Awilco Drilling PLC

Report and Financial Statements

31 December 2013

Directors
Sigurd Thorvildsen
Henrik Fougner
Daniel Gold
John Simpson
Synne Syrrist
Jon Bryce

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Strategic report

Corporate Strategy and business model

The Company's strategy is to create shareholder value through the provision of a quality, reliable and customer focused service to the mobile drilling rig market. The management team shall safely, efficiently and effectively deliver a high quality service to customers, with a view to securing the most lucrative day rate contracts in conjunction with the highest achievable rig utilisations. The Company shall evaluate growth opportunities which best complement its financial and operational aspirations.

The Company owns and operates two semi-submersible drilling rigs, the WilPhoenix and WilHunter, both standardised rigs used in the drilling of oil and gas wells in the UK sector of the North Sea, although they can be used in other geographical locations.

Principal activity

The principal activity of the Company and its subsidiaries ('the Group') is to operate the drilling rigs as noted above. During the year, both rigs were in continued drilling operations for their respective clients.

Business review and future developments

While the UK mid-water market remains tight in 2014, the Company forecasts some softness through 2015. The Company's contract coverage in 2014 and 2015 limits the exposure to any reduction in day rates or utilisation levels before 2016 when the market is expected to be strengthening again.

Performance

The Group's financial performance during the year was as follows:

	2013	*2012*
	US$000	*US$000*
Revenue	236,532	152,227
Operating profit	140,183	56,424
Profit for the year attributable to equity shareholders	122,263	39,394
Gross profit %	68%	51%
Number of employees and contractors at year end	238	224

The total revenue for the year relates to contract income received from drilling operations. The increase is due to an increase in contract day rates and higher utilisation. The Group had rig operating expenses of US$56 million (2012 : US$57 million) relating to rig operating costs, and general and administration expenses of US$21 million (2012 : US$21 million).

The key performance indicators (KPIs) set out below are reviewed on a regular basis by management and performance against them subsequently reported to the Board of Directors. Targets for the KPI's are set and, if performance falls short, the proposed corrective action is discussed by the Board and implemented by management.

The Company's main financial KPIs are:

Revenue efficiency

Revenue efficiency is actual revenue for the period compared with the maximum contract revenue multiplied by the number of days in the period. For the year ended 31 December 2013, the revenue efficiency was 95.8% (2012: 80.8%). This is due to higher utilisation during the year compared with prior year which saw a higher amount of downtime as a result of rig repairs.

Strategic report

Business review and future developments (continued)

Operating margin

Operating margin is total revenue less operating costs versus budget for the same period. For the year ended 31 December 2013, operating margin was 76.1% (2012 : 62.9%). The increased margin was due to lower operating costs as a result of decreased downtime and consequent repair costs during the year.

The Company also has a number of operational KPI's that are used to manage the business on a day to day basis and are detailed below:

Quality, Health, Safety and Environment (QHSE)

Total recordable incident rate (TRIR)	Number of incidents (lost time incident, restricted work case, medical treatment only) x 200,000 / Total number of man hours in the review period. Measured on a rolling 12 month basis.
Unplanned discharges	Items that have been discharged to sea not covered under PON 15 which relate to allowable items. Some examples are BOP control fluid, hydraulic oil etc. that are reportable under PON 1. (PON - Petroleum operations notices) Measured by total PON 1 forms completed (Company controlled only).

Operations

Uptime	Total hours the rigs are working i.e. not on unplanned downtime / on contract time for the period.

Human Resources (HR)

Personnel turnover	Employee initiated leavers in the period as a percentage of total headcount (onshore and offshore) on a rolling 12 month basis.

Principal risks and uncertainties

The primary risks are those that impact utilisation rates for each of the rigs, QHSE issues associated with operations and exposure to liquidity and credit risk.

Utilisation rates for the rigs

The Company has a small fleet of only two rigs, implying that downtime, failure or idle periods will have a relatively higher impact than if the Company had a larger and more diverse fleet. The risk to utilisation rates may arise through deferred commencement of drilling contracts either through delays incurred on shipyard project work or delays encountered by operators not able to commence in accordance with plan. There is also the possibility of gaps and idle periods during the year due to the unpredictable nature of contract drilling operations. Additionally there is a utilisation risk associated with the possibility of mechanical and weather down time. The Group mitigates this risk through its operating, marketing and pricing strategies.

***QHSE* (Quality, Health, Safety, Environment)**

To mitigate any risk with regards to QHSE the Group has in place a QHSE management plan which seeks to ensure that all operations are conducted within normal industry standards and procedures. The Company also seeks to ensure safe and efficient operations, with no accidents, injuries, environmental incidents or damage to assets.

Strategic report

Business review and future developments (continued)

Liquidity

As described in note 24 to the financial statements, the Group's objective is to maintain sufficient liquidity in order to support the needs of the business and meet the repayments of debt and other liabilities as they fall due. The Group has met all debt repayment obligations and has an appropriate level of cash on hand.

Credit

Management assess the credit rating of new and existing clients and determines if any action is required to secure payment in respect of work performed.

Tax risks

The Company has subsidiaries in various countries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, the Company is subject to changing tax laws, treaties and regulations in and between countries in which it operates. The Company's income tax expense is based upon its interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations or in the interpretation thereof, which is beyond the Company's control, could result in a materially higher tax expense or a higher effective tax rate on the Company's earnings.

