,615 shares, 50,000 options in Polarcus stock, 350,000 PSUs and 150,000 RSUs.*



POLARCUS LIMITED

## THE POLARCUS SHARE

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### Share information

Shares in Polarcus are listed on the Oslo Børs under the ticker symbol 'PLCS'.

#### Share facts

During the year, a total of 957 million shares were traded representing approximately 230% of the average volume weighted shares outstanding. On average, approximately 3.8 million Polarcus shares were traded daily on the Oslo Børs in 2018. At the end of the year, Polarcus had a market capitalization of NOK 516.8 million.

The issued and paid up share capital of the Company as of 31 December 2018 was USD 51,378,671 divided into 513,786,713 shares, each with a par value of USD 0.10 each. All shares have equal rights in all respects, including with respect to voting and dividends.

#### Analyst coverage

As of 31 December 2018, there were eleven analysts covering Polarcus. Note that any estimate or forecast regarding Polarcus made by any these analysts are theirs alone and do not represent estimates or forecasts of Polarcus or its management. A full list of analysts covering Polarcus can be found on the Polarcus website at [www.polarcus.com](http://www.polarcus.com)



## POLARCUS SHARE PERFORMANCE 2018





## Board of Directors' Report 2018

During 2018 Polarcus continued to deliver a very high level of operational performance for its clients and make progress to enhance its financial sustainability. During the first quarter, the Company refinanced its debt and raised additional equity, substantially improving the Company's liquidity position. During the year Polarcus achieved four consecutive quarters of growth in revenue and utilization, which, combined with a continued focus on cost control, led to an increase in EBITDA compared to 2017. The Group's segment revenue increased by 13% to USD 202.2 million and segment EBITDA increased by 60% to USD 29.1 million.

Health, safety and the environment are constant areas of focus for Polarcus and in 2018, the Company maintained its strong health and safety record with zero lost time injuries in combination with a significant increase in vessel utilization and higher productivity achieved while delivering industry-leading technical performance. The Company constantly strives for innovation throughout its operations and 2018 was the second consecutive year in which XArray™ accounted for more than half of the seismic data acquired by the Company.

The Company's sustained high level of operational performance in 2018 was accompanied by an increase in underlying demand demonstrated by a 20% increase in square kilometers of marine seismic acquisition tendered by E&P companies. This resulted in pricing of marine seismic acquisition services increasing throughout 2018; rates for projects secured in the second half of 2018, that will be acquired in H1 2019, increased by approximately 25% compared to 12 months earlier. The Company's level of secured backlog at yearend increased significantly year-on-year reflecting these improved rates. With 100% of the Polarcus fleet booked in the first half of 2019 the Company has a solid platform on which to further test rates in the second half of the year.

## Key financials (reported per IFRS)

(In millions of USD)	2018	2017
Revenues	228.9	179.0
EBITDA (before non-recurring items)*	55.9	18.2
EBITDA	67.5	41.3
EBIT (before non-recurring items)*	(25.1)	(68.9)
EBIT	(15.3)	(137.0)
Net loss for the year	(31.8)	(172.5)
Basic earnings/(loss) per share (USD)	(0.07)	(1.28)
Net cash flows from operating activities	11.3	34.1
Total assets	465.6	402.9
Total liabilities	387.3	358.2
Total Equity	78.3	44.7
Equity Ratio	17%	11%
Property, plant & equipment cash investment	82.2	7.3
Multi-client projects cash investment	18.7	20.6
Total cash**	31.2	33.7
Net interest bearing debt	306.1	260.7

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

\*\* Includes restricted cash of USD 1.2 million.



## 1. Operations and market

The Company owns a fleet of seven high performance 3D seismic vessels: four of the Company's vessels operate in the global marine seismic data acquisition market; one vessel is stacked and two vessels are on long-term bareboat charters. One of the bareboat chartered vessels, Vyacheslav Tikhonov, is scheduled to be redelivered towards the end of April 2019. During the year the Company purchased two vessels, *Polarcus Naila* and *Polarcus Nadia*, that had previously been chartered in on operating leases.

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

	2018	2017
Utilization	87%	77%
By category:		
Exclusive Seismic Contract*	82%	71%
Multi-client Seismic Contract	5%	6%
Transit	10%	13%
Yard stay	1%	2%
Standby	2%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Includes the vessels Vyacheslav Tikhonov (formerly Polarcus Selma) and Ivan Gubkin (formerly Polarcus Amani) which are on bareboat charters. Polarcus Nadia is excluded from vessel utilization subsequent to stacking in 2015.

Utilization increased to 87% (2017 - 77%). Contract utilization was increased at 82% (2017 - 71%) and allocation to multi-client decreased to 5% (2017 - 6%). Excluding vessels on long-term bareboat charters (and Polarcus Nadia), utilization for the remaining fleet increased significantly to 82% (2017 - 68%).

During 2018, the Company continued to deliver strong safety, technical and operational performance. Technical downtime was 3.3%, up from 2.7% in the previous year.

The Company's operating revenues earned from external customers worldwide are grouped as per below based on the operational regions in which we deliver services to clients:

(In millions of USD)	2018	2017
Asia Pacific ("APAC")	73.9	62.9
Europe, Africa and Middle East ("EAME")	91.8	60.4
North and South Americas ("NASA")	62.4	51.3
<b>Total revenue</b>	<b>228.1</b>	<b>174.6</b>

The regions correspond to our global office locations providing regional client interfaces in Singapore (APAC), London (EAME) and Houston (NASA).

During 2018 the Company's global reach continued to expand with the Company operating offshore in two new countries: Nicaragua and Jamaica (2017 - three new countries).

### 1.1. XArray™

In 2014 Polarcus introduced an innovative acquisition technique, termed XArray™, designed to deliver a highly efficient acquisition technique without compromising data quality. XArray™ has proved to deliver superior quality data while at the same time improving acquisition efficiency. 2018 was the second year in which over half of the seismic acquisition performed by the Company leveraged XArray™, with XArray™ accounting for 65% of the total square kilometers of seismic data the Company acquired in 2018.

## 2. Financial review

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

### 2.1. Financial performance

#### 2.1.1. Revenues

(In millions of USD)	2018	2017
Contract revenue		
- Proprietary contract revenue	130.6	104.6
- Reimbursable	14.3	3.9
- Bareboat charter	27.1	23.5
- Management fees	10.7	14.9
	182.7	146.9
Multi-client revenue		
- Prefunding	40.8	21.7
- Late sales	4.5	6.0
	45.4	27.7
Other income	0.8	4.4
<b>Total</b>	<b>228.9</b>	<b>179.0</b>

Revenues increased by 28% to USD 228.9 million in 2018 (2017 - USD 179.0 million), driven by strong utilization and improved day rates as well as increased multi-client prefunding due to the implementation of IFRS 15 (see Note 2.3.1 in the consolidated financial statements).

Contract revenue increased by 24% to USD 182.7 million (2017 - USD 146.9 million). The increase was driven by higher utilization as the number of vessel days allocated to proprietary contracts increased by 11%, while day rates achieved on proprietary contracts increased by 7%. Bareboat charter revenue increased by 15% to USD 27.1 million (2017 - USD 23.5 million) due to 2018 being a full year of two vessels on long term bareboat contract.

Multi-client revenue increased by 64% to USD 45.4 million (2017 - USD 27.7 million) due to an increase in prefunding revenue. Prefunding revenue increased 88% to USD 40.8 million (2017 - USD 21.7 million). Prefunding revenue recognized of USD 34.8 million was due to the Group implementing IFRS 15, using the modified retrospective approach, which resulted in an adjustment to the Group's opening statement of financial position at 1 January 2018. The Company would not have recognized this revenue if it had followed the accounting policies that had been in place prior to adoption of IFRS 15. The cash investment in multi-client was USD 18.7 million (2017 - USD 20.6 million). Late sales decreased 24% to USD 4.5 million (2017 - USD 6.0 million).

Other income reduced to USD 0.8 million in 2018 (2017 - USD 4.4 million) due to a lower level of insurance claims for damaged in-sea equipment.

EBITDA for the year increased to USD 67.5 million (2017 - USD 41.3 million), mainly due to higher contract and multi-client revenue and relatively flat gross cost of sales.



## 2.1.2. Operating expenses

(In millions of USD)	2018	2017
Gross cost of sales	165.2	165.0
Capitalized to multi-client projects	(14.1)	(16.4)
Net deferred transit adjustment	-	0.4
Cost of sales (excl. other items)	151.0	149.1
Reimbursable costs	13.9	3.2
Restructuring costs	-	1.6
Gain on termination of vessel operating lease	(13.9)	-
Net movement in bad debt provision	0.4	(1.2)
Net movement in onerous contract provision	(5.5)	(3.9)
<b>Net cost of sales</b>	<b>146.0</b>	<b>148.8</b>

Cost of sales decreased marginally by 2% to USD 146.0 million (2017 - USD 148.8) while reimbursable costs increased to USD 13.9 million (2017 - USD 3.2 million) which was offset by a USD 13.9 million (2017 - nil) gain on termination of vessel operating leases. Gross cost of sales was constant at USD 165.2 million (2017 - USD 165.0 million), through a continued focus on cost control and operational efficiencies despite the increase in vessel utilization.

General and administrative costs decreased by 11% to USD 14.2 million (2017 - USD 15.9 million), mainly driven by reductions in personnel costs following a reduction in headcount implemented at the end of 2017.

The Company recognized a net loss of USD 1.2 million in onerous contract provisions in 2018 (2017 - net gain of USD 27.0 million) 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.

## 2.1.3. Depreciation and amortization

Depreciation and amortization decreased by 41% to USD 26.6 million (2017 - USD 45.0 million), while gross depreciation which includes depreciation capitalized to multi-client library, decreased by 43% to USD 27.4 million (2017 - USD 47.7 million). Depreciation charges were lower mainly due to the reduction in the carrying amount of assets arising from impairment charges of USD 77.0 million booked in the previous year.

Amortization of the multi-client library increased 22% to USD 51.4 million (2017 - USD 42.1 million) of which USD 46.8 million was recognized upon completion of three different multi-client projects including the effect of IFRS 15, with the remaining USD 4.6 million representing straight-line amortization.

## 2.1.4. Impairment

Impairment charges decreased to USD 4.9 million (2017 - USD 91.2 million) due to a decrease in impairments of vessels and seismic equipment, as well as the multi-client library. Seismic vessels and equipment impairment charges of USD 6.2 million (2017 - USD 77.0 million) were recognized in the year which was partly offset by a reversal of impairment charges on Multi-client library of USD 1.3 million during 2018 (2017 - impairment charges of USD 12.0 million) as a result of sale of the Capreolus Multi-client project in August 2018.

EBIT was negative USD 15.3 million (2017 - negative USD 137.0 million).

## 2.1.5. Finance costs

Finance costs decreased by 25% to USD 33.5 million (2017 - USD 44.4 million) primarily as a result of a decrease in the effective interest accounting cost of the Company's bond loans and interest bearing debt, post-restructuring in first quarter (see section 3.1 below).

## 2.1.6. Changes in fair value of financial instruments

The Company recorded a USD 0.5 million fair value gain on revaluation of financial instruments (2017 - USD 6.6 million) which is related to a cross-currency swap agreement and the revaluation of bond loans prior to the completion of financial restructuring in Q1 2018.

## 2.1.7. Gain on financial restructuring

The Company recognized an accounting gain of USD 14.5 million (2017 - nil) resulting from the restructuring of the Company's interest bearing debt during 2018, of which USD 8.1 million was as a result of the Company adopting IFRS 9 Financial Instruments, effective from 1 January 2018. USD 9.4 million of the total gain from financial restructuring relates to the gain on restructuring of the liability under bond loans and USD 5.1 million relates to the gain on restructuring of other interest bearing debt.

## 2.1.8. Income tax

The Group's corporate income tax expense decreased to a credit of USD 0.2 million in 2018 (2017 - expense of USD 0.1 million) mainly due to the reversal of tax accruals from previous years no longer required.

## 2.1.9. Net loss

The net loss for the year was USD 31.8 million, reduced from a net loss of USD 172.5 million in 2017 mainly due to higher contract and multi-client revenue, lower impairment charges and reduced finance costs.

## 2.2. Cash flow and liquidity

Net cash flow from operating activities decreased by 67% to USD 11.3 million (2017 - USD 34.1 million), mainly driven by negative working capital movements of USD 38.7 million (2017 - positive USD 29.3 million) as receivables from customers increased.

Net cash flow used in investing activities increased to USD 94.4 million (2017 - USD 28.0 million) due to higher investments in property, plant and equipment. Payments for property, plant and equipment totaled USD 82.2 million (2017 - USD 7.3 million) including the buyback of two N-Class vessels for USD 75.0 million, while payments for investments in the multi-client library decreased to USD 18.7 million (2017 - USD 20.6 million) as a result of a reduction in the vessel allocation to multi-client projects.

Net cash flow from financing activities increased to an inflow of USD 87.5 million (2017 - inflow USD 6.3 million), mainly due to a USD 74.9 million new fleet facility to finance the buyback of two N-Class vessels and USD 7.7 million loan facility for financing the unwinding of a cross-currency swap agreement. The Company received a net equity increase of USD 41.3 million (2017 - USD 37.8 million) following a private placement and repair offering share issue in 2018. Interest paid reduced to USD 16.7 million (2017 - USD 18.6 million) as a result of reduced interest rates following the financial restructuring. The inflow from restricted cash during 2018 was USD 6.7 million (2017 - outflow of USD 7.1 million).

Total cash held at the yearend was USD 31.2 million (2017 - USD 33.7 million), including restricted cash of USD 1.2 million (2017 - USD 7.8 million). The Company's working capital facility of USD 40.0 million remained undrawn at the yearend.

## 2.3. Financial position

### 2.3.1. Assets

Total assets increased by USD 62.7 million to USD 465.6 million (2017 - USD 402.9 million), mainly driven by an increase in non-current assets. Non-current assets increased by USD 47.3 million to USD 381.8 million (2017 - USD 334.5 million) due to buyback of two N-Class vessels.

Total current assets increased by USD 15.5 million to USD 83.8 million (2017 - USD 68.4 million), mainly driven by an increase in receivables from customers. Receivables from customers increased by USD 19.8



million to USD 39.6 million (2017 – USD 19.8 million). The majority of receivables outstanding at the yearend were collected in January 2019.

## 2.3.2. Liabilities

Total liabilities increased by USD 29.1 million to USD 387.4 million (2017 – USD 358.2 million). The increase was mainly due to a new fleet loan facility to finance the purchase of the N-Class vessels, described above. The increase by the new fleet loan facility was partly offset by reduced liabilities following conversion of bonds to equity as part of the Company's financial restructuring.

The Company was in compliance with all of its financial covenants at 31 December 2018 (2017 - the Company was in breach of its equity ratio covenant in certain financial facilities at 31 December 2017, which subsequently was remedied in Q1 2018).

Total current liabilities decreased by USD 287.7 million to USD 61.8 million (2017 – USD 349.5 million), mainly as a result of the temporary reclassification of the Company's long-term debt in the previous year on account of the covenant breach at 31 December 2017.

## 2.3.3. Equity

Equity increased by USD 33.6 million to USD 78.3 million (2017 – USD 44.7 million). The increase was mainly due to the net increase in share capital of USD 41.3 million on account of the Private Placement and subsequent Repair Offer (see section 3.1 below for further details), along with a conversion of bonds to equity of USD 16.4 million. In addition, there was an increase of USD 6.1 million on account of the Company adopting IFRS 15 using the modified retrospective approach (effective from 1 January 2018). These increases in equity were partially offset by the net loss of USD 31.8 million in the year.

## 2.4. Parent company's non-consolidated financial statements

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

Revenues earned by the Parent company decreased by 70% to USD 12.6 million in 2018 (2017 – USD 42.5 million) mainly due to a decrease in revenue from crewing services by 84% to USD 5.5 million (2017 – USD 37.6 million) as a result of the Parent company discontinuing its crewing services to the Subsidiaries in Q1 2018.

Cost of sales decreased by 65% to USD 13.3 million (2017 – USD 38.2 million), due to discontinued crewing services to the Subsidiaries in Q1 2018 and subsequently general and administrative expenses decreased by USD 3.3 million to USD 5.0 million (2017 – USD 8.3 million).

An impairment charge of USD 111.1 million was recognized in the year (2017 – 139.1 million), which related to the impairment of inter-company loans due to the uncertainty on the timing and amount of repayments. Depreciation and amortization decreased by USD 2.9 million to USD 0.1 million from USD 3.0 million, mainly as a result of certain items of property, plant and equipment being sold during the first half of 2017.

Finance costs decreased by USD 12.1 million to USD 13.2 million (2017 – USD 25.3 million) mainly as a result of reduced interest charges due to the restructuring of bond loans. Finance income was constant at USD 5.0 million (2017 – USD 4.9 million). Changes in fair value of financial instruments was positive USD 0.5 million compared to USD 6.6 million in 2017. The Company recognized an accounting gain of USD 9.4 million (2017 - nil) resulting from the restructuring of the Company's bond loans during the first quarter.

The Parent company recorded a loss of USD 115.1 million in the year (2017 – loss of USD 159.8 million). The Board of Directors propose to carry the loss forward as a retained loss.