Volatility of the share price

The trading price of the Company's shares could fluctuate significantly in responses to quarterly variations in operating results, adverse business developments, interest rates, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors, changes to the regulatory environment in which the Company operates, or a variety of other factors outside the control of the Company.

Corporate Social Responsibility

We recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing our Corporate Social Responsibility (CSR) agenda, recognising that it can play a major part in our operations. This report does not contain information about any policies of the Company in relation to social community and human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Company's business activities.

Core Values

Simple is Best – Our systems and procedures shall be clear, concise and effective, ensuring we deliver on our promises.

Engagement – We will be a company of choice, valuing our work force, listening and responding to employees, clients and partners.

Efficiency – We will consistently meet our client's expectations by providing competent people, reliable equipment and smart systems.

Flexibility – We will encourage challenge and creativity in order to deliver optimised performance and continuous improvement.

Performance – We will get it right first time; consistently delivering success.

Strategic report

Corporate Social Responsibility (continued)

Policy

The Company's employment policies and procedures are described in detail in the Staff Handbook, which is available to all employees via the Business Management System (BMS). The Company's Code of Conduct – Values and Ethics document sets outs the basic principles to guide all employees and officers of the Company on how they must conduct themselves to seek to avoid even the appearance of improper behaviour. To help ensure compliance, the Company requires that employees, officers or directors review the policy and acknowledge their understanding and adherence in writing on an annual basis.

Equal opportunities

The Company is committed to equal opportunities and treats all employees with respect and dignity and ensures that decisions are taken without reference to irrelevant or discriminatory criteria. The Company does not tolerate any form of unlawful discrimination and is committed to promoting equality of opportunity and will address any unlawful discrimination in every aspect of its operations.

As at 31 December 2013 the number of employees was as follows:

Employees	Male	Female
Directors	5	1
Senior Managers	4	-
Employees	214	20

Health and Wellbeing

It is important to the Company that it supports its employees in their health and wellbeing. The Company operates a flexible benefit scheme that is available to all members of staff and includes benefits such as leisure club membership, private medical and dental insurance, a health screening service and an Employee Assistance Programme.

The Company is also in the progress of applying for the Bronze level of the Healthy Working Lives programme.

Health, Safety and Environment

The Company recognises that is has a corporate responsibility to carry out its operations whilst minimising its impact on the environment. As a result of this, the Company has gone through a rigorous audit process and has been awarded ISO14001 certification. ISO14001 is an internationally recognised environmental management system (EMS) standard, providing a model for companies to follow to create and achieve their policy. Focusing on the issues that really matter, it is designed to help companies achieve consistent environmental regulatory compliance whilst embedding the concept of continuous improvements in environmental performance. ISO14001 is a widespread benchmark for thousands of organisations around the world that want to communicate to the public and stakeholders that they are environmentally responsible.

By order of the Board of Directors

Sigurd Thorvildsen
24 April 2014

Directors' report

Registered No. 7114196

The Directors present their report and financial statements for the year ended 31 December 2013. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Results and dividends

The profit after taxation for the year amounted to US$ 122.3 million (2012: US$ 39.4 million).
There was a total dividend of US$ 3.10 per share paid during the year (2012 : nil).

Directors

The directors who served the Company during the year were as follows:

Sigurd Thorvildsen
Henrik Fougner
Daniel Gold
John Simpson
Synne Syrrist
Jon Bryce

Financial instruments

The Group's financial risk management objectives and policies are discussed further in Note 24 on pages 51-53 of the financial statements.

Directors liability

The Company insures its directors and officers against liability in respect of proceedings brought by third parties, subject to the conditions set out in the UK Companies Act 2006.

Directors and their interests

None of the directors listed above had any interest in the Company's shares, with the exception of Jon Bryce in connection with the Company's long term incentive plan. Details are given in the directors' remuneration report.

Major interest in shares

The company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 22 April 2014.

	No of shares	*Percentage holding*
Awilco Drilling AS	14,633,100	48.73%
Euroclear Bank	1,840,705	6.13%
Citibank N.A.	1,175,365	3.91%
UBS Securities LLC	1,028,271	3.42%

QVT Financial LP with affiliated and related parties owned 3,275,900 shares at 22 April 2014, a total of 10.91% of the Company's share capital.

FVP Master Fund LP with affiliated and related parties owned 2,145,568 shares at 22 April 2014, a total of 7.14% of the Company's share capital.

Corporate governance

The information given in the corporate governance statement is set out on pages 9-15

Directors' report

Going concern

Management has prepared cash flow forecasts for a period of 24 months from the balance sheet date. These demonstrate the ability of the Group to pay its debts as they fall due for at least the next 24 months. The Group has access to sufficient working capital facilities and its rigs are on term charters at profitable rates.

On this basis, the directors have concluded that the Group will remain a going concern for at least 12 months from the day of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Responsibility statement

Each of the directors listed on page 1 confirms that to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

The strategic report includes a fair review of the development and performance of the business, together with a description of the principal risks and uncertainties faced.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board of Directors

Sigurd Thorvildsen
24 April 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom company law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under UK Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and Company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company's financial position and financial performance;
- state that the Company and Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the UK Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

Awilco Drilling PLC ('the Company') is committed to maintaining high standards of corporate governance.

The Company is listed on the Oslo Axess stock exchange and has adopted the Norwegian Code of Practice for Corporate Governance of 23 October 2012 ('the Code'). A copy of the code can be found at www.nues.no

Adherence to the Code is based on a "comply or explain" principle, whereby companies are expected to comply with the recommendations or explain why they have chosen an alternative approach. Below is a summary of the departures from the Code with an explanation of how the Company's actual practices contribute to good corporate governance.

Code of Practice Compliance

The Company is required to state how it has applied the principles set out in Section 1 of the Code and which relate to its Directors, remuneration, accountability and audit and relations with shareholders.

As of the date of this report, the Company is in compliance with the Code, except in relation to the following matters:

- Business – the Company's Articles of Association do not specifically define the Company's business. The Company is incorporated in England & Wales and this is in line with standard practice for a UK registered company. An overview of the Company's business can be found in this report.
- Equity and dividends – the authorisation given to undertake share capital increases has not been restricted to defined purposes, due to the scope of the Company's business. This is normal practice for a UK registered company.
- Board composition – the Chief Executive Officer ('CEO') of the Company is also a member of the Board of Directors. It is standard UK practice for public limited companies to have both executive and non-executive directors.
- Auditor – the Auditor is not present during the Board meeting that deals with the annual accounts; but the Auditor meets with the Audit Committee to discuss the annual report and financial statements.

Business

The Company's principal business is to own offshore drilling rigs for use in offshore drilling operations, and to provide drilling services for oil and gas companies using these rigs. This is an intricate business which involves complex assets and high value equipment, and which requires specialised and trained personnel to operate them efficiently and safely.

The Company's vision is to be a partner of choice, consistently "delivering the difference" to its customers.

Further information about the Company's vision, mission and strategy statements is available in the strategic report.

Equity and dividends

Full details of the shares issued are detailed in note 22. The Company considers its equity to be at a level appropriate to the Company's objectives, strategies, cash flow projections and risk profile.

The Company's intention is to pay a regular dividend in support of its main objective to maximise returns to shareholders. All of the Company's free cash flow is intended to be distributed subject to maintaining a robust cash buffer to support operational working capital requirements and planned capital expenditure. In the case of attractive growth opportunities the company will endeavour to maintain a meaningful dividend distribution.

Equal treatment of shareholders

All issued shares of the Company are vested with equal shareholder rights in all respects. There is only one class of shares. The Articles of Association place no restrictions on voting rights. Each share represents one vote at the Company's General Meetings.

Corporate governance

Transactions with close associates

The Company has entered into the agreements listed below with the following parties:

- A management agreement with Awilhelmsen Management AS (AWM) for corporate services;
- Management-for-hire contracts with six persons from the Awilhelmsen Group for corporate services; and
- A short term USD 15 million credit facility with Awilco Drilling AS and Tompkins Square Park S.Á.R.L. (a Company controlled by QVT, the Company's second largest shareholder). The facility was terminated in April 2013.

Awilco Drilling AS, a wholly owned subsidiary of Awilhelmsen AS, owns 49% of the ordinary shares in Awilco Drilling PLC (52% on incorporation).

Freely negotiable shares

The shares of the Company are freely negotiable.

Going concern

The Board regularly review the Company's financial projections to ensure resources are fully able to meet operational requirements, and take appropriate action if judged necessary.

General Meetings

All shareholders of the Company are entitled to attend the general meetings of the Company. The Annual General Meeting (AGM) is to be held no later than 30 June each year. Notification for meetings are sent out at least 21 days in advance. The notice includes a reference to the Company's website where the notice for the General Meeting, and other supporting documents required to allow shareholders to form a view on all matters to be considered at the meeting, are made available. The deadline for registration is normally set three working days before the General Meeting, to ensure shareholders have as much time as possible to register. If a shareholder cannot attend a meeting in person it is possible to vote through proxy.

The minutes from the General Meetings are published on the Company's website www.awilcodrilling.com

The next AGM is scheduled for 26 June 2014.

Corporate governance

The Board of Directors

The Board considers that it is vital to ensure that there is an appropriate range of skills, knowledge and experience among its members, and that the objectivity and integrity of members should be exemplary. The Board consists of six directors; one executive Director (the Chief Executive Officer or 'CEO') and five non-executive Directors including the Chairman. The Board believes that the structure and size of the Board is appropriate and that no single individual or group dominates the decision making process. The names, skills, experience and expertise of each Director are shown in the Board of Directors section of the Company's website at www.awilcodrilling.com

The roles of the Chairman and CEO are separate and the division of their responsibilities has been clearly established and agreed by the Board.

The main responsibilities of the Board include but are not limited to:

- providing strategic direction for the Company;
- overseeing the Company's systems of internal control, governance and risk management;
- evaluating the performance of executive management; and
- monitoring and facilitating the activities of the Audit and Compensation Committees.

Management is delegated the task of the detailed planning and implementation of the Company's strategy.

Directors receive timely, regular and appropriate management information to enable them to fulfil their duties and have access to the advice of the Company Secretary. The Board has agreed guidelines for Directors to obtain independent professional advice if they seek it at the Company's expense.

The Company has in place directors and officers' liability insurance.

The Board includes two independent non-executive directors (John Simpson and Synne Syrrist) and three non-independent non-executive directors (Sigurd Thorvildsen, Henrik Fougner and Daniel Gold). All the non-executive Board members are viewed as being free from any relationship with the executive management which could result in any conflict or affect their judgement. None of the non-executive directors participates in the share option schemes or long-term incentive plan operated by the Company and none were dependent on the fees received from the Company as their primary source of income.