The Parent company's total assets decreased by USD 54.0 million to USD 128.2 million at the end of the year (2017 – USD 182.2 million), mainly driven by decreased loans to subsidiaries of USD 16.3 (2017 – USD 80.4 million) and increased receivables from customers including

subsidiaries by USD 11.1 million to USD 102.7 million (2017 – USD 91.5 million). The Parent company's property, plant and equipment increased to USD 3.4 million (2017 – nil).

The Parent company's total liabilities increased by USD 1.7 million to USD 71.5 million (2017 – USD 69.8 million), mainly due to an increase in the payables to suppliers including subsidiaries to USD 36.3 million (2017 – USD 10.6 million) which is partially offset by a decrease in the carrying value of the Parent company's bond loans to USD 33.2 million (2017 – USD 48.6 million) and the Company settling its liability for currency swap arrangement during the year, following the Company's financial restructuring undertaken in Q1 2018.

The Parent company's equity decreased by USD 55.8 million to USD 56.7 million (2017 – USD 112.5 million) mainly due to the net loss of USD 115.1 million which was partially offset by the increase in share capital by USD 57.7 million through the private placement together with a subsequent repair issue (net proceeds of USD 41.3 million) and USD 16.4 million of bond conversions.

Net cash flow from operating activities increased by USD 3.5 million to USD 12.3 million (2017 – USD 8.8 million), driven by improvements in working capital. Positive working capital movements were USD 17.8 million (2017 – USD 13.2 million).

Net cash outflow from investing activities increased to USD 52.7 million (2017 – USD 44.3 million) due to an increase in receivables from Subsidiaries.

Net cash inflow from financing activities increased to USD 38.7 million (2017 – USD 37.1 million). Total cash held at the yearend was USD 0.6 million (2017 – USD 4.0 million).

## 3. Going concern

The Board of Directors confirms that the financial statements have been prepared under the going concern assumption and the Board of Directors concludes this assumption is appropriate.

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

Management and the Board of Directors closely monitor the going concern assumptions, cash flow forecasts and compliance with financial covenants. As measured at 31 December 2018, including the bareboat charters and awards made after the yearend, the total backlog is estimated to be USD 232 million compared to USD 164 million at the same time 2017.

### 3.1. Financial restructuring completed during Q1 2018

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

The total key improvements in the Company's liquidity as a result of the Restructuring and Equity Issues are summarized below. For further details, refer to Note 1 in the consolidated financial statements.

- NOK 340 million Equity Issues
- Instalment runway and reduced interest to 2022
- Termination of USD 90 million operating lease commitments



through the acquisition of Polarcus Nadia and Polarcus Naila for USD 75.0 million, fully financed by a new bank loan and issue of warrants

- Relaxed covenants to support trading through a flat market
- Cash sweep mechanism to secured lenders only in the event of excess cash generation
- Reduced par value and part conversion of unsecured bonds
- Termination of cross-currency swap arrangement with termination fee covered by a new bank facility
- Working capital facility increased by USD 15 million to USD 40 million

### 3.2. Covenants

The status of the main financial covenants applicable to the Company as at 31 December 2018 under the terms of the financing arrangements were as follows:

Minimum requirements	31-Dec-18	31-Dec-17
Minimum liquidity reserve – USD 10m	\$70m	\$51m
Working capital – positive	\$33m	\$13m

For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months are included as liquidity.

## 4. Financial risks

The financial risks to which the Company's financial assets and financial liabilities are exposed are market risk, credit risk and liquidity risk. The market risk the Company is exposed to is the risk that the fair value of future cash flows of its financial instruments fluctuate because of changes in market prices. The Company's exposure to credit risk relates to its financial assets – mainly amounts owed by customers and deposits held at banks – and is the risk that the counterparty defaults and does not meet its financial obligation to the Company. Liquidity risk is the risk that the Company will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the Company's daily operations or overall financial position.

### 4.1. Currency risk

Most of the Company's financial assets and liabilities are denominated in USD, the functional currency of the Group. As of 31 December, 2018, 4% (2017 – 12%) of the Group's total financial assets are denominated in foreign currencies. Of the Company's total financial assets of USD 70.7 million (2017 – USD 53.4 million), USD 2.9 million are foreign currency bank deposits (2017 – USD 3.4 million) and USD nil are foreign currency denominated receivables from customers (2017 – USD 3.1 million). Any reasonably possible change in the exchange rate between these currencies and USD, with all other variables held constant, is not expected to have any material impact on the Group's profit before tax.

As of 31 December, 2018, approximately 1% (2017 – 3%) of the Group's loans and borrowings are held in NOK. All other loans and borrowings are denominated in USD. Any reasonably possible change in the exchange rate between NOK and USD, with all other variables held constant, is not expected to have any material impact 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 2018 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, most operating revenues and costs are denominated in USD.

### 4.2. Interest rate risk

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

(In millions of USD)	31-Dec-18	31-Dec-17
Total interest bearing debt	336.1	294.3
Interest bearing debt with variable interest rates	121.8	48.5
% of interest bearing debt with variable interest rates	36%	16%

A hypothetical increase of LIBOR by one percentage point would have increased the Group's interest expense on its debt with variable interest rates by approximately USD 1.5 million for the year 2018.

### 4.3. Market price risk

As of 31 December 2018, the Group has no financial liabilities that are accounted for at fair value through profit and loss and subject to risk in change in the market price. This is following the financial restructuring in Q1 2018 in which the cross-currency interest rate swap agreement was terminated. The Company's unsecured bonds were measured at fair value until the effective restructuring date of 1 March 2018 and are being measured at amortized cost post-Restructuring.

### 4.4. Credit risk

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

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

(In millions of USD)	31-Dec-18	31-Dec-17
<b>Receivables from customers</b>		
Receivables from customers	40.0	19.8
Provision for bad debts	(0.4)	-
Net receivables from customers	<b>39.6</b>	<b>19.8</b>
Cash and short-term deposits with banks	31.1	33.7
Advance payments to suppliers		-
<b>Total</b>	<b>70.7</b>	<b>53.4</b>

As at 31 December 2018, the Group had provisions for bad and doubtful debts of USD 0.4 million (2017 – nil). The Group's remaining receivables as at 31 December 2018 were owed by a total of 13 different customers (2017 – 16 customers) and four of these customers owed more than USD 5 million (2017 – 1 customer), accounting for 89% (2017 – 35%) of the total receivables from customers. An amount of USD 8.6 million of the net receivables from customers were overdue as at 31 December 2018 (2017 – USD 0.3 million). The majority of balances due from customers were collected post yearend.

### 4.5. Liquidity risk

The following tables show the maturity profile of the Group's financial liabilities based on contractual payment terms. The amounts disclosed in the table are undiscounted cash flows. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.



(In millions of USD)	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	Total < 12 months
<b>Total as at 31 December 2018</b>	57.3	8.0	7.1	5.7	78.1
Total as at 31 December 2017	44.2	4.7	7.4	5.5	61.8

(In millions of USD)	<1 year	1-2 years	2-5 years	> 5 years	Total
<b>Total as at 31 December 2018</b>	78.1	23.1	236.8	217.0	555.0
Total as at 31 December 2017	61.8	27.5	194.9	282.5	566.8

## 5. Sustainability

Polarcus first published a Corporate Social Responsibility (CSR) report in 2014 and has been publishing this annually since. In 2017, the Company undertook a significant step to enhance the CSR reporting and transparency of our operations by adopting the more rigid Global Reporting Initiative (GRI) guidelines. The Company's 2018 Sustainability report has been produced in accordance with the GRI guidelines: Core Option.

A report on Polarcus' CSR describing Polarcus' compliance with its commitments during 2018 is provided in the document "Sustainability Report for the year 2018," which can be downloaded from [www.polarcus.com](http://www.polarcus.com). Polarcus is not required to report on CSR in compliance with the Norwegian Accounting Act Section 3-3c.

## 6. People and the organization

Polarcus' head office is in Dubai, United Arab Emirates, with additional regional offices in Houston, London, and Singapore.

As of 31 December, 2018, the Group had 322 employees (2017 - 363) of approximately 45 different nationalities, of which 243 (2017 - 263) work in the field as seismic and maritime crew on board Polarcus vessels. The Company's strategy is to employ its own field crew to work onboard the vessels. Contractors are used for certain junior level maritime support roles.

Polarcus is committed to being the employer of choice in the marine seismic business and to maintaining an open, transparent and fair organisation. Polarcus aims to provide a workplace with equal opportunities and has policies to ensure everyone has the same opportunities and rights, and to prevent discrimination on any basis. Polarcus believes that being a global and sustainable organization requires people with a global mindset, and a culturally diverse workforce is key to this. The Company is committed to promoting from within based on proven talent and potential, however, will look externally to identify required skill sets and competencies as appropriate.

Polarcus is committed to promoting gender diversity throughout its business activities. At the yearend, the female proportion of the employees was 33% in the office population (2017 - 26%) and 5% in the field population (2017 - 4%). Working time arrangements and salary levels across the business do not depend on gender.

During the year the Company strengthened the composition of its Executive Management team through the appointment of Chief Operating Officer, Lars Østergaard, in June 2018. Of the current five members of the Company's Executive Management team, one is female (2017 - 25%). Of the current six Directors on the Board, one is female consistent with the previous year. The Board remains diverse in terms of the range of nationality and international experience of its members. The Directors' broad range of experience and expertise covers relevant technical, operational, financial, governance and commercial expertise as well as the valuable experience of operating in the energy industry on an international basis. The Company aspires to diversify its Board and Executive Management team further as part of its succession planning process. Whilst seeking to achieve this aim, the Company will not appoint an individual to a leadership position unless they are considered the best candidate for the role, irrespective of gender.

## 7. Environmental, health, safety and quality (EHSQ)

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

During 2018, the Company successfully completed the renewal requirements for ISO 9001, 14001, OHSAS 18001 and ISM Code certification, valid until May 2020, including:

- Document of Compliance - ISM Code (Bahamas)
- ISO 9001:2015 - Quality Management
- ISO 14001:2015 - Environmental Management
- OHSAS 18001:2007 - Occupational Health and Safety Management

Polarcus transitioned to the ISO 9001 and ISO 14001 2015 standards during 2018 and will be independently audited on these standards during 2019 by DNV-GL.

Polarcus holds the Triple-E™ Level-1 rating for the entire active fleet of Polarcus. The Company continues to be the only seismic vessel owner and operator in the world to have achieved this rating across its active fleet.

All Polarcus vessels use environmentally friendly oils and lubricants, including all open deck hydraulic systems. This significantly reduces the impact of any potential spill to sea in the event of a system failure or difficulty. Polarcus had zero recordable spills in 2018 (2017 - zero).

During 2019 Polarcus will transition from OHSAS 18001:2007 - Occupational Health and Safety Management standard and adopt the new ISO 45001:2018 Occupational Health and Safety Management standard.

### 7.1. Fleet emission summary

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



Polarcus' fleet emissions summary for the five years to the end of 2018 is as follows:

Figures in emissions per km <sup>2</sup>	2018	2017	2016	2015	2014
CO2 Emission (t)	1.56	2.87	2.10	1.58	2.89
NOx Emission (t)	0.019	0.035	0.023	0.015	0.021
SOx Emission (t)	0.0006	0.002	0.001	0.001	0.002

The three greenhouse gas emissions in 2018 were all significantly below the IMO guidelines. In 2018 the Company's global fleet average sulfur content of fuel consumed was below 0.1% sulfur by mass, which is approximately 35-times lower sulfur content than current global regulations.

## 7.2. Health and safety

To ensure continuous improvement in our operations, 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 2018 the Company's performance on the industry recognized reporting EHSQ measures was as follows:

	2018	2017	2016	2015	2014
Restricted work cases (RWC)	4	-	1	2	1
Medical treatment cases (MTC)	1	1	-	1	-
Lost time injury (LTI)	-	-	1	2	1
Lost time injury frequency (LTIF)	-	-	0.26	0.47	0.21
Total recordable case frequency	1.60	0.32	0.52	1.17	0.42
First aid cases (FAC)	20	35	29	54	60
Near miss (NM)	99	75	143	186	204
Non-conformance corrective action preventative action (NCCAPA)	9,632	9,105	11,358	11,554	13,532
Improvement suggestions	2,394	2,405	3,489	4,146	5,020

## 8. Corporate Governance

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

Polarcus adheres to the Norwegian Code of Practice for Corporate Governance (the "Code") (in light of the Company's securities being listed on the Oslo Stock Exchange), Cayman Islands' law and practice, and the Company's Memorandum and Articles of Association.

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

A report on Corporate Governance inclusive of internal control in accordance with the Norwegian Accounting Act 3-3b and details regarding Polarcus' compliance with the Code are provided in the document "Corporate Governance Report for the year 2018," available for download from [www.polarcus.com](http://www.polarcus.com).

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

The Board held 5 physical meetings, 11 phone meetings and executed 4 written resolutions in 2018 (2017 - 7, 29 and 4, respectively). The Board also held 1 all day strategy session with the Company's management.

The attendance by the various directors at the Board meetings during 2018 is reflected in the table below:



Board Member	No. of Physical Meetings	No. of Phone Meetings
Mike Mannering (elected to the Board on 10 May 2018)	3	4
Karen El-Tawil	5	11
Carl-Peter Zickerman	5	10
Erik Mathiesen	5	11
Tom Henning Slethei	5	10
Nicholas Smith	5	9
Peter Rigg (term expired on 10 May 2018)	2	7

## 8.1. Committees

The Board of Directors has established two Board Committees: the Corporate Governance and Remuneration Committee (the "CGR Committee") and the Audit and Risk Committee (the "A&R Committee").

### 8.1.1. Corporate Governance and Remuneration Committee

The members of the CGR Committee as at 31 December 2018 were Mrs. Karen El-Tawil (Chair), Mr. Mike Mannering and Mr. Tom Henning Slethei. In 2018, the CGR Committee held 2 physical meetings and 6 phone meetings. 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.

### 8.1.2. Audit and Risk Committee

As at 31 December, 2018, the members of the A&R Committee were Mr. Nicholas Smith (Chair), Mr. Erik Mathiesen with Mr. Mike Mannering being invited to attend all meetings. In 2018, the A&R Committee held 3 physical meetings and 2 phone meetings.

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

## 9. Outlook

Despite the decline of the oil price during the fourth quarter of 2018, demand for marine seismic services in 2018 increased by more than 20% year-on-year in terms of square kilometers tendered by E&P companies globally. The Company's backlog at 31 December 2018 and value of awards announced after the year end is USD 232 million, representing a substantial increase compared to USD 164 million at the same time in 2017. This level of backlog provides Polarcus with a sound platform to further test pricing in the latter part of 2019 in addition to providing important visibility for planning and successful execution of secured projects.

Polarcus is in the midst of a transforming competitive landscape, with fewer marine acquisition focused companies enabling a more disciplined supply of high-end 3D and 4D seismic vessel services for a growing client base comprising both E&P companies and pure-play multi-client companies. Pricing levels of recent awards represent an improvement in the global marine acquisition market. With increasing demand in 2019 from both segments of the client base we expect to see our margins continue to improve as pricing levels increase and the benefits of our operational leverage are realized.

Recent oil price volatility has re-introduced some uncertainty around E&P companies' spending outlook, however based on discussions with clients, the Company holds a positive view on activity levels and pricing developments in 2019. With oil prices around current levels, exploration and production investment and pricing in the marine seismic acquisition market are expected to continue to improve over the short to mid-term driven by a continued increase in underlying demand and supply discipline. As exploration activity and pricing levels are both expected to be higher in 2019, we plan to deliver improved EBITDA and cashflow in 2019 compared to 2018. We anticipate some operating cost increases in 2019 to support elevated operational activity and a number of projects taking place in higher-cost areas.

The Company will continue to focus on maximizing revenue, optimizing our operational cost profile and controlling the pace of our investments in a highly disciplined manner as the activity and pricing levels in the marine seismic market continue to increase. Polarcus is well-placed to further capitalize on an improving market with our industry-leading operational expertise and innovative approach to delivering our clients' geophysical requirements.

27 March 2019

  
Mike Mannering  
Chairman of the Board

  
Karen El-Tawil  
Board Member

  
Carl-Peter Zickerman  
Board Member

  
Tom Henning Slethei  
Board Member

  
Nicholas Smith  
Board Member

  
Erik Mathiesen  
Board Member

  
Duncan Eley  
CEO



*POLARCUS LIMITED*

**CONSOLIDATED FINANCIAL STATEMENTS**

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*2018*



## Consolidated Statement of Comprehensive Income

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Revenues</b>			
Contract revenue	6	182,746	146,925
Multi-client revenue	6	45,358	27,707
Other income	5	798	4,351
<b>Total Revenues</b>		<b>228,901</b>	<b>178,983</b>
<b>Operating expenses</b>			
Cost of sales	7	(146,027)	(148,769)
General and administrative costs	8	(14,169)	(15,947)
Onerous contracts	9	(1,160)	27,027
Depreciation and amortization	10	(26,647)	(45,018)
Multi-client amortization	11	(51,358)	(42,108)
Impairments	12	(4,878)	(91,178)
<b>Total Operating expenses</b>		<b>(244,240)</b>	<b>(315,993)</b>
<b>Operating profit/(loss)</b>		<b>(15,338)</b>	<b>(137,011)</b>
Finance costs	13	(33,478)	(44,392)
Finance income	14	1,842	2,449
Changes in fair value of financial instruments	15	479	6,632
Gain on financial restructuring	16	14,517	-
		<b>(16,641)</b>	<b>(35,311)</b>
<b>Profit/(loss) before tax</b>		<b>(31,979)</b>	<b>(172,322)</b>
Income tax expense	17	191	(131)
<b>Net profit/(loss) and total comprehensive income/(loss)</b>		<b>(31,788)</b>	<b>(172,453)</b>
<b>Earnings per share attributable to the equity holders during the year (In USD)</b>			
- Basic	18	(0.071)	(1.275)
- Diluted	18	(0.071)	(1.275)



## Consolidated Statement of Financial Position

<i>(In thousands of USD)</i>	Notes	31-Dec-18	31-Dec-17
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	19	369,629	324,122
Multi-client project library	11	12,160	10,406
<b>Total Non-current Assets</b>		<b>381,789</b>	<b>334,528</b>
<b>Current Assets</b>			
Receivable from customers	3	39,583	19,766
Other current assets	20	13,132	14,930
Restricted cash	21	1,153	7,818
Cash and bank	22	30,005	25,846
<b>Total Current Assets</b>		<b>83,873</b>	<b>68,361</b>
<b>Total Assets</b>		<b>465,662</b>	<b>402,888</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued share capital	23	51,379	15,344
Share premium	23	635,906	614,192
Other reserves	24	25,961	24,411
Retained earnings/(loss)		(634,955)	(609,228)
<b>Total Equity</b>		<b>78,291</b>	<b>44,719</b>
<b>Non-current Liabilities</b>			
Interest bearing debt	25	325,500	-
Other financial liabilities		-	8,624
<b>Total Non-current Liabilities</b>		<b>325,500</b>	<b>8,624</b>
<b>Current Liabilities</b>			
Interest bearing debt	25	10,600	294,293
Provisions	9	1,160	5,489
Accounts payable		21,417	13,351
Other accruals and payables	26	28,694	36,412
<b>Total Current Liabilities</b>		<b>61,871</b>	<b>349,545</b>
<b>Total Equity and Liabilities</b>		<b>465,662</b>	<b>402,888</b>



## Consolidated Statement of Cash Flows

(In thousands of USD)	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		(31,788)	(172,453)
<b>Adjustment for:</b>			
Depreciation and amortization	10	26,647	45,018
Multi-client amortization	11	51,358	42,108
Impairments	12	4,878	91,178
Changes in fair value of financial instruments	15	(479)	(6,632)
Employee share option expenses	23	589	534
Interest expense	13	31,660	39,742
Interest income	14	(397)	(223)
Gain on financial restructuring	16	(14,517)	-
Gain on termination of vessel operating lease	19	(13,907)	-
Effect of currency (gain)/loss		281	1,200
Net movements in provisions	9	(4,329)	(35,731)
Net working capital movements		(38,671)	29,323
<b>Net cash flows from operating activities</b>		<b>11,327</b>	<b>34,064</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(82,184)	(7,340)
Payments for multi-client library		(18,667)	(20,631)
Proceeds from sale of multi-client library	11	6,500	-
<b>Net cash flows used in investing activities</b>		<b>(94,351)</b>	<b>(27,972)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares	23	43,021	39,003
Transaction costs on issue of shares	23	(1,719)	(1,173)
Receipt from bank loans	25.2.2, 25.2.3	82,672	-
Repayment of interest bearing debt	25	(15,475)	(6,893)
Interest paid		(16,785)	(18,618)
Financial restructuring fees paid		(3,856)	-
Other finance costs paid		(1,149)	(859)
Decrease/(Increase) in restricted cash	21	6,664	(7,087)
Security deposit related to currency swaps		1,370	1,750
Paid towards liability under currency swaps	25.2.3	(7,672)	-
Interest received	14	397	223
<b>Net cash flows used in financing activities</b>		<b>87,469</b>	<b>6,346</b>
Effect of foreign currency revaluation on cash		(286)	(324)
<b>Net increase in cash and cash equivalents</b>		<b>4,159</b>	<b>12,115</b>
Cash and cash equivalents at the beginning of the year		25,846	13,731
<b>Cash and cash equivalents at the end of the year</b>		<b>30,005</b>	<b>25,846</b>



## Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
<b>Balance as at 31 December 2017</b>	153,438,539	15,344	614,192	24,411	(609,228)	44,719
Other movements*		-	-	-	6,061	6,061
<b>Balance as at 1 January 2018</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>24,411</b>	<b>(603,167)</b>	<b>50,780</b>
Total comprehensive loss for the year		-	-	-	(31,788)	(31,788)
Employee stock options		-	-	589	-	589
Warrants issued		-	-	960	-	960
<b>Issue of share capital</b>						
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	-	-	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	-	-	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231	3,077	2,065	-	-	5,142
Transaction costs on issue of shares		-	(1,719)	-	-	(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(634,955)</b>	<b>78,291</b>

\*Other movements represent the effect of adopting IFRS-15 using modified retrospective approach effective 1 January 2018. Refer to Note 2.3.1 for details

For the year ended 31 December 2017

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

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



## 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 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 27 March 2019.

Polarcus is an innovative marine geophysical company with a pioneering environmental agenda, delivering high-end towed streamer data acquisition and imaging services from Pole to Pole.

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

The Company currently owns a fleet of seven high end 3D vessels. Six vessels are in operation, being *Polarcus Naila*, *Polarcus Asima*, *Polarcus Alima*, *Polarcus Adira*, *Vyacheslav Tikhonov* and *Ivan Gubkin*. *Polarcus Nadia*, another vessel in the Company's fleet has been cold-stacked since Q1 2015.

#### 1.1 Going concern

These consolidated financial statements for the year ended 31 December 2018 have been prepared using the going concern assumption.

##### 1.1.1 Comprehensive financial restructuring completed and additional equity raised

During the first half of 2018 the Company completed a financial restructuring of its balance sheet (the "Restructuring"), including issue of new equity shares for gross proceeds of NOK 340 million.

The additional equity, together with an increased working capital facility of USD 40 million, significantly improved the Company's short-term liquidity, while in the period up to 2022 the company's liquidity will be further improved by the impact of lower interest payments and lease savings, as well as reduced debt amortization.

Further details of the changes to the Company's financing arrangements and improvements in the Company's liquidity position as a result of the Restructuring are explained in later parts of the notes to these consolidated financial statements (mainly, Note 19.1 *Termination of operating leases and buyback of N-Class vessels*, Note 23.2 *Movements in the issued share capital* and Note 25 *Interest bearing debt*).

##### 1.1.2 Financial covenants

As part of the Restructuring, a number of financial covenants that the Company was previously subject to have been removed leaving the main financial covenants to which the Company is subject post the Restructuring as:

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

The Company was in compliance with both of the above covenants as at 31 December 2018.

##### 1.1.3 Future outlook

The Company's financial projections used in its going concern evaluation are based on certain assumptions about the future, including those related to contract pricing and vessel utilization, expected multi-client late sales from existing multi-client assets, expected future CAPEX investment and the availability of funding for such investments. 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.

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

The Company's fleet is 100% booked for first half of 2019 and 70% for the full year 2019. Pricing levels of recent awards represent an improvement in the global marine acquisition market. The Company's Backlog at 31 December 2018 and value of awards announced after the year end is estimated at USD 232 million compared to USD 164 million at the same time 2017.



## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

### 2.2 Statement of compliance

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

### 2.3 Changes in accounting policies

#### 2.3.1 New and amended accounting standards and interpretations

The Group applied certain accounting standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new standards, amendments and interpretations that are relevant for the Group as adopted effective 1 January 2018 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 Group adopted IFRS 15 effective 1 January 2018, using the modified retrospective approach with the date of transition being 1 January 2018.

The adoption of IFRS 15 has a significant impact on the timing of recognizing prefunding revenue from the Group's multi-client projects. Prior to IFRS 15, the Group recognized prefunding revenues as the seismic data acquisition services were performed, using a percentage of completion method. Post adoption of IFRS 15, the prefunding revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data). Adoption of IFRS 15 did not have any material impact on recognition of any other types of the Group's revenues. Also refer to Note 6 Revenue from contracts with customers.

The below table shows the effect of implementing IFRS 15 to the Group's opening statement of financial position (at 1 January 2018), using the modified retrospective approach.

<i>(In thousands of USD)</i>	
Increase in the carrying value of the multi-client library (asset)	40,910
Deferred multi-client prefunding revenue (liability)	34,848
Net increase in equity	6,061

The Company had three multi-client projects that were in the prefunding stage as at the transition date of 1 January 2018. Using the modified retrospective approach, the prefunding revenue recognized on these three projects until 31 December 2017 has been reversed back in to the opening balance of equity with an increase of the same amount in the Company's current liabilities. Similarly, the amortization that has been recognized on these three projects until 31 December 2017 has been reversed back in to the opening balance of equity with an equal amount added back to the opening carrying value of the multi-client library. The net difference between prefunding revenue de-recognized and amortization reversed resulted in an increase of USD 6.1 million in the opening value of the Company's consolidated shareholders equity.

As the Company used the modified retrospective approach for implementing IFRS 15, the comparative numbers are not restated.

The table below shows the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on the Group's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.



<i>(In thousands of USD)</i>	As reported under		Change
	IFRS-15	Pre-IFRS 15	
<b>Line items in the Consolidated statement of comprehensive income</b>			
Multi-client revenue	45,358	18,615	26,743
Multi-client amortization	(51,358)	(22,268)	(29,090)
Impairments	(4,878)	(1,896)	(2,982)
Operating profit/(loss)	(15,338)	(10,009)	(5,329)
Net profit/(loss) and total comprehensive income/(loss)	(31,788)	(26,459)	(5,329)
Earnings per share - Ordinary and Diluted <i>(In USD)</i>	(0.071)	(0.059)	(0.012)
<b>Line items in the Consolidated statement of financial position</b>			
Multi-client project library	12,160	3,999	8,161
Total current assets	83,873	75,533	8,340
Total equity	78,291	70,130	8,161
Total current liabilities	61,871	53,532	8,340

Prior to IFRS 15, the Group recognized prefunding revenues as the seismic data acquisition services were performed, using a percentage of completion method. Post adoption of IFRS 15, the prefunding revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data). The change of USD 26.7 million in the multi-client revenue above represents the difference between USD 40.8 million multi-client prefunding revenue recognized as per IFRS-15 and the USD 14.1 million multi-client prefunding revenue that would have been recognized if IFRS-15 has not been adopted.

Post adoption of IFRS 15 effective 1 January 2018, no amortization is charged to the multi-client projects until the project completion. Prior to the adoption of IFRS 15, the Group used to amortize each multi-client project based on the ratio of estimated total cost to estimated future revenues from licensing of the multi-client data during the prefunding stage. The USD 29.1 million change in the multi-client amortization represents the difference between the amortization calculated under the two different methods. The change of USD 8.2 million in the carrying value of multi-client project library also arises from the different amortization charged under IFRS-15 and prior to adoption of IFRS-15. Also refer to Note 2.3.3 *Amortization of multi-client projects library*.

The opening balance sheet adjustment required as a result of implementation of IFRS 15 caused the carrying value of one multi-client project as at 1 January 2018 to exceed the total revenue expected to be generated from that particular project. The USD 3.0 million change in the impairments represents the impairment charged to this multi-client project as a result of adopting IFRS-15.

The offsetting changes in the total current assets and current liabilities of USD 8.3 million represent the amount of prefunding revenue collected on one multi-client project that was not completed as at 31 December 2018 and that the Group has recognized as a contract liability as at 31 December 2018.

## IFRS 9 Financial instruments

The Company adopted IFRS 9 effective 1 January 2018. IFRS 9 replaced IAS 39 *Financial instruments: Recognition and measurement* with effect from 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. The Group did not have any reclassification of financial assets or liabilities as a result of adopting IFRS 9.

Adoption of IFRS 9 did not have any material impact on the Company's opening statement of financial position. However, IFRS 9 had an impact on how the Company accounted for the Restructuring that was completed during 2018. The modification of contractual cash flows resulting from the Restructuring, related to the Company's secured debt, required a modification gain of USD 8.1 million to be recognized as per the requirements of IFRS 9. Also refer to Note 25 *Interest bearing debt*.

## 2.3.2 Future changes in accounting policies

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting period beginning on 1 January 2019 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 16 Leases

Effective 1 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 currently required by IAS 17 and, instead, introduces a single lessee accounting model. Effective 1 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.

The Group will adopt IFRS 16 effective 1 January 2019 using the modified retrospective method. Based on the Group's evaluation of its existing lease arrangements, on 1 January 2019 the Group expects to recognize a right to use asset of USD 2.5 million and corresponding lease liability of USD 2.3 million. The difference between the right to use asset and lease liability represents the prepaid lease amounts. These amounts represent the lease commitments for the satellite services onboard the Company's vessels and the lease arrangements for its two different office premises. The future payments under each lease arrangement have been discounted using the incremental borrowing rate applicable to the leased assets in order to calculate the lease liability recognized on the date of adoption.



### 2.3.3 Amortization of multi-client projects library

Effective 1 January 2018, post adoption of IFRS 15, no amortization is charged to a multi-client project until the project completion. However, all multi-client projects (whether completed or not) are subjected to impairment assessment at each reporting date.

Once a multi-client project is completed, straight-line amortization is applied on a monthly basis from the first day of the month following completion of processing. The straight-line amortization period can be a maximum of four years, and will either be 12, 24, 36 or 48 months. The straight-line amortization period is determined based on the expected timing of future late sales and shall be adjusted based on the changes in estimates. In case of multi-client projects with limited or no late sales potential, 100% of the carrying value is amortized at project completion (i.e. at the same time of recognizing the prefunding revenue).

Prior to the adoption of IFRS 15, the Group used to amortize each multi-client project based on the ratio of estimated total cost to estimated future revenues from licensing of the multi-client data during the prefunding stage.

### 2.3.4 Presentation of interest bearing debt

Effective 1 January 2018, the Company classifies and discloses the carrying value of interest-bearing financing arrangements as one line in its statement of financial position as "Interest bearing debt". Any part of the interest bearing debt that is repayable within 12 months from the reporting date is disclosed under the 'Current Liabilities'. All comparative numbers are restated to reflect this change in presentation.

### 2.3.5 Segment information

Effective 1 January 2018, the chief operating decision maker of the Company reviews all activities of the Company as one segment, adjusted for all non-recurring items and for the impact of adopting IFRS 15. As described under Note 2.3.1 above, the adoption of IFRS 15 has an impact on the timing of recognition of multi-client prefunding revenue and associated multi-client amortization. While reviewing the financial performance of the Company, management have, for the purposes of internal reporting, continued to report according to the revenue recognition principles applied prior to the adoption of IFRS 15, whereby multi-client prefunding revenue is recognized on a percentage of completion basis. The management also excludes non-recurring items from the Segment information in order to compare the performance with the prior periods. All comparative numbers are restated to reflect this change in presentation. Also refer to Note 5 *Segment information*.

## 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

The Group is in the business of providing marine towed seismic data acquisition services to the customers. Revenue from contracts with customers is recognised as the performance obligation under each contract is satisfied by transferring the promised goods and/or services to the customers. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is presented net of discounts, rebates, returns and sales taxes or duty. The Group defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

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

### 2.6.1 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. Any amount collected from the customers for which the revenue recognition criteria have not been met during the period reported, is recognized as a contract liability in the consolidated statement of financial position.

### 2.6.2 Revenue from 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 referred to as pre-funding revenue. Effective 1 January 2018, post adopt IFRS 15, pre-funding revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data). All pre-funding revenue collected from the customers till the project completion is recognized as a liability in the Group's consolidated statement of financial position (i.e. contract liability as per IFRS-15).



## Late sales

Revenue secured after completion of all data processing and receipt of all deliverables of a multi-client project is referred to 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.

## 2.6.3 Other income

Revenue for management fees is recognized as the services are performed and at the contractual day rate. Bareboat charter revenue is recognized in line with the contractual day rate for charter party hire of the Group's vessels. Revenue from other services is recognized as the services are performed, provided all 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 reporting date.

Once a multi-client project is completed, straight-line amortization is applied on a monthly basis from the first day of the month following completion of processing. The straight-line amortization period can be a maximum of four years, and will either be 12, 24, 36 or 48 months. The straight-line amortization period is determined based on the expected timing of future late sales and shall be adjusted based on the changes in estimates. No amortization is charged during the prefunding stage (i.e. before project completion). In case of multi-client projects with limited or no late sales potential, 100% of the carrying value is amortized at project completion (i.e. at the same time of recognizing the prefunding revenue).

## 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.

Also refer to Note 2.3.2 *Future changes in accounting policies* for information on the impact of the Group adopting IFRS 16 *Leases* effective 1 January 2019.

## 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. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

## 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 to proprietary projects are deferred and expensed as performance obligations are fulfilled.