Board Performance

The Board completes a formal annual process to evaluate the effectiveness of Board Committees and individual Directors and has confirmed that it is satisfied that it and its Committees are operating effectively.

The performance of the executive director is reviewed annually by the Compensation Committee in conjunction with his annual pay review and the payment of bonuses.

Directors are elected by shareholders at the first annual general meeting after their appointment and, after that, offer themselves for re-election by a vote of shareholders at least once every two years.

Corporate governance

The Board of Directors (continued)

Meetings and attendance

Board meetings are scheduled to be held at least five times a year, linked to key events in the Company's corporate reporting calendar. Additional ad-hoc meetings may be held.

It is expected that all directors attend Board and relevant committee meetings, unless they are prevented from doing so by prior commitments. If directors are unable to attend meetings they are given the opportunity to be consulted and comment in advance of the meeting. The Chairman holds regular informal meetings with the non-executive directors without the executive director being present.

Board Committees

The Board has established an Audit Committee, Compensation Committee and Nomination Committee. The Audit Committee and Nomination Committee have formal terms of reference governing their method of operation which reflect the provisions of the Code and which have been approved by the Board.

Audit Committee

The Audit Committee was chaired during the year by John Simpson and the other member of the Committee is Henrik Fougner. Only John Simpson is considered to be independent by the Board, which is acknowledged in the terms of reference of the Audit Committee. The Board is satisfied that John Simpson has recent and relevant financial experience, as the former CEO of Den norske Bank (now DNB Bank) in London and Regional Director for DNB's Asia-Pacific operations. Mr Simpson is also classed as an approved person by the UK FCA and has chaired audit committees of UK listed companies and public bodies since 1996.

The role of the Audit Committee is to ensure the integrity of the financial statements of the Company, including its annual and quarterly reports, preliminary results' announcements and any other formal announcements relating to its financial performance. It is responsible for reviewing the Company's internal financial control and risk management systems, advising the Board on the appointment of external auditors, overseeing the relationship with external auditors, reviewing the Company's whistleblowing procedures and considering the need for an internal audit function.

The Audit Committee monitors the relationship with the Company's external auditors relating to the provision of non-audit services to ensure auditor objectivity and independence is safe-guarded. The Company will award non-audit work to the firm which provides the best commercial solution for the work in question taking into account the skills and experience of the firm involved, the fees payable for the work, with particular attention to the level of fees for non-audit services relative to the amounts of the audit fee and whether there are safeguards in place to mitigate to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from such services.

There is an opportunity at each meeting for the Audit Committee to discuss matters privately with the external auditors without any members of the executive management team present. In addition, the Chairman of the Committee is in regular contact with the external audit partner to discuss matters relevant to the Company.

Compensation Committee

The Compensation Committee was chaired during the year by Sigurd Thorvildsen and the other member of the Committee is Daniel Gold.

The role of the Compensation Committee is to establish and develop the remuneration policy for the Company's executives and key management and to determine a specific remuneration package for the CEO. No director or employee is involved in deciding their own remuneration. The Committee also approves all employee pay review proposals.

Details of the Company's policy on remuneration, service contracts and compensation payments are set out in the remuneration report.

Corporate governance

The Board of Directors (continued)

Nomination Committee

The members of the Nomination Committee are Henrik Christensen and Tom Furulund.

The role of the Nomination Committee is to present a recommendation to the general meetings concerning directors to be elected by shareholders and concerning directors' fees. The Nomination Committee shall also present recommendations to the general meetings regarding nomination of members to the Nomination Committee and concerning fees for the members of the Nomination Committee.

The table below shows the frequency and attendance of directors and other members at Board and Committee meetings during 2013.

	Board Meetings	*Compensation Committee*	*Audit Committee*	*Nomination Committee*
No of meetings in year	6	6	3	1
Sigurd Thorvildsen	6	6	-	-
Henrik Fougner	6	-	3	-
Daniel Gold	6	6	-	-
John Simpson	6	-	3	-
Synne Syrrist	6	-	-	-
Jon Bryce	6	-	-	-
Henrik Christensen (1)	-	-	-	1
Tom Furulund (1)	-	-	-	1

(1) *Not members of the board but members of the Nomination Committee only.*

Internal controls and risk management

The Board acknowledges its responsibility for establishing and maintaining adequate internal controls and risk management systems to safeguard shareholders' investments and the Company's assets and performs an annual review of these areas. Such systems can only be designed to manage, and not to eliminate, the risk of failure to achieve business objectives. They can provide reasonable, but not absolute, assurance that the Company's assets are safeguarded and that the financial information used within the business for external reporting is reliable.

Operational and business activity risks

The Company's operational and business activity risks are controlled and mitigated by the implementation and use of its Business Management System (BMS). The Company's offshore activity risk is further controlled by the implementation and use of its Safety and Environmental Management System which is incorporated in the BMS.

Information and financial reporting systems

The Company's comprehensive planning and financial reporting procedures include annual detailed operational budgets which are reviewed and approved by the Board. Performance against budget is monitored throughout the year, through monthly reporting of management accounts and key performance indicators. The Board receives updated cash flow statements at each Board meeting and has close follow up discussions with the management between meetings as required.

With a centralised financial reporting system, transactions and balances are recognised and measured in accordance with prescribed accounting policies, and all relevant information is appropriately reviewed and reconciled as part of the reporting process.