## 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 a retirement savings ('pension') plan for the majority of its employees, under which the Group on a monthly basis contributes a minimum of between 4% and 8% of an employee's base salary to the plan. No mandatory contribution is required from the employees. The amount contributed to the plan is ring-fenced in favour of the employees through a trust. The vesting period of the fund is 5 years and each applicable employee is enrolled into the scheme at the end of his/her probation period. The employees have an option to contribute their own funds to the scheme and the Group matches such contributions with an additional maximum 2% employer contribution. The Group also operates defined contribution pension schemes in the UK and USA for local employees. The Group recognizes such pension costs in line with salaries.

For employees in the UAE who are not enrolled in any of the other pension plans, 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 and a share based long-term employee incentive plan. The fair value of the employee services received in exchange for the share options and share units is recognized as an expense over the vesting period.

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

The share units under the long-term incentive plan are measured at the grant date using the current market value, further adjusted for estimated employee turnover rate and estimated success rate of performance criteria associated with the vesting conditions of the share units.

## 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 2018 or 2017.

## 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, except trade receivables that are measured at transaction price if the trade receivables do not contain a significant financing component. Subsequent to initial measurement, financial assets and liabilities are classified as per below.

### 2.16.1 Financial assets and liabilities measured at fair value through 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 2018 and as at 31 December 2018, the Group does not have any financial liabilities that are measured at fair value through profit or loss.

### 2.16.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Group and includes trade 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.

### 2.16.3 Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

## 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 or Cash Generating Unit's (CGU) recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets



or groups of assets. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. 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 main market price risks that the Group is exposed to are interest rate risk and foreign currency risk.

### Foreign currency risk

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

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
<b>Financial assets</b>		
<b>Cash and bank</b>		
Brazilian Reals	566	909
GBP	204	566
EUR	197	463
NOK	191	371
Other foreign currencies (total of 11 different currencies)	653	1,068
<b>Total cash and bank denominated in foreign currencies</b>	<b>1,810</b>	<b>3,377</b>
<i>Cash and bank denominated in USD</i>	28,195	22,470
Restricted cash denominated in Brazilian Reals	1,096	-
<i>Restricted cash denominated in USD</i>	57	7,818
<b>Receivable from customers</b>		
Denominated in foreign currencies	23	3,063
<i>Denominated in USD</i>	39,561	16,704
<b>Financial liabilities</b>		
NOK	1,877	7,369
<b>Total loans and borrowings denominated in foreign currencies</b>	<b>1,877</b>	<b>7,369</b>
<i>Loans and borrowings denominated in USD</i>	334,222	286,923

As at 31 December 2018, approximately 4% (USD 2.9 million) of the Group's total financial assets are denominated in foreign currencies (12% or USD 6.4 million at 31 December 2017). This mainly represents the Group's deposit with banks denominated in foreign currencies. Any reasonably possible change in the exchange rate between these currencies and USD, with all other variables held constant, is not expected to have any material impact on the Group's profit before tax.

As at 31 December 2018, approximately 1% of the Group's loans and borrowings are held in NOK. All other loans and borrowing and are denominated in USD. Any reasonably possible change in the exchange rate between NOK and USD, with all other variables held constant, is not expected to have any material impact 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 2018 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, most of the 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. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Total interest bearing debt	336,100	294,293
Interest bearing debt with variable interest rates	121,750	48,520
% of interest bearing debt with variable interest rates	36%	16%

A hypothetical increase of LIBOR by one percentage point would increase the Group's interest expense on its debt with variable interest rates by approximately USD 1.5 million as measured at 31 December 2018.



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

(In thousands of USD)	Note	Weighted average effective interest rate (%)	Maturity	Carrying value	
				31-Dec-18	31-Dec-17
125M USD convertible bonds - Tranche A	25.1.1	4.38%	Jul-22	20,047	22,901
125M USD convertible bonds - Tranche B	25.1.2	5.00%	Jan-25	730	6,063
95M USD unsecured bonds	25.1.3	5.00%	Jan-25	2,916	12,314
NOK 350 million unsecured bond	25.1.4	5.00%	Jan-25	1,877	7,369
Fleet Bank Facility	25.2.1	5.28%	Aug-22	231,659	245,646
New Fleet Facility	25.2.2	4.42%	Dec-24	71,210	-
Swap facility	25.2.3	6.40%	Jun-21	7,660	-
<b>Total interest bearing debt</b>				<b>336,100</b>	<b>294,293</b>

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 25 *Interest bearing debt*.

### 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 statement of financial position is as follows:

(In thousands of USD)	31-Dec-18	31-Dec-17
<b>Receivable from customers</b>		
Receivable from customers	39,983	19,766
Provision for bad debts	(400)	-
Net receivable from customers	<b>39,583</b>	<b>19,766</b>
Cash and short-term deposits with banks	31,158	33,664
<b>Total</b>	<b>70,741</b>	<b>53,430</b>

The Group's receivable from customers as at 31 December 2018 were owed by a total of 13 different customers (2017 - 16 customers) and four of these customers owed more than USD 5 million (2017 - 1 customer), accounting for 89% (2017 - 35%) of the total receivables from customers. USD 8.6 million of the net receivable from customers were overdue as at 31 December 2018 (2017 - USD 0.3 million). Out of the USD 8.6 million overdue as at 31 December 2018, the Company has collected USD 6.7 million in Q1 2019. As at 31 December 2018, the Company has provided for USD 0.4 million as doubtful debt towards a part of the overdue amounts receivable from one customer.

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

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Balance as at 01 January	-	1,167
Receipts from customers	-	(1,167)
Additional provisions during the year	400	-
<b>Balance as at 31 December</b>	<b>400</b>	<b>-</b>



### 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. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

<i>(In thousands of USD)</i>	<1 year	1-2 years	2-5 years	>5 years	Total
Repayment of Fleet bank facility	4,000	4,000	116,623	123,763	248,387
Interest payments for fleet bank facility	10,717	10,611	26,719	2,556	50,604
Repayment of New fleet facility	-	-	16,088	60,667	76,755
Interest payments for New fleet facility	2,738	2,893	7,970	2,437	16,039
Repayment of Swaps facility	2,000	3,000	2,672	-	7,672
Interest payments for Swaps facility	448	284	98	-	830
Repayment of bond loans	4,475	-	62,853	27,556	94,884
Interest payments of bond loans	3,601	2,283	3,847	-	9,731
Accounts payable	21,417	-	-	-	21,417
Other payables (refer to Note 26)	28,694	-	-	-	28,694
<b>Total as at 31 December 2018</b>	<b>78,090</b>	<b>23,072</b>	<b>236,871</b>	<b>216,980</b>	<b>555,013</b>
Total as at 31 December 2017	61,774	27,546	194,908	282,536	566,764

<i>(In thousands of USD)</i>	<3 months	3-6 months	6-9 months	9-12 months	Total
Repayment of Fleet bank facility	1,000	1,000	1,000	1,000	4,000
Interest payments for fleet bank facility	2,905	2,493	2,834	2,485	10,717
Repayment of New fleet facility	-	-	-	-	-
Interest payments for New fleet facility	1,031	285	1,137	286	2,738
Repayment of Swaps facility	-	2,000	-	-	2,000
Interest payments for Swaps facility	129	125	101	92	448
Repayment of bond loans	1,150	1,150	1,150	1,025	4,475
Interest payments of bond loans	934	918	902	847	3,601
Accounts payable	21,417	-	-	-	21,417
Other payables (refer to Note 26)	28,694	-	-	-	28,694
<b>Total as at 31 December 2018</b>	<b>57,260</b>	<b>7,971</b>	<b>7,124</b>	<b>5,734</b>	<b>78,090</b>
Total as at 31 December 2017	44,156	4,729	7,403	5,486	61,774

The contractual payments in the above maturity table assume that Company will not exercise the call options available for the bond loans. Also refer to Note 25.1 *Bond loans*.

### 3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximise shareholder value.

The Group considers both share capital and net interest bearing debt as relevant components of funding, and hence, part of its capital management. The Group aims to have funding at a level appropriate to its objectives, strategy and risk profile. The Group monitors its capital structure on the basis of total equity to total assets ratio and at 31 December 2018 the Group had a book equity ratio of 17% (2017 – 11%). During 2018, the Group increased its equity following a private placement and repair issue of USD 41.3 million in net proceeds, as well as a conversion of some unsecured bonds to equity that resulted in a book equity increase of USD 16.4 million.

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

The covenants under some of the financing arrangements as at 31 December 2018 require the Group to maintain a minimum liquidity reserve of USD 10 million and a positive working capital at all times. Senior management monitors performance against the covenants to ensure that the Group is in compliance with these requirements.

During the past five years the Company's earnings and equity have been negatively impacted by the depressed market conditions. The Company has recognized certain non-cash accounting adjustments, including impairment charges totalling USD 468 million over the last five years to end 2018 and non-cash onerous contract charges of net USD 29 million.

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 2018 was USD 306.1 million (2017 – USD 260.7 million).

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

## 4 Critical accounting estimates, assumptions and judgments

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

### Judgments

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

#### Revenue from contracts with customers

Adoption of IFRS 15 effective 1 January 2018 requires the Group to make judgements while identifying the deliverables under each contract with its customers, determining and allocating the transaction price to each deliverable for the purpose of recognizing revenue from the contracts with customers.

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.

For multi-client projects, the Group's performance obligation under the contract with customer is considered as satisfied and revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data).

#### Lease arrangements – Group as a lessor

As at 31 December 2018 the Group had two vessels, *Vyacheslav Tikhonov* and *Ivan Gubkin* (formerly called *Polarcus Amani*), chartered out under two separate Bareboat Charter Party Agreements (BBCPs). The lease period for *Vyacheslav Tikhonov* will expire in October 2019, however, the Company has granted the customer an option to redeliver the vessel on no less than 30 days' notice. The lease period for *Ivan Gubkin* will expire on 20 December 2022. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of these vessels and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessels, that it retains all the significant risks and rewards of ownership of these vessels and accounts for these BBCPs as operating leases.

### 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 vessels and seismic equipment for possible impairment upon the occurrence of impairment indicators. As at 31 December 2018 the market capitalization of the Company was 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 375.2 million of the seismic vessels and equipment (refer to Note 19 *Property, plant and equipment*).

For impairment testing, the assets are separated into four CGUs, being:

- i) Spot Market Vessels (consisting of *Polarcus Adira*, *Polarcus Alima*, *Polarcus Asima* and *Polarcus Naila*),
- ii) *Vyacheslav Tikhonov*
- iii) *Ivan Gubkin* and
- iv) *Polarcus Nadia*



The table below summarizes the results of the impairment assessment based on the Value in Use (VIU) method for the different CGUs:

(in USD millions)	Spot Market Vessels	Vyacheslav Tikhonov	Ivan Gubkin	Polarcus Nadia
VIUs (i.e. Net Present Value of future cashflows)	257	58	66	36
Carrying value as at 31 December 2018	231	64	62	18
Headroom available/(Impairment charged)	26	(6)	4	18

As shown above, the Company recognized an impairment charge of USD 6 million during 2018 on the carrying value of the vessel *Vyacheslav Tikhonov*. There was no impairments charged on any other CGUs.

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

The assumptions used in the forecast cash flows are based primarily on externally available information, where possible, and historically achieved rates and amounts. Where such historical or external data is not available or is limited, then the assumptions are also based on the Group's expectations about the future.

The VIU test involves estimates about key assumptions during the five year period following the balance sheet date, being 2019 to 2023 inclusive. The key assumptions used in year five, or 2023, 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 2023 until the last year the Company expects to generate cash flows from the assets.

The VIU tests are based on a scenario analysis method, whereby three reasonably possible scenarios are employed, all three equally weighted. First scenario is based on the Company's best forecast, second scenario on the Company's historically achieved margins and a third scenario that is between the other two used and whereby the terminal revenue day rate is based upon the industry achieved average day rate.

## Sensitivity of VIU test

The VIU calculation is based on the net present value of future cash flows the Company expects to generate using the assets in their current condition. The calculation requires the Group to make assumptions in the VIU test about the future earnings that the Group will generate from using the assets. These forecasts are uncertain as they require assumptions about the demand for the Company's products and services, future market conditions and future technological developments. The outcome of the VIU calculation is highly sensitive to relatively small changes in those assumptions.

The vessel *Vyacheslav Tikhonov* is on a BBCP that expires on 17 October 2019. On 27 December 2018 the Company granted the customer an option to redeliver the vessel on no less than 30 days' notice without penalty. For impairment assessment, it is assumed that the vessel will be returned by the customer during Q1 2019 and then the vessel will be deployed in the spot market within a few months from the date of redelivery. For estimating the net cash inflow from the vessel, it is assumed that the vessel will generate a revenue day rate of approximately 10% less than the higher capacity Spot Market Vessels, with a corresponding reduction in the average OPEX day rate. Any change in the timing of redelivery of the vessel by the customer and/or the change in the estimated timing of when the vessel enters the spot market will have an impact on the impairment charge calculated.

For the Spot Market Vessels CGU, the table below shows the sensitivity of the impairment test to reasonably possible changes in the assumptions used in the VIU test.

	Weighted average used in VIU test	Change	Change in headroom available
Revenue day rate	USD 218,000	+/- USD 1,000	+/- USD 7 million
OPEX day rate	USD 115,000	+/- USD 1,000	+/- USD 8 million
Utilization	80%	+/- 1%	+/- USD 16 million
Discount rate	11.40%	+1%	- USD 24 million

Despite the headroom available based on the impairment assessment for the Sport Market Vessels, *Ivan Gubkin* and *Polarcus Nadia* CGUs, the Group does not consider it as prudent to reverse any of the past impairments in 2018 due to the sensitivities of impairment assessment to the changes in different assumptions used.

## 4.1.2 Impairment assessment of multi-client projects library

As at 31 December 2018, the Group performed an impairment test on the carrying value of its multi-client project libraries on a project-by-project basis using the VIU method. The VIU calculation involves estimating all future cash inflows and outflows of a project and discounting those cash flows to net present value (NPV). Where the NPV is less than the carrying value of the project then an impairment charge is recognized. The VIU test as at 31 December 2018 did not indicate any impairment on the Company's multi-client projects library.

The carrying value of the Company's multi-client project library as at 31 December 2018 (USD 12.2 million) consists of four different projects. Three of these projects are completed as at the yearend and are currently being amortized on a straight-line basis. The late sales forecast as at 31 December 2018 for these three projects supports the carrying value of these projects. For the remaining one project that is in progress as at yearend, the carrying value equals the secured prefunding revenue for the project.



## 4.2 Amortization of the multi-client projects

Once a multi-client project is completed, the Group applies a straight-line amortization on a monthly basis from the first day of the month following completion of processing. The straight-line amortization is applied for a maximum of four years, depending on the expected late sales profile. For example, if most of the future revenue is expected to fall within the first two years from the completion of the project, then the amortization period is set as two years. In case of multi-client projects with limited or no late sales potential, 100% of the carrying value is amortized at project completion (i.e. at the same time of recognizing the prefunding revenue).

As at 31 December 2018 the Group has three multi-client projects that are being amortized on straight-line basis and will be written down to zero carrying value by Q1 2020.

## 4.3 Provision for onerous contracts

A provision for onerous contracts is recognised when 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.

The Company recognized a net expense of USD 1.2 million in onerous contract provision movements in 2018 (2017 – net gain of USD 27.0 million). The provision in 2018 of USD 1.2 million represents the estimated future operating loss from two seismic acquisition projects for which the Company had an obligation at the reporting date to deliver the seismic data acquisition services in the future periods.

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

## 5 Segment information

Effective 1 January 2018, the chief operating decision maker of the Company reviews all activities of the Company as one segment, adjusted for non-recurring items and for the impact of adopting IFRS 15. As described under Note 2.3.1, the adoption of IFRS 15 has an impact on the timing of recognition of multi-client prefunding revenue and associated multi-client amortization. While reviewing the financial performance of the Company, management have, for the purposes of internal reporting, continued to report according to the revenue recognition principles applied prior to the adoption of IFRS 15, whereby multi-client prefunding revenue is recognized on a percentage of completion basis.

The numbers under the Segment column in the table below include the multi-client prefunding revenue and the amortization of multi-client projects that the Company would have recognized if the Company had followed the accounting policies that were in place prior to the adoption of IFRS 15. Non-recurring items are excluded from the Segment information in order to compare the performance with the prior periods. The segment information for comparative periods are adjusted to eliminate non-recurring items.

(In thousands of USD)	Year ended 31-Dec-18			Year ended 31-Dec-17		
	Segment	Adjustments <sup>1</sup>	As reported	Segment	Adjustments <sup>2</sup>	As reported
<b>Revenues</b>						
Contract revenue	182,746	-	182,746	146,925	-	146,925
Multi-client prefunding	14,080	26,743	40,823	21,724	-	21,724
Multi-client late sales	4,535	-	4,535	5,984	-	5,984
Other income (Insurance claims)	798	-	798	4,351	-	4,351
<b>Total Revenues</b>	<b>202,159</b>	<b>26,743</b>	<b>228,901</b>	<b>178,983</b>	-	<b>178,983</b>
Operating costs	(173,049)	12,852	(160,196)	(160,749)	(3,967)	(164,716)
Onerous contracts	-	(1,160)	(1,160)	-	27,027	27,027
<b>EBITDA</b>	<b>29,110</b>	<b>38,434</b>	<b>67,545</b>	<b>18,234</b>	<b>23,059</b>	<b>41,293</b>
Depreciation and amortization	(26,647)	-	(26,647)	(45,018)	-	(45,018)
Multi-client amortization	(22,268)	(29,090)	(51,358)	(42,108)	-	(42,108)
Impairments	-	(4,878)	(4,878)	-	(91,178)	(91,178)
<b>Operating profit/(loss) (EBIT)</b>	<b>(19,805)</b>	<b>4,467</b>	<b>(15,338)</b>	<b>(68,891)</b>	<b>(68,119)</b>	<b>(137,011)</b>
Net financial expense	(31,157)	14,517	(16,641)	(35,311)	-	(35,311)
<b>Profit/(loss) before tax</b>	<b>(50,963)</b>	<b>18,984</b>	<b>(31,979)</b>	<b>(104,202)</b>	<b>(68,119)</b>	<b>(172,322)</b>
<b>Other key segment reporting items:</b>						
Net Working capital movement	(11,928)	(26,743)	(38,671)	29,323	-	29,323
Multi-client library net book value	3,999	8,161	12,160	10,406	-	10,406
Multi-client prefunding %	75%	-	219%	105%	-	105%

<sup>1</sup> = adjustments consist of IFRS 15 related adjustments and adjustments of non-recurring costs (impairments, cost of onerous contract provisions and restructuring costs)

<sup>2</sup> = adjustments for non-recurring costs (impairments, cost of onerous contract provisions and restructuring costs)



## 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:

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Asia Pacific ("APAC")	73,889	62,913
Europe, Africa and Middle East ("EAME")	91,821	60,377
North and South Americas ("NASA")	62,394	51,342
<b>Total revenue (excluding 'Other income')</b>	<b>228,104</b>	<b>174,632</b>

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

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
APAC	51,074	-
EAME	318,555	262,727
NASA	-	61,395
<b>Total</b>	<b>369,629</b>	<b>324,122</b>

The Group had seven vessels included in property, plant and equipment as at 31 December 2018 (five as at 31 December 2017). 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 2018 the Group provided its services to 34 different customers worldwide (29 during year 2017). Revenue earned from the largest two of these customers amounted to 29% of the Group's total operating revenue earned during the year 2018 (30% during year 2017).

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Customer 1	34,393	28,661
Customer 2	32,298	23,643
Other customers	161,413	122,328
<b>Total revenue</b>	<b>228,104</b>	<b>174,632</b>

## 6 Revenue from contracts with customers

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Contract revenue		
- Proprietary contract revenue	130,602	104,577
- Reimbursable	14,346	3,928
- Bare boat charter	27,090	23,469
- Management fees	10,707	14,950
<b>Total contract revenue</b>	<b>182,746</b>	<b>146,925</b>
Multi-client revenue		
- Prefunding	40,823	21,724
- Late sales	4,535	5,984
<b>Total multi-client revenue</b>	<b>45,358</b>	<b>27,707</b>
<b>Total</b>	<b>228,104</b>	<b>174,632</b>

### 6.1 Contract revenue

Proprietary contract revenue represents the revenue from providing seismic data acquisition services 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. For proprietary contracts, the customer simultaneously receives and consumes the benefits as the Group performs the seismic data acquisition services. The asset created by the Group's performance under a proprietary contract (i.e. the seismic data) is controlled by the customer. The Group has an enforceable right to payment for performance completed to date under the proprietary contracts and the Group does not have an alternative use to the seismic data acquired under proprietary contracts. The payment terms for proprietary contract sales are normally in the range of 30 to 60 days from the end of the month in which the services are provided.

The Group is often paid a fee by the customer upon mobilising to and/or demobilising from a proprietary project. Any such mobilisation/demobilisation fee is considered as part of the total revenue the specific project and included in the revenue recognised over the term of such project.



Below is a summary of the mobilisation/demobilisation fee deferred by the Company (i.e. contract liability) for the periods reported (liability as at the yearend):

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Balance at the beginning of the year	(12)	(32)
Deferred revenue recognized during the year	12	32
Revenue deferred to future periods	(778)	(12)
<b>Balance at the year end</b>	<b>(778)</b>	<b>(12)</b>

The above liability of USD 0.8 million as at 31 December 2018 (2017: USD 0.01 million) towards deferred contract revenue relates to five different contracts with customers and is included under Other accruals and payables in the Group's consolidated statement of financial position (Refer to Note 26 *Other accruals and payables*). All of this liability is expected to be recognized as revenue in 2019 as the Group fulfils the performance obligation under each contract.

Revenue for management fees is recognized as the services are performed and at the contractual day rate. 100% of the management fee recognized during 2018 relates to the revenue from technical and operational support services provided to one customer up until 3 October 2018. Following the termination of the agreement on 3 October 2018, the Group did not have any other contracts for providing management services as at 31 December 2018.

## 6.2 Multi-client revenue

Multi-client projects comprise seismic surveys to be licensed to customers on a non-exclusive basis. The Group's performance obligation under multi-client agreements is to deliver fully processed seismic data to the clients. Multi-client revenue secured prior to the completion of data processing and receipt of all deliverables of a multi-client project is referred to as pre-funding revenue. Revenue secured after completion of all data processing and receipt of all deliverables of a multi-client project is referred to as late sales.

Under both prefunding and late sales agreements, the customer receives and consumes the benefits of the Group's performance when the customer receives the fully processed data (or receives access to such fully processed data). The asset created by a multi-client project has alternative use to the Group as it can be sold to multiple customers. Despite the prepayment clauses under the prefunding agreements (whereby the Group collects the prefunding revenue in advance from the customers), the Group is not considered to have an enforceable right to payment until a multi-client project is completed. Therefore, the Group recognizes the revenue from multi-client data sales when a multi-client project is completed and at the point in time when the customer has received the fully processed data.

As at 1 January 2018, the Group had collected USD 31.3 million as prefunding revenue for three different multi-client projects. All of this amount was recognized as prefunding revenue during 2018 as all three projects were completed during the year and processed data was handed over to the clients. As at 31 December 2018, the Group had one multi-client project that was in progress for which the Group had collected USD 8.3 million as prefunding from the customers. The liability towards such prefunding collected is included under Other accruals and payables in the Group's consolidated statement of financial position (Refer to Note 26 *Other accruals and payables*). This amount was recognized as revenue in Q1 2019 when the Company completed the particular multi-client project and handed over the processed data to the customer.

## 7 Cost of sales

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Gross cost of sales	165,154	165,027
Capitalized to multi-client projects	(14,108)	(16,400)
Net deferred transit adjustment	-	443
	<b>151,046</b>	<b>149,069</b>
Reimbursable cost	13,946	3,195
Bad debt expenses	430	(1,167)
Onerous contract provision unwinding	(5,489)	(3,920)
Gain on termination of vessel operating lease	(13,907)	-
Restructuring costs	-	1,591
<b>Net cost of sales</b>	<b>146,027</b>	<b>148,769</b>

## 8 General and administrative costs

General and administrative costs consist of the following:

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Salaries and other employee benefits	6,994	7,634
Other general and administrative expenses	7,175	8,313
<b>Total General and administrative costs</b>	<b>14,169</b>	<b>15,947</b>



## 8.1 Salaries and other employee benefits

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Salaries and bonuses	42,516	46,013
Social security costs	331	385
Pension costs	2,263	2,242
Other benefits	7,202	11,003
Crew travel related costs	5,961	3,916
Vessel crew salaries and benefits included in Cost of sales	(40,612)	(38,117)
Other employee costs allocated to Cost of sales	(10,668)	(17,808)
<b>Net salaries and other employee benefits included in the general and administrative costs</b>	<b>6,994</b>	<b>7,634</b>

## 8.2 Remuneration of the auditors

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Audit fees – Parent company and consolidated financial statements	190	193
Audit fees - subsidiaries	159	137
Audit related services	24	37
Tax advisory services	109	65
<b>Total</b>	<b>482</b>	<b>432</b>

## 9 Provisions

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance at the beginning of the year	5,489	44,140
Provision for losses on contracts with customers	1,160	5,489
Provision released to income statement	(5,489)	(44,140)
<b>Balance at the yearend</b>	<b>1,160</b>	<b>5,489</b>

A provision for onerous contracts of USD 1.2 million was recognized as at 31 December 2018, representing the estimated future operating loss for which the Company had a legal or constructive obligation at the balance sheet date for delivering seismic acquisition contracts in the future. The operating costs included in calculating the operating loss include both vessel operating costs and depreciation. This onerous contract provision is expected to be fully released within 2019.

## 10 Depreciation and amortization

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Depreciation of seismic vessels and equipment	27,369	47,663
Depreciation of office equipment	134	83
Depreciation capitalized to multi-client library	(856)	(2,728)
<b>Total</b>	<b>26,647</b>	<b>45,018</b>



## 11 Multi-client projects library

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance at the end of previous year	10,406	45,107
Reversal of accumulated amortization*	40,910	-
<b>Balance at 1 January</b>	<b>51,316</b>	<b>45,107</b>
Investments during the year	16,495	16,679
Capitalized depreciation	856	2,728
Sale of multi-client library	(6,500)	-
Amortization	(51,358)	(42,108)
Impairments	1,351	(12,000)
<b>Balance at the yearend</b>	<b>12,160</b>	<b>10,406</b>

\*This amount represents the reversal of amortization that has been recognized on the three multi-client projects that were in the prefunding stage when the Company adopted IFRS 15 on 1 January 2018. Also refer to Note 2.3.1 for further details.

The carrying value of USD 12.2 million above consists of four different projects. Three of these projects were completed as at the yearend and are currently being amortized on a straight-line basis. The remaining one project was completed during Q1 2019.

### 11.1 Sale of multi-client library

On 8 August 2018 the Company sold its Capreolus 3D survey, a multi-client library offshore Australia, for a cash consideration of USD 6.5 million.

### 11.2 Impairment of multi-client library

The opening balance sheet adjustment required as a result of implementing IFRS 15 caused the carrying value of one multi-client project to exceed the total revenue expected to be generated from that project. Therefore, the Company recognized a non-cash impairment of USD 3.0 million on 1 January 2018.

The carrying value of the Capreolus multi-client library on the date of entering into the agreement to sell (refer to Note 11.1 above) was lower than its net realisable value. Therefore, the Company reversed USD 4.4 million of impairments previously charged to this project, which resulted in a net positive impairment of USD 1.4 million for the year ended 31 December 2018.

Also refer to Note 4.1.2 *Impairment assessment of multi-client projects library*.

### 11.3 Amortization of multi-client library

The Company recognised total amortisation of USD 51.4 million for the year ended 31 December 2018, of which USD 46.8 million was recognised upon completion of three different multi-client projects and the remaining USD 4.6 million represents straight-line amortisation.

Also refer to Note 4.2 *Amortization of the multi-client projects*.

## 12 Impairments

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Impairment of seismic vessels & equipment (refer to Note 4.1.1)	6,000	77,000
Impairment of multi-client library (refer to Note 11.2 above)	(1,351)	12,000
Impairment of damaged equipment	229	2,178
<b>Total</b>	<b>4,878</b>	<b>91,178</b>

## 13 Finance costs

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Interest expenses on bond loans	11,639	21,929
Interest expenses on other interest bearing debt	18,873	16,954
<b>Net interest expenses</b>	<b>30,512</b>	<b>38,883</b>
Other finance costs	1,149	859
Currency exchange losses	1,818	4,650
<b>Total</b>	<b>33,478</b>	<b>44,392</b>



## 14 Finance income

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Interest income from deposit with banks	397	223
Currency exchange gains	1,444	2,226
<b>Total</b>	<b>1,842</b>	<b>2,449</b>

## 15 Changes in fair value of financial instruments

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Gain/(loss) on swaps instrument (refer to Note 25.2.3)	952	1,887
Gain/(loss) on fair value of bond loans (refer to Note 25.1.2)	(473)	4,746
<b>Total</b>	<b>479</b>	<b>6,632</b>

As part of the Restructuring, the cross-currency interest rate swap agreement was terminated during Q1 2018. The unsecured bonds were measured at fair value until the effective Restructuring date of 1 March 2018 and are being measured at amortised cost post-Restructuring (also refer to Note 25.1.2 *Unsecured bond loans*).

## 16 Gain on financial restructuring

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Gain on restructuring of convertible bonds - Tranche A (refer to Note 25.1.1)	3,043	-
Gain on restructuring of other bonds (refer to Note 25.1.2, 25.1.3 and 25.1.4)	6,399	-
Gain on restructuring of Fleet Bank Facility (refer to Note 25.2.1)	5,075	-
<b>Total</b>	<b>14,517</b>	<b>-</b>

## 17 Income tax expense

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

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
<i>Current income tax:</i>		
Current income tax charge	-	1,989
Reversal of accruals related to previous years	(191)	(1,858)
<b>Income tax expense</b>	<b>(191)</b>	<b>131</b>

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

The Group's income tax payable is as follows:

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Income tax liability at 01 January	478	2,804
Income tax expense for the year	-	1,989
Reversal of excess accruals from previous years	(191)	(1,858)
Income tax paid during the year	(106)	(2,457)
<b>Income tax liability at 31 December</b>	<b>181</b>	<b>478</b>

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:

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Accounting profit/(loss) before tax	(31,979)	(172,322)
Income tax expense/(reversal)	(191)	131
Effective income tax rate	0%	0%

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:

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Profit/(loss) before tax	(31,979)	(172,322)
Tax expense at Cayman Isles corporation tax rate 0%	-	-
Recognized income tax expense	-	-
Difference	-	-
Taxes in foreign countries	-	1,989
Adjustments for previous years (relates to foreign countries)	(191)	(1,858)
Difference	(191)	131

The Group has no deferred tax assets or liabilities. As at 31 December 2018, the Group has tax losses carried forward of approximately USD 386 million arising from losses incurred in different subsidiaries. Although the majority of the losses 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 may 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 2018 vary from 0% to 35% (2017 - 0% to 35%).

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

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

The Norwegian vessel owning subsidiaries in the Group voluntarily exited the Norwegian tonnage tax regime for shipping companies in Norway with effect from 01 January 2015. Since exiting the tonnage tax regime, all losses accrued by the Norwegian subsidiaries (approximately USD 317 million) will be available to be carried forward to utilise against future taxable profits.

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

<i>(In thousands of USD)</i>	Year ended 31-Dec-2018			Year ended 31-Dec-2017		
	Income Tax	WHT*	Total	Income Tax	WHT*	Total
APAC	-	2,252	2,252	(1,378)	918	(460)
EAME	(174)	312	138	(245)	525	280
NASA	(17)	2,386	2,369	1,754	5,311	7065
<b>Total</b>	<b>(191)</b>	<b>4,950</b>	<b>4,759</b>	<b>131</b>	<b>6,754</b>	<b>6,885</b>

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



## 18 Earnings per share

### 18.1 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.

(In USD)	Year ended	
	31-Dec-18	31-Dec-17
Profit/(Loss) attributable to equity holders of the Company	(31,787,864)	(172,452,599)
Weighted average number of ordinary shares issued	448,749,544	135,253,444
Basic earnings per share	(0.071)	(1.275)

### 18.2 Diluted

All potential shares as listed under Note 23.2 have an anti-dilutive effect for the years reported.

## 19 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
<b>Year ended 31 December 2018</b>			
<b>Costs</b>			
Balance as at 1 January 2018	979,734	3,063	982,796
Additional capital expenditures	78,725	514	79,239
Disposals	(463)	-	(463)
Balance as at 31 December 2018	1,057,995	3,577	1,061,572
<b>Depreciation and impairments</b>			
Balance as at 1 January 2018	655,701	2,974	658,675
Depreciation for the year	27,369	134	27,503
Impairments	6,000	-	6,000
Disposals	(235)	-	(235)
Balance as at 31 December 2018	688,835	3,108	691,943
<b>Carrying amounts</b>			
As at 1 January 2018	324,032	89	324,122
<b>As at 31 December 2018</b>	<b>369,160</b>	<b>469</b>	<b>369,629</b>
Pledged assets as at 31 December 2018	365,347	-	365,347
<b>Year ended 31 December 2017</b>			
<b>Costs</b>			
Balance as of 1 January 2017	976,995	3,063	980,058
Additional capital expenditures	7,149	-	7,149
Impairments	-	-	-
Disposals	(4,410)	-	(4,410)
Balance as of 31 December 2017	979,734	3,063	982,796
<b>Depreciation and impairments</b>			
Balance as of 1 January 2017	533,790	2,891	536,681
Depreciation for the year	47,663	83	47,746
Impairments	-	-	-
Disposals	(2,752)	-	(2,752)
Balance as of 31 December 2017	655,701	2,974	658,675
<b>Carrying amounts</b>			
As of 1 January 2017	443,205	172	443,377
<b>As of 31 December 2017</b>	<b>324,032</b>	<b>89</b>	<b>324,122</b>
Pledged assets as of 31 December 2017	304,852	-	304,852



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

USD 71.9 million of the additional capital expenditure during the year ended 31 December 2018 represents the acquisition of the vessels *Polarcus Nadia* and *Polarcus Naila* ("N-Class Vessels") that the Company acquired as part of the Restructuring, accounted for at the fair value of the consideration paid as further described below.