Corporate governance

Internal controls and risk management (continued)

Investment appraisal

There are clearly defined evaluation and approval processes for acquisitions and disposals, capital items and major expenditure. These include escalating levels of authority and post-completion reviews of all major projects to compare the actual outcome with the original plan. Certain transactions are reserved for approval by the Board and limits of delegated responsibility and areas of authority have been identified for employees.

External audit

The Audit Committee reports to the Board on matters discussed with the auditors during the course of the statutory audit.

Takeovers

The Company has adopted guidelines in relation to take-over bids. The guiding principles of the Board in a take-over situation will be to seek the best value for and the equal treatment of all shareholders. The Board recognises that the decision whether to accept or reject an offer lies with the shareholders, and will refrain from any actions which may deny shareholders this choice. The Board will seek to provide shareholders with a recommendation as to whether shareholders should or should not accept an offer. This includes seeking external advice on valuation when appropriate. Any transaction that is in effect a disposal of the Company's activities will be submitted to a General Meeting for its approval. As the Company is incorporated in England and Wales, any take-over bid for the Company would be governed by aspects of both Norwegian Law and English law and regulations in accordance with the EU Take-over directive.

Communication with shareholders

The Company is committed to maintain the highest of standards of disclosure ensuring that all investors and potential investors have the same access to high quality, relevant information in an accessible and timely manner to assist them in making informed decisions. The Investor Relations Department manages the flow of information to all investors and potential investors and regular presentations take place at the time of the quarterly, half year and final results as well as during the rest of the year.

Any concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board.

The Company maintains a website which provides up-to-date, detailed information on the Company's operations, which includes a dedicated investor relations section. All Company announcements are available on the website, as are copies of slides used for presentations to investment analysts.

Shareholders will have the opportunity at the forthcoming AGM to put questions to the Board, including the Chairmen of the various Committees.

Remuneration of the Board of Directors

The Company operates in a highly competitive market and must attract, motivate and retain high quality directors capable of achieving the Company's objectives and thereby enhancing shareholder value.

The non-executive Board members receive annual remuneration, based on the Board's responsibilities, expertise, time invested and the complexity of the business. Their remuneration is not linked to the Company's performance.

The remuneration of the Board is disclosed in the Director's Remuneration Report on pages 16-25 of this report. None of the Board members have had any additional assignments for the Company and none of the non-executives participate in any incentive or share option programme.

Corporate governance

Remuneration of executive personnel

The Compensation Committee reviews and advises on proposals made by the CEO with regard to the remuneration payable to executive personnel, and presents them to the Board. The remuneration payable to executive personnel is determined on the basis of competence, experience and achieved results.

The Board decides the salary and other compensation for the CEO in a meeting. The remuneration and other compensation to the CEO and other executive employees are disclosed in the notes to the financial statements.

Auditor

In line with standard practice for a UK company, the auditor is not present during the Board meeting that deals with the annual accounts.

The auditor attends all meetings of the Audit Committee and presents to the Committee reviews of the Company's accounting principles, risk areas, internal control procedures, including identified weaknesses and proposals for improvement.

The auditor has an annual meeting with the Audit Committee at which neither the CEO nor any other member from the management team is present.

By order of the Board of Directors

Sigurd Thorvildsen
24 April 2014

Directors' remuneration report

Information not subject to audit

Chairman of the Remuneration Committee's Annual Statement

Dear Shareholders,

I am pleased to present the directors remuneration report for the financial year ended 31 December 2013, the first report prepared in accordance with the new Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

This report explains the Company's remuneration policy and provides details of the remuneration paid to executive and non-executive directors for services to the Company during the year. There have been no significant changes to the remuneration policy this year.

2013 has been a year of improved performance for the Company, with both revenue and operating profit significantly higher than in the previous year, due to improved rig utilisation and contract rates. This performance has been reflected in the share price, which rose from NOK 69 at the start of the year to NOK 129 at the year end.

In determining remuneration levels, the Committee has taken account of market conditions, the performance of the Company, responsibility to shareholders and good corporate governance.

A resolution to approve the Directors remuneration report will be proposed at the AGM which is scheduled to be held on 26 June 2014.

Sigurd Thorvildsen
Chairman, Compensation Committee
24 April 2014

Directors' remuneration report

Remuneration policy

The Company operates in a highly competitive market and must attract, motivate and retain high quality directors and senior executives capable of achieving the Company's objectives and thereby enhancing shareholder value.

No director makes a decision relating to his own remuneration. Individual directors leave the meeting when their own remuneration is being discussed. A significant proportion of the potential remuneration of the executive director and senior executives is performance-related with appropriately stretching targets, thus aligning their interests with those of shareholders and encouraging performance at the highest levels.

The Committee has considered whether there are any aspects of the remuneration policy which could inadvertently encourage the executives to take inappropriate risk and has concluded that the policy remains appropriate in this regard.

How the views of employees are taken into account

The Company, in line with current market practice, does not actively consult with employees on executive remuneration. The Committee is made aware of overall pay and employment conditions in the wider work force when it sets the executive remuneration policy.

How the views of shareholders are taken into account

The Committee takes into account the view of the shareholders through an open and transparent communication with the shareholders. If there are significant changes proposed to the remuneration policy, the Committee will consult with major shareholders.

The table below summarises the remuneration policy, by component for the executive director. Details of the remuneration policy for non-executive directors are included on page 20.

Element	Purpose	Operation	Opportunity	Performance Measure
Annual Salary	To attract and retain key individuals and reflect their responsibilities, market value and expected performance level	Reviewed annually or when a change in responsibility occurs	There is no maximum salary opportunity	Not applicable
Benefits	To provide a market competitive reward package to the employee	The Company typically provides ➢ Car allowance ➢ Private health care ➢ Private dental care	Car allowance is a fixed annual amount. There is no maximum for health insurance as will depend on the value of premiums paid in the year	Not applicable
Performance related bonus	To incentivise the employee	Bonus payments are determined by the Compensation Committee and awarded where justified by performance	The amount of bonus increases with the level of performance achieved, up to a maximum of 100% of salary	Specified targets for the financial year – please see page 22 for full details

Directors' remuneration report

Element	Purpose	Operation	Opportunity	Performance Measure
Pension	To provide a market competitive long-term retirement benefit	Eligibility to participate in a Defined Contribution scheme which has a maximum employer contribution of 9%	See Operation	Not applicable
Long term incentive plan	To motivate and incentivise executives	All awards are of synthetic shares which are cash settled. 2010 Plan: The exercise period is 5 years and 25% of the options are "vested" after each of years 1, 2, 3 and 4, subject to the employee remaining employed by the Company during the first two year period. 2012 Plan: The plan "vests" after three years and the exercise period is five years subject to the employee remaining employed by the Company.	Award of up to 100% of salary each calendar year	No performance conditions are associated with the scheme; the awards are made at the discretion of the Board of Directors and are not guaranteed to be awarded each year.

Approach to recruitment and promotions

The remuneration package for a new executive director would be in accordance with the Company's approved remuneration policy as set out above. In addition, the Committee may offer additional benefits as necessary to secure an appointment and to take into account the elements of remuneration forfeited when leaving a previous employment.

For an internal appointment, any existing contractual agreements in respect of prior employment may be honoured.

Relocation expenses or allowances may be paid as necessary.

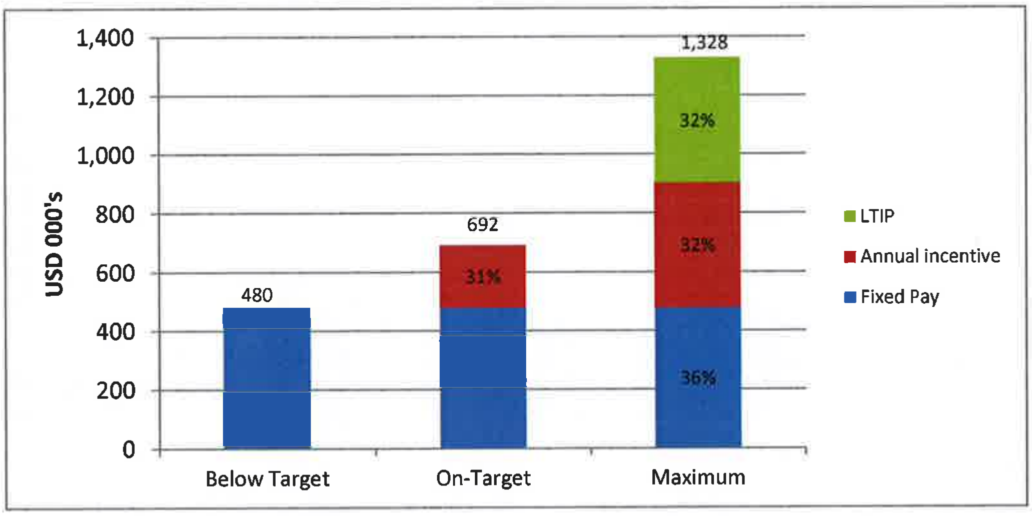
Directors' remuneration report

Service contracts

The service and employment contract of the executive director is not of a fixed duration and therefore has no unexpired terms, but continuation in office as a director, is subject to re-election by shareholders.
The notice period of the current executive director's contract of employment is three months with the same notice period for the Company. The contract may be terminated without notice for certain events such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such an event occurs. In the event that notice was served by either party, the director can continue to receive basic salary, benefits and pension contributions for the duration of the notice period. The Company may pay salary, benefits and pension in lieu of notice and will observe the other contractual entitlements of a director. There is no entitlement to bonus paid following notice of termination and any outstanding awards under the LTIP scheme will be forfeited. In respect of any new appointments, the policy would be based on terms that are consistent with these provisions.
The non-executive directors do not have service contracts but instead have letters of appointment.

Reward Scenarios

The graph below shows how the total pay opportunities for the Executive Director vary under three performance scenarios. These have been prepared on the assumptions detailed below.



Below target = fixed pay only (base salary, benefits and pension)
On target = 50% payable of annual bonus, 0% LTIP award
Maximum = 100% payable of annual bonus, 100% LTIP award

The chart illustrates the potential rewards available under the remuneration policy for the financial year 2014. The values assume a constant share price and do not take into account dividend adjustments that may be received on the share awards. The potential awards available for "on-target" performance under the annual bonus and LTIP are provided for illustration only and do not reflect formal policy decisions that these amounts will be received.
The salary level (on which the bonus and LTIP elements of the package are calculated) are based on those applying from 1 April 2014 onwards of USD 424,000.

Directors' remuneration report

Remuneration policy table – non-executive directors

The remuneration policy for non-executive directors is set out in the table below. No non-executive directors participate in the Company's incentive arrangements or pension plan.