## 19.1 Termination of operating leases and buyback of N-Class vessels

On 26 February 2018, as part of the Restructuring, the Company and GSH2 Seismic Carrier I AS ("GSH") terminated the operating lease arrangement for the N-Class vessels in exchange for the Company purchasing the vessels from GSH for a total consideration of USD 75 million in fully financed debt and issue of warrants. The purchase price of USD 75 million was fully financed through a New Fleet Facility, as described in Note 25.2.2 *New Fleet Facility*.

Fair value of the consideration paid for the N-Class vessels is USD 71.9 million, consisting of USD 70.9 million being fair value of the New Fleet Facility and USD 1.0 million being fair value of the warrants issued to GSH.

The number of warrants issued to GSH as part of the consideration is 12,846,144, representing approximately 2.5% of the Company's issued share capital after completion of the Restructuring, Private Placement and the Repair Issue. The exercise price for the warrants is set at NOK 3.90 and the warrants are exercisable at any time until 30 November 2022. As the warrants are an equity instrument, they will not be remeasured in future accounting periods.

On the date of termination of the leases, the Company had an aggregate accrued expense of USD 13.9 million relating to the operating lease arrangements for the N-Class vessels. The full amount of the accrued operating lease expense was credited to 'Cost of sales' in Q1 2018 on termination of the leases.

## 20 Other current assets

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Advance to employees	559	600
Deposits	226	211
VAT and other indirect taxes receivable	335	351
Insurance claims receivable	214	2,203
Cash collateral for currency swap arrangement	-	1,370
Other receivables	387	1,200
<b>Total other current financial assets measured at amortized cost</b>	<b>1,722</b>	<b>5,935</b>
Prepaid expenses	2,084	2,786
Inventories onboard the vessels	9,317	6,200
Other investments	9	9
<b>Total</b>	<b>13,132</b>	<b>14,930</b>

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

## 21 Restricted cash

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Debt service retention accounts	26	7,785
Payment guarantee escrow accounts	1,128	33
<b>Total</b>	<b>1,153</b>	<b>7,818</b>

## 22 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.

<i>(In thousands of equivalent USD)</i>	31-Dec-18	31-Dec-17
USD	28,195	22,470
NOK	172	371
GBP	204	566
EUR	197	463
BRL	566	909
Other currencies (total of 6 different currencies)	671	1,067
<b>Total</b>	<b>30,005</b>	<b>25,846</b>



## 23 Share capital, share options and warrants

### 23.1 Changes in authorized share capital

The Company's authorized share capital as at 1 January 2018 was USD 21,783,416 divided into 217,834,157 shares of nominal or par value of USD 0.10 each. In an Extraordinary General Meeting ("EGM") held on 15 February 2018, the Company's shareholders resolved to increase the authorized share capital of the Company to USD 59,108,916, divided into 591,089,157 shares of a nominal or par value of USD 0.10 each.

### 23.2 Movements in the issued share capital

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Total
<b>Balance as of 1 January 2017</b>	530,472,947	5,305	586,401	591,706
<b>Movements during 2017</b>				
<b>Issue of share capital</b>				
08 March 2017 at NOK 0.33 per share	1,000,000,000	10,000	28,853	38,853
07 April 2017 at NOK 0.33 per share	3,912,439	39	111	150
Transaction costs on issue of shares		-	(1,173)	(1,173)
<b>Consolidation of shares</b>				
New shares issued	4	-	-	-
10:1 Consolidation on 16-May-17	(1,380,946,851)	-	-	-
<b>Balance as at 31 December 2017</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>629,536</b>
<b>Movements during 2018</b>				
<b>Issue of share capital</b>				
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231	3,077	2,065	5,142
Transaction costs on issue of shares		-	(1,719)	(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>687,285</b>

On 1 March 2018, the Company issued 230,769,231 new shares at a subscription price of NOK 1.30 raising NOK 300 million in gross proceeds through the Private Placement. Following the issue of the Private Placement shares, the Company's issued share capital is USD 38,420,777 divided into 384,207,770 shares of a nominal value of USD 0.10 each.

On 12 April 2018, the Company issued 30,769,231 new shares at a subscription price of NOK 1.30 raising NOK 40 million through a Repair Offering.

Following a joint bondholders meeting held on 12 February 2018 and associated option for bondholders to apply to convert bonds to equity, on 13 March 2018 the Company issued 98,809,712 new shares to the unsecured bondholders who opted to convert the unsecured bonds to equity as per Alternative-2 described under Note 25.1 *Bond loans* below ("Bond Conversion").

Following the issue of the Private Placement, Repair Offering and Bond Conversion shares, the Company's issued share capital as at 31 December 2018 is USD 51,378,671 divided into 513,786,713 shares at par value of USD 0.10 each.

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 25.1.1), employee share options and incentive plans (refer to Note 23.3) and warrants (refer to Note 19.1 and 23.4) the total number of shares issued would increase by 18,846,536 shares.

Potential shares as at 31 December 2018	Number of equivalent shares
Shares associated with convertible bonds (Note 25.1.1)	558,392
Shares associated with employee share units (Note 23.3.1)	4,207,500
Shares associated with employee share options (Note 23.3.2)	1,234,500
Warrants (Notes 19.1 and 23.4)	12,846,144
<b>Total</b>	<b>18,846,536</b>

Apart from potential shares that could be issued under the terms of the employee share options and incentive plans, convertible bonds and warrants, the Board of Directors have no restrictions on issuing remaining authorized share capital. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

### 23.3 Employee share options and incentive plans

During the year ended 31 December 2018 the Group recognized an expense of USD 0.6 million for the below mentioned employee share based compensation plans (USD 0.5 million during year 2017).



## 23.3.1 2018 Long Term Incentive Plan

On 10 May 2018 the Company implemented a long term incentive plan under which a maximum number of 5,600,000 shares could be granted to eligible employees in the form of Performance Share Units ("PSU"s, representing 70% of the total units) and Restricted Share Units ("RSU"s, representing 30% of the total units). The RSUs vest equally, based on continued employment of the participant, at the first and second anniversary from the date of the RSU award. The PSUs vest equally, based on continued employment and performance criteria, at the first and second anniversary from the date of the PSU award.

As at 31 December 2018, 3,570,000 PSUs and 1,530,000 RSUs were outstanding under this plan. Of the 3,570,000 PSUs, 892,500 will vest on the first anniversary of the grant, 892,500 will expire and the remaining 1,785,000 will vest in Q2 2020 subject to continued employment of the participants and performance criteria. Of the 1,530,000 RSUs, 765,000 will vest on the first anniversary of the grant and 765,000 will vest in Q2 2020 subject to continued employment of the participants. 500,000 shares remain available to be granted in line with the plan before 19 May 2019. The weighted average share price used to estimate the fair value of this share based incentive plan at the grant date was NOK 1.95 (USD 0.23).

## 23.3.2 Employee share options

The Group has the following employee share option plans outstanding at the yearend:

### 2012 Share option plan

On 26 April 2012 the Board of Directors of the Company approved an employee share option plan ("2012 plan") under which a maximum number of 140,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The options vest three years after grant date and can be exercised up to five years after the grant date. The exercise of the options is conditional on the employee completing three years of service (the vesting period) and being an employee of the Group at the exercise date.

	Year ended 31-Dec-18		Year ended 31-Dec-17	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	39,700	396.1	114,550	505.8
Granted during the year	-	-	-	-
Expired during the year	(17,200)	-	(74,850)	-
Forfeited during the year	(6,500)	-	-	-
Outstanding as at 31 December	<b>16,000</b>	<b>237.5</b>	<b>39,700</b>	<b>396.1</b>
Exercisable as at 31 December	16,000	237.5	29,200	525.2
Exercised during the year	-	-	-	-

The weighted average remaining contractual life as of 31 December 2018 is approximately 2 months.

### 2014 Share option plan

On 13 May 2014 the Board of Directors of the Company approved another employee share option plan ("2014 plan") under which a maximum number of 150,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The plan has a 7 years duration with part exercise possibility at the second, third and fourth anniversary after the grant of the options. The options under this plan can be exercised only if the price for which the Shares are traded (calculated as the volume weighted average price for which the Company's shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) is at least 30% above the exercise price at one time during the option period.

	Year ended 31-Dec-18		Year ended 31-Dec-17	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	107,000	309.2	137,000	247.9
Granted during the year	-	-	-	-
Forfeited during the year	(6,000)	-	(30,000)	-
Outstanding as at 31 December	<b>101,000</b>	<b>287.1</b>	<b>107,000</b>	<b>309.2</b>
Exercisable as at 31 December	88,333	323.00	57,333	340.1
Exercised during the year	-	-	-	-

The weighted average remaining contractual life of options outstanding under 2014 plan as of 31 December 2018 is 2.74 years.

### 2016 Share option plan

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



	Year ended 31-Dec-18		Year ended 31-Dec-17	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	1,317,500	7.39	1,527,500	7.92
Granted during the year			130,000	2.40
Forfeited during the year	(200,000)		(340,000)	-
Outstanding as at 31 December	<b>1,117,500</b>	<b>7.27</b>	<b>1,317,500</b>	<b>7.39</b>
Exercisable as at 31 December	329,167	7.91	-	-
Exercised during the year	-	-	-	-

The weighted average remaining contractual life of options outstanding under 2016 plan as of 31 December 2018 is 4.47 years.

The fair value of the share 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 include expected dividend yield for the Company's shares, expected volatility, risk-free market interest rate and expected life of the options. No new share options were granted under any of the above plans during the year ended 31 December 2018.

## 23.4 Warrants

On 26 February 2018, the Company issued 12,846,144 warrants to GSH as part of the consideration for purchase of N-Class vessels. The exercise price for the warrants is set at NOK 3.90 and the warrants are exercisable at any time until 30 November 2022. The warrants are recorded at the fair value of USD 1.0 million on the issue date. As the warrants are an equity instrument, they will not be remeasured in future accounting periods. Also refer to Note 19.1 *Termination of operating leases and buyback of N-Class vessels*.

## 24 Other reserves

(In thousands of USD)	31-Dec-18	31-Dec-17
Balance as at 01 January	24,411	29,865
Employee share options and share-based incentive plans (refer to Note 23.3)	589	534
Warrants issued (refer to Note 19.1 and 23.4)	960	-
<b>Other movements (transfer to Retained earnings)</b>		
Fair value of employee stock options unexercised and expired	-	(5,988)
<b>Balance as at the yearend</b>	<b>25,961</b>	<b>24,411</b>

## 25 Interest bearing debt

(In thousands of USD)	Nominal outstanding value		Carrying value	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
<b>Bond loans</b>				
125M USD convertible bonds - Tranche A	66,730	71,330	20,047	22,901
125M USD convertible bonds - Tranche B	3,555	30,466	730	6,063
95M USD unsecured bonds	9,827	85,255	2,916	12,314
350M NOK unsecured bonds*	6,131	42,429	1,877	7,369
<b>Total bond loans</b>	<b>86,243</b>	<b>229,481</b>	<b>25,570</b>	<b>48,647</b>
<b>Other interest bearing debt</b>				
Fleet bank facility - Tranche 1	41,724	48,599	39,290	46,930
Fleet bank facility - Tranche 2	35,773	35,773	36,085	34,782
Fleet bank facility - Tranche 3	79,865	83,865	78,003	81,046
Fleet bank facility - Tranche 4	86,045	86,045	78,282	82,887
New Fleet Facility for N-Class vessels	74,945	-	71,210	-
DNB loan facility ("Swap Facility")	7,672	-	7,660	-
<b>Total other interest bearing debt</b>	<b>326,024</b>	<b>254,282</b>	<b>310,529</b>	<b>245,646</b>
<b>Total interest bearing debt</b>	<b>412,267</b>	<b>483,762</b>	<b>336,100</b>	<b>294,293</b>
<i>Of which:</i>				
Current liability portion			10,600	294,293
Non-current liability			325,500	-

\*Nominal outstanding value of 350M NOK unsecured bonds was NOK 53.5 million as at 31 December 2018 (NOK 348.6 million at 31 December 2017).



## 25.1 Bond loans

### 25.1.1 125M USD convertible bonds - Tranche A

<i>(In thousands of USD)</i>	Years ended	
	31-Dec-18	31-Dec-17
Balance at 1 January	22,901	16,427
Unpaid accrued interest at 1 January	666	-
Issue costs and equity portion amortized	4,789	6,475
Gain on restructuring	(3,043)	-
Principal repayments	(4,600)	-
Interest payable accrued	3,854	4,660
Interest paid	(3,889)	(3,994)
Unpaid accrued interest as at 31 December	(630)	(666)
<b>Balance at 31 December</b>	<b>20,047</b>	<b>22,901</b>

#### Restructuring of convertible bonds – Tranche A

As part of the Restructuring, the maturity of the convertible bonds – Tranche A was extended to 1 July 2022 (previously 30 March 2022). An interest rate of 5.6% annually is payable in cash for the period that the vessel *Vyacheslav Tikhonov* is on a third-party bareboat charter party. If *Vyacheslav Tikhonov* is no longer on a third-party bareboat charter party, the interest rate will be the sum of 2.90% + the applicable amount as per the Margin Grid provided under Note 25.2.1 below. The conversion price for the bonds was amended to USD 125.871 per share from USD 138.694 per share. Subsequently, the number of potential shares associated with convertible bonds is 558,392.

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

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

The net present value of future cashflows under the revised terms of convertible bonds – Tranche A were USD 3.0 million lower than the carrying value as at the Restructuring date. Therefore, as per the requirements of IFRS 9, the Company recognized a gain of USD 3.0 million in 2018. Also refer to Note 16 *Gain on financial restructuring*.

### 25.1.2 125M USD convertible bonds - Tranche B

<i>(In thousands of USD)</i>	Years ended	
	31-Dec-18	31-Dec-17
Balance at 1 January	6,063	7,185
Net movements in fair value	-	(3,460)
Amortized interest and fees	22	2,338
Converted in to equity shares	(3,876)	-
Gain on restructuring	(1,480)	-
<b>Balance at 31 December</b>	<b>729</b>	<b>6,063</b>

### 25.1.3 95M USD unsecured bonds

<i>(In thousands of USD)</i>	Years ended	
	31-Dec-18	31-Dec-17
Balance at 1 January	12,314	7,040
Net movements in fair value	1,233	(697)
Amortized interest and fees	1,295	5,971
Converted in to equity shares	(8,620)	-
Gain on restructuring	(3,306)	-
<b>Balance at 31 December</b>	<b>2,916</b>	<b>12,314</b>



## 25.1.4 350M NOK unsecured bonds

<i>(In thousands of USD)</i>	Years ended	
	31-Dec-18	31-Dec-17
Balance at 1 January	7,369	3,930
Unrealized foreign exchange (gain)/loss	(5)	876
Net movements in fair value	(760)	(588)
Amortized interest and fees	839	3,151
Converted in to equity shares	(3,953)	-
Gain on restructuring	(1,613)	-
<b>Balance at 31 December</b>	<b>1,877</b>	<b>7,369</b>

### Restructuring of unsecured bond loans and Tranche B of the convertible bonds

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

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

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

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

The Company received applications from the unsecured bondholders to convert more than 50% of the outstanding unsecured bonds into shares as per Alternative 2 above. On 13 March 2018, the Company converted approximately 50% of the total unsecured bonds into 98,809,712 shares. Bondholders that applied for shares received an allocation of approximately 70.5% of their applications.

On 14 March 2018, the Company merged unsecured tranches under each of the bond issues into one tranche. Following the bond write down, the bond conversion, the merger of different tranches and the principal repayments made since the Restructuring, the Company has the following bonds outstanding at nominal value as at 31 December 2018:

Issue	ISIN	Ticker	Currency	Amount
125M USD convertible bonds - Tranche A	NO0010607435		USD	66,730,000
125M USD convertible bonds - Tranche B	NO0010757263		USD	3,555,354
95M USD unsecured bonds	NO0010680150	PLCS02	USD	9,826,617
350M NOK unsecured bonds	NO0010714389	PLCS03	NOK	53,514,847

The future cash flows of the restructured unsecured bonds are significantly different from the cash flows under the old terms. Hence, the Unsecured bonds with carrying value USD 26.2 million as at the date of restructuring (1 March 2018) were derecognized from the consolidated statement of financial position and were immediately replaced with the new bonds. Fair value of the new bonds as at the date of Restructuring was estimated to be USD 3.4 million. The bond-to-equity conversion, as explained above, resulted in an increase in equity of USD 16.4 million. The difference of USD 6.4 million between the carrying value of the old bonds and the total of the fair value of the new bonds and equity issued is recognized as a gain on financial restructuring in the Company's consolidated statement of comprehensive income.

Post-Restructuring, the Company accounts for the new restructured unsecured bonds using the amortised cost method.

## 25.2 Other interest bearing debt

### 25.2.1 Fleet Bank Facility

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance as at 1 January	245,646	243,644
Unpaid accrued interest as at 1 January	1,606	1,307
Amortized interest and fees	1,964	2,002
Principal repayments	(10,875)	-
Gain on restructuring	(5,075)	-
Interest payable accrued	11,452	14,473
Interest paid during the year	(11,388)	(14,174)
Unpaid accrued interest as at 31 December	(1,671)	(1,606)
<b>Balance at the yearend</b>	<b>231,660</b>	<b>245,646</b>



## Restructuring of the Fleet Bank Facility

As part of the Restructuring, financing parties to the Fleet Bank Facility agreed to a general extension of the fixed amortization freeze until 1 January 2022 (previously 1 January 2019). However, during this period, the principal part of Tranche-3 of the Fleet Bank Facility will receive fixed amortisation of USD 4 million annually in equal quarterly instalments for the period that the vessel *Ivan Gubkin* continues to be on a third-party bareboat charter. All postponed amortisation payments will be added to the payment due on the final maturity date. The reduction in fixed instalments between 2019 and 2021 improves the Company's liquidity by approximately USD 79 million.

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

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

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

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

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

- Minimum equity ratio, Debt Service ratio and Minimum market value covenants are removed
- The minimum prefunding level for multi-client projects is reduced to 50% from the current 70% for the period up to and including 31 December 2019 and, thereafter the minimum prefunding level is restored to 70%.

The lenders of the Fleet Bank Facility will participate in a new cash sweep arrangement.

The net present value of future cashflows under the revised terms of the Fleet Bank Facility were USD 5.1 million lower than the carrying value as at the Restructuring date. Therefore, as per the requirements of IFRS 9, the Company recognized a gain of USD 5.1 million in 2018. Also refer to Note 16 *Gain on financial restructuring*.

## 25.2.2 New Fleet Facility

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Balance at inception	70,903	-
Amortized interest and fees	307	-
Interest payable accrued	2,319	-
Interest paid during the year	(1,681)	-
Unpaid accrued interest as at 31 December	(639)	-
<b>Balance at the yearend</b>	<b>71,210</b>	<b>-</b>

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

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

The interest for the New Fleet Facility is set at CIRR or floating rate plus guarantee premium as applicable to Non-Preferred loans as specified under the Margin Grid as explained in Note 11.2 above.

The New Fleet Facility will participate in a cash sweep mechanism together with Fleet Bank Facility lenders and the holders of 125M USD convertible bonds - Tranche A.



## 25.2.3 Swap Facility

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance at inception	7,672	-
Amortized fees	(12)	-
Interest payable accrued	366	-
Interest paid during the year	(365)	-
Unpaid accrued interest as at 31 December	(1)	-
<b>Balance at the yearend</b>	<b>7,660</b>	<b>-</b>

As part of the Restructuring, the Company and DNB Bank ASA ("DNB") agreed to terminate the USD:NOK cross currency interest rate swap agreement. The Company received a new loan of USD 7.7 million from DNB that was fully utilized to settle the liability under the currency swap arrangement.

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

## 26 Other accruals and payables

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Accrued operating expenses	10,296	8,616
Deferred multi-client revenue (refer to Note 6)	8,340	-
Deferred contract revenue (refer to Note 6)	778	12
Deferred bare boat revenue (refer to Note 28.2)	1,367	1,363
Accrued taxes payable	3,160	4,092
Accrued interest (refer to Note 25)	2,941	2,272
Employee accruals and payable	1,608	2,643
Accrued multi-client processing costs	156	2,425
Payable to joint operations partners	48	50
Operating lease payable	-	14,939
<b>Total</b>	<b>28,694</b>	<b>36,412</b>

The deferred multi-client revenue of USD 8.3 million included in the *Other accruals and payables* represent the pre-funding revenue collected from the customers as at 31 December 2018 for the one multi-client project that was not completed as at the yearend. Also refer to Note 2.6.2 *Revenue from Multi-client projects library* and Note 11 *Multi-client projects library*.

## 27 Financial assets and liabilities

### 27.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
Receivable from customers	39,583	19,766
Other current financial assets (Note 20)	1,722	5,935
<b>Total assets measured at amortized cost</b>	<b>41,305</b>	<b>25,702</b>

Financial liabilities measured at amortized cost are as follows:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
125M USD convertible bonds – Tranche A	20,047	22,901
125M USD convertible bonds – Tranche B	730	-
95M USD unsecured bonds	2,916	-
NOK 350 million unsecured bonds	1,877	-
Fleet Bank Facility	231,659	245,646
New Fleet Facility	71,210	-
Swap facility	7,660	-
Accounts payable	21,417	13,351
<b>Total financial liabilities measured at amortized cost</b>	<b>357,516</b>	<b>281,898</b>

Post-restructuring completed in Q1 2018 and as at 31 December 2018, all of the Company's interest bearing debt are accounted using the amortised cost method (As at 31 December 2017 the unsecured bonds were accounted at fair value through profit and loss).

Also refer to Note 3.1.3 *Liquidity risk* and Note 25 *Interest bearing debt*.



## 27.2 Fair values

(in thousands of USD)	Fair value hierarchy	31-Dec-18		31-Dec-17	
		Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>					
Cash and deposits		31,158	31,158	33,664	33,664
Receivable from customers		39,583	39,583	19,766	19,766
Other current financial assets		1,722	1,722	5,935	5,935
<b>Total</b>		<b>72,463</b>	<b>72,463</b>	<b>59,366</b>	<b>59,366</b>
<b>Financial liabilities</b>					
Accounts payable		21,417	21,417	13,351	13,351
125M USD convertible bonds – Tranche A	Level-1	20,047	45,437	22,901	28,532
125M USD convertible bonds – Tranche B	Level-1	730	430	6,063	6,063
95M USD unsecured bonds	Level-1	2,916	1,720	12,314	12,314
NOK 350 million unsecured bond	Level-1	1,877	1,033	7,369	7,369
Fleet Bank Facility	Level-2	231,659	223,922	245,646	218,930
New Fleet Facility	Level-2	71,210	55,297	-	-
Swap facility	Level-2	7,660	7,367	-	-
<b>Total</b>		<b>357,516</b>	<b>356,623</b>	<b>307,644</b>	<b>286,559</b>

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. The Group has used net present value of the future cashflows as the fair value for the financial liabilities under this category.

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 2018 there has not been any transfer of financial instruments between above different levels.

## 27.3 Financial guarantees

The Group has a guarantee facility from DNB Bank ASA under which the bank issues payment and performance guarantees on behalf of the Group in relation to the Group's operating activities. As at 31 December 2018 the total value of guarantees issued under this facility is USD 12.3 million and the average remaining lifetime of the guarantees is five months (USD 2.6 million as of 31 December 2017 with average lifetime of six months).

## 28 Operating leases

### 28.1 Group as a Lessee

On 26 February 2018, as part of the Restructuring, the Group and GSH terminated the operating lease arrangement for the vessels *Polarcus Nadia* and *Polarcus Naila*. Subsequently and as at 31 December 2018, the Group does not have any significant operating lease arrangement where the Group acts as a lessee.

### 28.2 Group as a lessor

As at 31 December 2018 the Group had two vessels, *Vyacheslav Tikhonov* and *Ivan Gubkin*, chartered out under two separate BBCPs. The lease period for *Vyacheslav Tikhonov* will expire in October 2019, however, the Company has granted the customer an option to redeliver the vessel on no less than 30 days' notice. The lease period for *Ivan Gubkin* commenced on 21 April 2017 and will expire on 20 December 2022.

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

(In thousands of USD)	31-Dec-18	31-Dec-17
Within one year	13,927	27,090
After one year but not more than five years	38,127	57,737
<b>Total</b>	<b>52,054</b>	<b>84,828</b>

Revenue from the above BBCPs is recognized in line with the contractual day rate for charter party hire for each vessel. Below is a summary of the day rates collected in advance by the Group for the years reported:



(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Balance at the beginning of the year	(1,363)	(673)
Deferred revenue recognized during the year	1,363	673
Revenue deferred to future periods	(1,367)	(1,363)
<b>Balance at the yearend</b>	<b>(1,367)</b>	<b>(1,363)</b>

The above bare boat revenue collected in advance is recognized as a liability and is included under Other accruals and payables in the Group's consolidated statement of financial position (Refer to Note 26 *Other accruals and payables*).

## 29 Related parties

### 29.1 Subsidiaries

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

Name of the subsidiary	Country of Incorporation	Equity interest as at 31-Dec-2018	Equity interest as at 31-Dec-2017
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. ( <i>Liquidated during 2018</i> )	Cayman Islands	-	100%
Polarcus MC Limited	Cayman Islands	100%	100%
Polarcus Seismic Limited	Cayman Islands	100%	100%
Polarcus Selma Limited	Cayman Islands	100%	100%
Polarcus Group Services Limited	Cayman Islands	100%	100%
Polarcus do Brasil Ltda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus UK Limited	United Kingdom	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc.-Colombia branch	Colombia	100%	100%
Polarcus Multi-client (CY) Ltd.	Cyprus	100%	100%
Polarcus Asia Pacific Pte. Ltd	Singapore	100%	100%
Polarcus Asia Pacific Pte. Ltd Myanmar Branch	Myanmar	100%	-
Polarcus France SAS	France	100%	100%
Polarcus Nigeria Limited*	Nigeria	49%	49%
Polarcus Ghana Limited	Ghana	90%	90%

\*The Company's investment in Polarcus Nigeria Limited is accounted for as a joint venture using the equity method. Refer to Note 2.4.2 *Joint arrangements* and Note 29.2 *Investment in joint ventures*.

### 29.2 Investment in joint ventures

#### 29.2.1 Investment in Polarcus Nigeria Ltd ("PNL")

The Group owns 49% of equity in PNL, an entity jointly controlled by the Group and Ashbert Limited ("Ashbert"). The principal activity of PNL is to develop a towed marine 3D multi-client seismic business in Nigeria including the brokerage of certain existing 3D seismic data sets. The principal place of business of PNL is Nigeria, which is also its country of registration. PNL did not have any major business activity in 2018.



## 29.2.2 Investment in Polarcus Ghana Ltd

The Group owns 90% of equity in Polarcus Ghana Ltd, a joint venture incorporated in Ghana together with Lysam Limited. As at 31 December 2018, the Group has made an investment of USD 0.2 million in this joint venture (USD 0.2 million as at 31 December 2017). The principal activity of Polarcus Ghana Ltd is to provide marine seismic data acquisition and processing services to the Ghanaian and international oil and gas industry. Polarcus Ghana Ltd was incorporated in 2016 and had no major business activities since incorporation until 31 December 2018.

## 29.3 Transactions with related parties

Zickerman Group DMCC, a company wholly owned by a Board member Mr. Peter Zickerman, has been engaged by the Company to perform strategic consultancy services. During 2018, the Company has paid USD 0.4 million to Zickerman Group DMCC for consultancy services (2017 - USD 0.5 million).

The Group had no other major transactions with related parties during the year ended 31 December 2018.

## 29.4 Key management compensation

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

*(In thousands of USD)*

	Paid in year 2018				Paid to pension plan	Share options expensed
	Salaries	Bonus	Other Allowances	Total paid salary and benefits		
Duncan Eley CEO	500	100	185	785	50	84
Hans-Peter Burlid CFO	370	200	158	728	37	67
Lars Oestergaard COO (employed since 3-Jun-18)	185	-	77	262	15	34
Other members of executive management	530	300	329	1,159	48	60
<b>Total</b>	<b>1,585</b>	<b>600</b>	<b>750</b>	<b>2,935</b>	<b>150</b>	<b>245</b>

*(In thousands of USD)*

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

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

Upon termination by the Company of the employment of any member of the management (other than for cases of gross misconduct), the member is entitled to a severance payment of between 6 to 12 months base salary plus expected benefits (i.e. cash remuneration including any anticipated bonuses, all allowances, and all other benefits currently provided to the employee).



## 29.5 Board remuneration

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

(In thousands of USD)

	Director since	Director until	Paid in year 2018	Paid in year 2017
Peter M. Rigg, <i>Chairman</i>	20-Jun-08	10-May-18	53	119
Mike Mannering, <i>Chairman</i>	10-May-18		72	-
Karen El-Tawil <sup>1</sup>	13-Feb-14		63	59
Tom Henning Slethei	12-May-16		63	56
Carl Peter Zickerman	12-May-16		50	50
Erik Mathiesen	12-May-16		57	50
Nicholas Smith	06-Mar-17		57	45
Henrik Madsen	03-May-17	21-Nov-17	-	48
Arnstein Wigestrånd	29-Apr-13	03-May-17	-	17
Christopher Kelsall	12-May-16	29-Jan-17	-	4
<b>Total</b>			<b>415</b>	<b>448</b>

<sup>1</sup> In addition, Karen El-Tawil was paid USD 15,000 during 2018 (2017 - USD 15,000) for serving as a member of the Nomination Committee.

## 30 Contingent assets and liabilities

On 13 April 2015 the Company submitted a claim at the Regional Court of Koblenz, Germany, against the supplier of malfunctioning thruster units, claiming approximately USD 70 million in damages for the costs and loss of revenue related to various thruster damage incidents. The claim remains pending before the Koblenz court. On 10 September 2018 the Koblenz court confirmed its appointment of a legal expert at the Max Planck institute to report on certain issues of Norwegian law. The expert is not expected to provide his report on the Norwegian law issues arising in the claim before April 2019. The claim remains a contingent asset and no income has been recognized in the current or prior periods.

On 7 December 2018 and 22 February 2019, the Company received notices of claims for alleged patent infringement filed by PGS Australia Pty Ltd ("PGS") relating to the acquisition of seismic data on three surveys in Australia and the processing of that data. The Company intends to challenge the validity of all relevant aspects of PGS' patents. The Company has not recognized any liability related to PGS' claims in the financial statements.

## 31 Subsequent events


### 31.1 Redelivery of Vyacheslav Tikhonov


In December 2018, the Company granted the customer, Sovcomflot, an option to redeliver the vessel *Vyacheslav Tikhonov* on no less than 30 days' notice without penalty. The Company received notice on 24 March 2019 that the vessel will be redelivered and expects this to take place during the second quarter of 2019.

## 32 Authorization of financial statements

The consolidated financial statements for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Directors on 27 March 2019.

  
Mike Mannering  
Chairman

  
Nicholas Smith  
Board Member

  
Karen El-Tawil  
Board Member

  
Tom Henning Slethei  
Board Member

  
Peter Zickerman  
Board Member

  
Erik Mathiesen  
Board Member

  
Duncan Eley  
CEO



## Alternative performance measures

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

Adjusted EBITDA	<p>Earnings before interest, tax, depreciation, amortization and impairments, using the adjusted revenues (as described below) as opposed to IFRS revenues.</p> <p>The Company uses adjusted revenue to allow consistency between 2018 and prior accounting periods, which increases the comparability of the financial performance across periods.</p>
Adjusted revenues	<p>The revenues in the period based but excluding the impact of IFRS 15 in 2018, so accounted for based on the revenue recognition principles prevailing in 2017 before the mandatory adoption of IFRS 15.</p> <p>The Company uses adjusted revenue to allow consistency between 2018 and prior accounting periods, which increases the comparability of the financial performance across periods.</p>
Backlog	<p>The aggregate estimated value of future projects for which the Company has a signed contract or letter of award with a client.</p> <p>The Company uses Backlog as it gives the amount of the committed activity in future periods, thus providing an indication of the Company's future revenue.</p>
CAPEX	<p>Capital expenditure refers to investments in property, plant and equipment, and intangible assets (excluding multi-client library investments), irrespective of whether the amount is paid for in the period.</p> <p>The Company uses CAPEX to indicate the level of its investments in enhancing its capital assets.</p>
EBIT	<p>Earnings before interest and tax.</p> <p>The Company uses EBIT as it provides an indication of the profitability of the operating activities. The EBIT margin presented is defined as EBIT divided by net revenues.</p>
EBIT (before non-recurring items)	<p>Earnings before interest and tax, excluding non-recurring items</p>
EBITDA	<p>Earnings before interest, tax, depreciation, amortization and impairments.</p> <p>The Company uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past.</p>
EBITDA (before non-recurring items)	<p>Earnings before interest, tax, depreciation, amortization and impairments, excluding non-recurring items</p>
IFRS-15 adjustments	<p>The effect of adopting IFRS 15 effective 1 January 2018 to the Company's consolidated financial statements.</p> <p>The Company uses IFRS-15 adjustments to explain how some of the Company's reported key numbers, post-adoption of IFRS 15, relate to the historic (pre-IFRS 15) key numbers.</p>
Net interest bearing debt	<p>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.</p> <p>The Company uses net interest bearing debt as it provides an indication of the Company's debt position by indicating the Company's ability to pay off all its debt if they became due simultaneously using only its available cash.</p>
Non-recurring items	<p>Impairment charges, the cost of onerous contract provisions and restructuring costs.</p> <p>The Company believes that non-recurring items should be identified as they are typically non-cash items that are not expected to occur infrequently and are often a result of technical accounting judgments as opposed to operational performance.</p>



Prefunding Level	<p>The prefunding level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multi-client library.</p> <p>The Prefunding Level is considered as an important measure as it indicates how the Company's financial risk is reduced on multi-client investments.</p>
Total cash	<p>The total of restricted and unrestricted cash held by the Company at the reporting date.</p> <p>The Company uses total cash as it provides an indication of the Company's complete cash position.</p>

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

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

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

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

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

<i>(In millions of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
EBITDA	67.5	41.3
<i>Adjusted for:</i>		
Restructuring cost	1.1	4
Gain on termination of vessel operating lease	(13.9)	-
Onerous contract provision	1.2	(27.1)
EBITDA (before non-recurring items)	55.9	18.2