Component	Purpose	Operation
Fees	The basic fee is a fixed annual fee agreed after taking external advice and making market comparisons, and relate to the service of the directors in connection with the Company's business. The additional fees payable to the Chairman and members of the Board Committees reflects the additional time commitment in preparing and attending the additional meetings.	The fees for non-executive directors (including the Chairman) are reviewed annually and approved in aggregate at the annual general meeting. The current level of fees is detailed below.

New appointments

The same principles as described above will be applied in setting the remuneration of a new non-executive director. Remuneration will comprise fees only and be paid in accordance with the prevailing rate at the time of the appointment. No variable remuneration will be paid and there will be no compensation for any loss of remuneration in a previous employment.

Fees for non-executive directors

The current level of fees payable in 2013 and those proposed for 2014 are as follows:

	2014 *US$*	*2013* *US$*
Chairman	70,000	70,000
Basic Fee	50,000	50,000
Chair of Audit committee	8,000	8,000
Member of Audit, Compensation or Nomination Committee	4,800	4,800

Fees paid in respect of 2014 will be decided at the next AGM which is scheduled for 26 June 2014.

Retirement and re-election of directors

All directors are required, under the Articles of Association of the Company, to retire at the first AGM. At each subsequent AGM, any directors who have been appointed by ordinary resolution or by the directors since the last AGM or who were not appointed or reappointed at one of the preceding two AGMs must retire from office and may offer themselves for reappointment by the members. After recommendation by the nomination committee, all directors were re-appointed at the AGM on 28th June 2013.

Directors' remuneration report

Audited information

Directors' remuneration

Single total figure of remuneration table

2013	*Basic Salary and Fees US$*	*Benefits (1) US$*	*Performance Related Bonus US$*	*Pension-related benefits(2) US$*	*Other(3) US$*	*Total US$*
Executive Director:						
J O S Bryce	400,000	17,971	300,000	36,000	800,000	1,553,971
Non-executive Directors:						
S E Thorvildsen	74,800	-	-	-	-	74,800
H Fougner	54,800	-	-	-	-	54,800
D A Gold	54,800	-	-	-	-	54,800
J N Simpson	58,000	-	-	-	-	58,000
S Syrrist	50,000	-	-	-	-	50,000
	692,400	17,971	300,000	36,000	800,000	1,846,371

2012	*Basic Salary and Fees US$*	*Benefits (1) US$*	*Performance Related Bonus US$*	*Pension-related benefits(2) US$*	*Other(3) US$*	*Total US$*
Executive Director:						
J O S Bryce	320,000	16,772	50,000	28,800	-	415,572
Non-executive Directors:						
S E Thorvildsen	60,800	-	-	-	-	60,800
H Fougner	44,800	-	-	-	-	44,800
D A Gold	44,800	-	-	-	-	44,800
J N Simpson	48,000	-	-	-	-	48,000
S Syrrist	40,000	-	-	-	-	40,000
	558,400	16,772	50,000	28,800	-	653,972

(1) Includes non-cash benefits comprising car allowance and private health and dental care
(2) Contributions made during 2013 to the defined contribution scheme
(3) Cash settled value of synthetic share options exercised during 2013

Directors' remuneration report

Analysis of taxable benefits received

The executive director received the following taxable benefits:

	2013	*2012*
	US$	*US$*
J O S Bryce		
Car allowance	16,000	14,800
Private health insurance	1,971	1,972
Total	17,971	16,772

Annual bonus 2013

For the year under review, the executive director's bonus was awarded subject to challenging strategic targets. The precise weightings are considered by the Company to be commercially sensitive so are not specified in detail. The areas that have been considered were company performance and also performance improvement from the prior year, measured against the Company's financial and operational KPI's. Also considered was the increase in shareholder value as a combination of share price appreciation and dividend distribution.

Annual bonus 2014

The criteria for the 2014 bonus has yet to be finalised by the compensation committee but is expected to follow a similar format to the current year metrics.

Long Term Incentive Plan

An option scheme for the executive director and other key management personnel, with a total limit of up to 3% of the Company's issued share capital was approved at the Annual General Meeting on 28 June 2012. The exercise period is 5 years and 25% of the options are "vested" after each of years 1, 2, 3 and 4, subject to the employee remaining employed by the Company during the first two year period.

During 2012, an additional long term incentive plan was introduced by the Company for the executive director and other key management personnel. The plan is included as part of the 3% limit approved previously. The plan "vests" after three years and the exercise period is five years subject to the employee remaining employed by the Company.

	At 1 January 2013 No.	*Granted in the year No.*	*Exercised in the year No.*	*At 31 December 2013 No.*	*Expiry date*	*Market price on date of award NOK*	*Interest vested in 2013 No.*	*Market price on vesting date NOK*
J Bryce	150,158	27,272	(46,196)	131,234	1 Jul 2015	29.00	44,358	106.00
J Bryce	36,900	6,701	-	43,601	28 Nov 2017	61.50	-	-

There are no performance conditions associated with the award of synthetic shares.

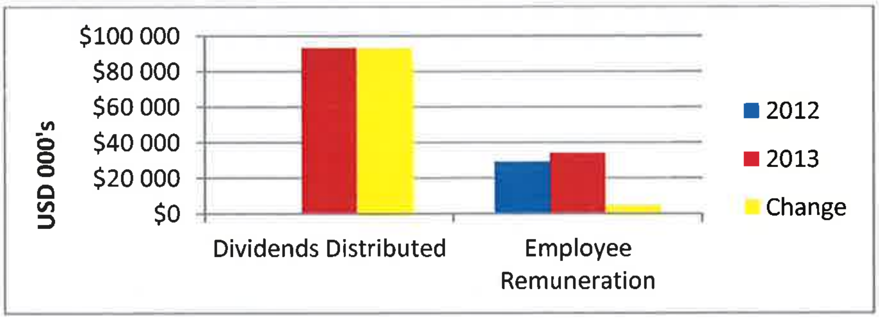
There are no other directors who have any interests in shares.