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

<i>(In millions of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
EBIT	(15.3)	(137.0)
<i>Adjusted for:</i>		
Restructuring cost	1.1	4.0
Gain on termination of vessel operating lease	(13.9)	-
Onerous contract provision	1.2	(27.1)
Impairment	1.9	91.2
EBIT (before non-recurring items)	(25.1)	(68.9)



*POLARCUS LIMITED*

**PARENT COMPANY FINANCIAL STATEMENTS**

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*2018*



## Statement of Comprehensive Income

(Unconsolidated Parent Company)

<i>(In thousands of USD)</i>	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Revenues</b>			
Operating revenues	2	12,433	38,518
Other income	2	200	3,983
<b>Total revenues</b>		<b>12,633</b>	<b>42,501</b>
<b>Operating expenses</b>			
Cost of sales		(13,248)	(38,198)
General and administrative costs	7	(5,028)	(8,339)
Depreciation and amortization	8	(69)	(2,968)
Impairments	9	(110,910)	(139,063)
<b>Total Operating expenses</b>		<b>(129,255)</b>	<b>(188,568)</b>
<b>Operating loss</b>		<b>(116,621)</b>	<b>(146,067)</b>
<b>Financial expenses</b>			
Finance costs	10	(13,192)	(25,295)
Finance income	11	4,970	4,914
Changes in fair value of financial instruments	1	479	6,632
Gain on financial restructuring	1	9,442	-
<b>Net financial expenses</b>		<b>1,698</b>	<b>(13,748)</b>
<b>Loss for the period before tax</b>		<b>(114,923)</b>	<b>(159,815)</b>
Income tax expense		-	-
<b>Loss for the period/Comprehensive loss after tax</b>		<b>(114,923)</b>	<b>(159,815)</b>



## Statement of Financial Position

(Unconsolidated Parent Company)

<i>(In thousands of USD)</i>	Notes	31-Dec-18	31-Dec-17
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	8	3,433	-
Investment in subsidiaries	3	3,703	3,703
<b>Total non current assets</b>		<b>7,136</b>	<b>3,703</b>
<b>Current assets</b>			
Short-term loan to subsidiaries	12	16,337	80,397
Receivable from subsidiaries	5	81,750	34,177
Other current assets	4	1,457	2,610
Accounts Receivable	5	39,178	57,333
Restricted cash		16	1,736
Cash and bank		596	2,288
<b>Total current assets</b>		<b>139,334</b>	<b>178,541</b>
<b>TOTAL ASSETS</b>		<b>146,470</b>	<b>182,244</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	1	51,379	15,344
Share Premium	1	635,906	614,192
Other reserves	1	25,961	24,411
Retained earnings/(loss)		(656,408)	(541,485)
<b>Total equity</b>		<b>56,838</b>	<b>112,463</b>
<b>Non current liabilities</b>			
Interest bearing debt	1, 5	26,631	-
Other financial liabilities	1	-	8,624
<b>Total non current liabilities</b>		<b>26,631</b>	<b>8,624</b>
<b>Current liabilities</b>			
Interest bearing debt	1, 5	6,600	48,647
Payable to subsidiaries	5	50,667	6,556
Accounts payable		3,730	4,050
Other accruals and payables	6	2,004	1,905
<b>Total Current Liabilities</b>		<b>63,001</b>	<b>61,158</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>146,470</b>	<b>182,244</b>



## Statement of Cash Flows

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended	
		31-Dec-18	31-Dec-17
<b>Cash flows from operating activities</b>			
Loss for the period		(114,923)	(159,815)
<b>Adjustment for:</b>			
Depreciation and amortization	8	69	2,968
Impairments	9	110,910	139,063
Changes in fair value of financial instruments	1	(479)	(6,632)
Employee share option expenses		459	387
Effect of currency (gain)/loss		(5)	876
Interest expense	10	12,739	22,721
Interest income	11	(4,768)	(4,036)
Gain on financial restructuring		(9,442)	-
Net working capital movements		17,753	13,242
<b>Net cash flows used in operating activities</b>		<b>12,314</b>	<b>8,774</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	8	(3,502)	(1,951)
Intra-group sale of property, plant and equipment	8	-	15,485
Decrease/(increase) in intercompany receivables		(49,222)	(57,831)
<b>Net cash flows (used in) from investing activities</b>		<b>(52,724)</b>	<b>(44,297)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares	1	43,021	39,003
Transaction costs on issue of shares	1	(1,719)	(1,173)
Net receipt from bank loans		7,672	-
Repayment of interest bearing debt		(4,600)	(673)
Interest paid		(4,985)	(4,786)
Financial restructuring fees paid		(856)	-
Interest income	11	4,768	4,036
Decrease/(Increase) in restricted cash		1,720	(1,067)
Security deposit related to currency swaps	1	1,370	1,750
Paid towards liability under currency swaps	1	(7,672)	-
<b>Net cash flows from (used in) financing activities</b>		<b>38,718</b>	<b>37,090</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,692)</b>	<b>1,567</b>
Cash and cash equivalents at the beginning of the period		2,287	720
<b>Cash and cash equivalents at the end of the period</b>		<b>596</b>	<b>2,287</b>



## Statement of Changes in Equity

(Unconsolidated Parent Company)

### For the year ended 31 December 2018

<i>(In thousands of USD except for number of shares)</i>	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
<b>Balance as at 1 January 2018</b>	153,438,539	15,344	614,192	24,411	(541,485)	112,463
Total comprehensive income for the year		-	-	-	(114,923)	(114,923)
Employee share options		-	-	589	-	589
Warrants issued				960		960
<b>Issue of share capital</b>						
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	-	-	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	-	-	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231.0	3,076.9	2,065			5,142
Transaction costs on issue of shares		-	(1,719)			(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(656,408)</b>	<b>56,838</b>

### For the year ended 31 December 2017

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

\*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. Up to the end of Q1 2018, the Company employed offshore personnel who work onboard the vessels owned by other Polarcus Group companies. The employment of all offshore personnel were transferred to one of the subsidiaries of the Company during 2018.

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 2018. 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 23), *Other reserves* (Note 24), *Interest bearing debt* (Note 25), *Gain on financial restructuring* (Note 16) and *Going concern* (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. 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

(In thousands of USD)	Year ended	
	31-Dec-18	31-Dec-17
Crewing services provided to Group companies	5,481	34,867
Other operating expenses reimbursed from Group companies	6,952	2,690
in-sea equipment leased to Group companies		961
Other income	200	3,983
<b>Total</b>	<b>12,633</b>	<b>42,501</b>

Revenue from crewing services during 2018 represents the revenue from other Group companies for services provided till end of Q1 2018.

### 3 Investment in subsidiaries and joint ventures

(In thousands of USD)	31-Dec-18	31-Dec-17
Unquoted equity shares in subsidiaries at cost	228,411	228,411
Unquoted equity shares in joint ventures at cost	2,800	2,800
<b>Total</b>	<b>231,211</b>	<b>231,211</b>
Impairments	(227,508)	(227,508)
<b>Carrying value at the yearend</b>	<b>3,703</b>	<b>3,703</b>

The Company's direct investment in different subsidiaries as at 31 December 2018 is as follows:

Name of the Subsidiary	Country of Incorporation	Equity interest as at 31-Dec-18*	Equity investments at cost	
			31-Dec-18	31-Dec-17
Polarcus DMCC	UAE	100%	54	54
Polarcus Selma Limited	Cayman Islands	100%	3,649	3,649
Polarcus MC Limited	Cayman Islands	100%	9,400	9,400
Polarcus Seismic Limited	Cayman Islands	100%	-	-
Polarcus Group Services Limited	Cayman Islands	100%	-	-
Polarcus UK Limited	United Kingdom	100%	208,296	208,296
Polarcus Norway AS	Norway	100%	7,012	7,012
Polarcus Multi-Client (CY) Limited	Cyprus	100%	-	-
Polarcus Asia Pacific Pte. Limited	Singapore	100%	-	-
Polarcus 1 Limited (Liquidated during 2018)	Cayman Islands	100%	-	-
Polarcus Nigeria Limited	Nigeria	49%	2,800	2,800
<b>Total</b>			<b>231,211</b>	<b>231,211</b>
Accumulated impairments			(227,508)	(227,508)
<b>Carrying value at the yearend</b>			<b>3,703</b>	<b>3,703</b>

\* Voting rights are equivalent to shareholding for all companies.



The Company is the ultimate parent company for the subsidiaries of directly owned subsidiaries. The non-direct subsidiaries as of 31 December 2018 is as per below:

Name of the subsidiary	Country of incorporation	Equity interest as at 31-Dec-18	Equity interest as at 31-Dec-17
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus do Brasil Limiteda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc. Colombia Branch	Colombia	100%	100%
Polarcus France SAS	France	100%	100%
Polarcus Asia Pacific Pte. Ltd Myanmar Branch	Myanmar	100%	-
Polarcus Ghana Limited	Ghana	90%	90%

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

## 4 Other current assets

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
inventories	1,347	851
Prepaid expenses and deposits	100	88
Other receivables	10	302
Cash collateral deposit for currency swaps		1,370
<b>Total</b>	<b>1,457</b>	<b>2,610</b>

## 5 Other financial assets and liabilities

### 5.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
Trade receivables from subsidiaries	39,178	57,333
Other receivable from subsidiaries	81,750	34,177
Loans to subsidiaries	16,337	80,397
Other current financial assets	12	1,672
<b>Total financial assets measured at amortized cost</b>	<b>137,278</b>	<b>173,579</b>

Financial liabilities measured at amortized cost are as per below:

<i>(in thousands of USD)</i>	31-Dec-18	31-Dec-17
Interest bearing debt (refer to Note 25 in the consolidated financial statements)	33,231	22,901
Payable to subsidiaries	50,667	6,556
Accounts payable	3,731	4,050
<b>Total financial liabilities measured at amortized cost</b>	<b>87,628</b>	<b>33,507</b>



## 5.2 Fair values

<i>(in thousands of USD)</i>	31-Dec-18		31-Dec-17	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash and deposits	612	612	4,024	4,024
Trade receivables from subsidiaries	39,178	39,178	57,333	57,333
Other receivable from subsidiaries	81,750	81,750	34,177	34,177
Short-term loan to subsidiaries	16,337	16,337	80,397	80,397
<b>Total</b>	<b>137,877</b>	<b>137,877</b>	<b>175,931</b>	<b>175,931</b>
<b>Financial liabilities</b>				
125M USD convertible bonds – Tranche A	20,047	45,437	22,901	28,532
125M USD convertible bonds – Tranche B	730	430	6,063	6,063
95M USD unsecured bonds	2,916	1,720	12,314	12,314
NOK 350 million unsecured bond	1,877	1,033	7,369	7,369
Payable to subsidiaries	50,667	50,667	6,556	6,556
Accounts payable	3,731	3,731	4,050	4,050
<b>Total</b>	<b>79,968</b>	<b>103,018</b>	<b>59,253</b>	<b>64,883</b>

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

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

### Fair value hierarchy

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

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

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

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

## 6 Other accruals and payables

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Accrued legal and consulting expenses	852	-
Accrued interest	631	666
Other	520	-
Employee accruals and payable	-	1,239
<b>Total</b>	<b>2,004</b>	<b>1,905</b>

## 7 General and administrative costs

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Salaries and other employee benefits	461	746
Other general and administrative expenses	4,567	7,592
<b>Total</b>	<b>5,028</b>	<b>8,338</b>

### 7.1 Salaries and other employee benefits

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Salaries and bonuses	4,665	25,814
Social security costs	10	51
Pension costs	184	1,484
Other benefits	798	1,734
Crew travel related costs	1,196	3,499
Employee salaries and benefits included in cost of sales	(6,393)	(31,836)
<b>Total</b>	<b>461</b>	<b>746</b>



## 8 Property, plant and equipment

(In thousands of USD)

	In-sea equipment
<b>Year ended 31 December 2018</b>	
<b>Costs</b>	
Balance at 1 January 2018	90,705
Additional capital expenditures	3,502
Balance as of 31 December 2018	94,207
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2018	90,705
Depreciation for the period	69
Balance as of 31 December 2018	90,774
<b>Carrying amounts</b>	
As of 1 January 2018	-
As of 31 December 2018	3,433
<b>Year ended 31 December 2017</b>	
<b>Costs</b>	
Balance at 1 January 2017	88,754
Additional capital expenditures	1,951
Balance as of 31 December 2017	90,705
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2017	64,749
Depreciation for the period	2,968
Disposals	15,485
Impairments	7,502
Balance as of 31 December 2017	90,705
<b>Carrying amounts</b>	
As of 1 January 2017	24,005
As of 31 December 2017	-

## 9 Impairments

(In thousands of USD)

	Year ended	
	31-Dec-18	31-Dec-17
Impairment of loans to and receivables from subsidiaries	110,910	131,561
Impairment of in-sea equipment	-	7,502
<b>Total</b>	<b>110,910</b>	<b>139,063</b>

## 10 Finance costs

(In thousands of USD)

	Year ended	
	31-Dec-18	31-Dec-17
Interest expenses on bond loans	11,639	21,929
Interest expenses on other debt	369	3
Other finance costs	731	789
Foreign currency exchange losses	454	2,574
<b>Total</b>	<b>13,192</b>	<b>25,295</b>

## 11 Finance income

(In thousands of USD)

	Year ended	
	31-Dec-18	31-Dec-17
Interest income from loans to subsidiaries	4,683	3,978
Interest income from deposit with banks	85	58
Foreign currency exchange gains	202	878
<b>Total</b>	<b>4,970</b>	<b>4,914</b>



## 12 Related parties

### 12.1 Transactions with subsidiaries

Below is a summary of the Company's transactions with its subsidiaries during the year ended 31 December 2018 and balances due to and from other Group companies in the ordinary course of Company's business as at the yearend.

<i>(In thousands of USD)</i>	31-Dec-18	31-Dec-17
Services received from subsidiaries	578	1,650
Services provided to subsidiaries	12,433	38,518
Payable to subsidiaries	50,667	6,556
Receivable from subsidiaries	120,928	91,510

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

Services provided to subsidiaries during 2018 represent the crewing services provided to different subsidiaries during Q1 2018 and expenses incurred on behalf of the subsidiaries that were reimbursed at cost. Also refer to Note 2 Revenues for details.

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

### 12.2 Loans to subsidiaries

<i>(In thousands of USD)</i>	Year ended	
	31-Dec-18	31-Dec-17
Balance as at 1 January	80,397	158,705
New loans provided to subsidiaries	59,000	48,300
Repayments received	(12,760)	(8,508)
Impairments	(110,300)	(118,100)
Balance as at 31 December	16,337	80,397

## 13 Authorization of financial statement

The unconsolidated financial statements of the parent company Polarcus Limited for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 27 March 2019.

Mike Mannering

Chairman

Karen El-Tawil

Board Member

Peter Zickerman

Board Member

Nicholas Smith

Board Member

Tom Henning Slethei

Board Member

Erik Mathiesen

Board Member

Duncan Eley

CEO



## 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 2018 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.

27 March 2019

The Board of Directors of Polarcus Limited

Mike Mannerling

Chairman

Karen El-Tawil

Board Member

Peter Zickerman

Board Member

Nicholas Smith

Board Member

Tom Henning Slethei

Board Member

Erik Mathiesen

Board Member

Duncan Eley

CEO



Statsautoriserte revisorer  
Ernst & Young AS

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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 balance sheets as at 31 December 2018, 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. 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 challenging market conditions in 2018 and existence of impairment indicators triggered an impairment assessment of vessels. The impairment evaluation is dependent on a range of assumptions such as utilization, day rates, operating expenses and weighted average cost of capital, all affected by future market developments and economic conditions and future operational costs and maintenance expenses. The impairment valuation of the vessels is a key audit matter due to the judgments involved in establishing the assumptions. The Group recognized an impairment of USD 6 million in the 2018 consolidated financial statements. The book value of the vessels after the impairment is USD 369,6 million.



Our audit procedures included an evaluation of key assumptions in the cash flows projected by management through comparing the estimated revenues 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 expectations. Furthermore, we compared the risk premiums in the weighted average cost of capital with market data, and considered management's adjustments for company specific factors. We considered the accuracy of prior years' 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 value in use calculations with third party valuation reports and analysts' reports obtained by Polarcus.

Refer to note 4.1.1 "Impairment assessment of vessels and seismic equipment" and 19 "Property, plant and equipment" to the consolidated financial statements for the disclosures regarding the assumptions applied, valuation model, sensitivity to key assumptions and the impairment losses of vessels recorded.

### Other information

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

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

### Responsibilities of management for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with 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.
- 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, 27 March 2019

ERNST & YOUNG AS

Finn Ole Edstrøm

State Authorised Public Accountant (Norway)



## Addresses

### **Polarcus Limited**

Reg. No: WK 201867  
Registered Address:  
c/o Walkers Corporate Limited  
Cayman Corporate Centre, 27 Hospital Road,  
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Grand Cayman, KY1-9008  
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Correspondence Address:  
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### **Polarcus DMCC**

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### **Polarcus Selma Ltd**

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### **Polarcus Ghana Limited**

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### **Polarcus US Inc - Sucursal Colombia**

Reg. No: 900973118-1  
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c/o Capitol Services Inc  
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### **Polarcus Group Services Limited**

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### **Polarcus Naila AS**

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### **Polarcus Shipholding AS**

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### **Polarcus US Inc.**

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