Directors' remuneration report

Information not subject to audit:

Relative importance of the spend on pay

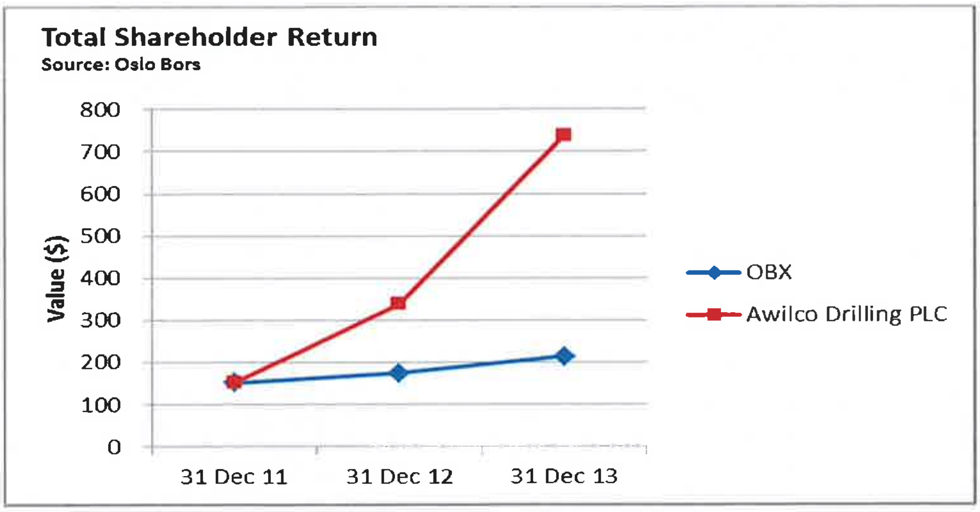
The graph below shows the relative importance of the spend on pay (for all employees) compared with the returns distributed to shareholders:



There were no dividends paid during 2012, which is the reason for the large change in 2013 compared with the previous year.

Total shareholder return performance graph

The graph below shows the total shareholder return in terms of change in value of an initial investment of £100 on 10 June 2011 (and assuming dividends are re-invested) in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the OBX (an index on the Oslo Bors stock exchange). This was selected as it represents a broad equity market index in which the Company is a constituent member.



Directors' remuneration report

Chief Executive officer (CEO) remuneration

Five year comparison

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual and long-term variable performance-related remuneration (and the percentage of the maximum opportunity that these represent) in relation to the past five years.

Year	Chief Executive Officer	Single total figure of remuneration	Annual variable element (actual award versus opportunity)	
		US$	*US$*	*%*
2013	J O S Bryce	1,553,971	300,000	75%
2012	J O S Bryce	415,572	50,000	16%
2011	J O S Bryce	383,600	100,000	33%
2010 (1)	J O S Bryce	158,586	53,200	35%

(1) The position of CEO was not filled until 1st July 2010.

Comparison of CEO remuneration to employee remuneration

	2013	*2012*	*Change %*	*Employee remuneration change*
	US$	*US$*		
Salary and fees	400,000	320,000	25%	6%
Taxable benefits	17,971	16,772	7%	-
Annual variable performance related remuneration	300,000	50,000	500%	31%
Total	717,971	386,772	86%	
Single total figure of remuneration	1,553,971	415,572	274%	

The above table shows the movement in remuneration for the Chief Executive Officer between the current and previous financial year compared with movement of the average remuneration (per head) for all Company employees.

Implementation of remuneration policy for following financial year

Base salaries

Following review of the Executive Directors' base salary and considering the level of anticipated inflationary increase across the Company as a whole, the Committee decided to increase the Executive Directors' salary by 6% effective from 1 April 2014.

Pension and benefits

The Executive Director participates in a defined contribution arrangement which the Company contributes a maximum of 9% of base salary. Additional benefits include private medical and dental insurance and company car allowance.

Directors' remuneration report

Implementation of remuneration policy for following financial year (continued)

Annual performance related remuneration

The maximum bonus opportunity for the Executive Director will remain unchanged at 100% of base salary. The bonus opportunity will be set by the Committee with targets aligned with creating shareholder value.

By order of the Board of Directors

Sigurd Thorvildsen

24 April 2014

Independent auditors' report

to the members of Awilco Drilling PLC

We have audited the financial statements of Awilco Drilling PLC for the year ended 31 December 2013 which comprise Group and Parent Company statements of financial position, the Group statement of comprehensive income, the Group and Parent Company statements of cash flows, the Group and Parent Company statements of changes in equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006: and
- the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006.

Independent auditors' report

to the members of Awilco Drilling PLC

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006;and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Aberdeen
24 April 2014

Notes:

1. The maintenance and integrity of the Awilco Drilling PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group statement of comprehensive income

for the year ended 31 December 2013

	Notes	2013 US$000	2012 US$000
Revenue	5	236,532	152,227
Cost of sales		(75,462)	(74,971)
Gross Profit		161,070	77,256
General and administrative expenses		(20,887)	(20,832)
Operating Profit	6	140,183	56,424
Finance income	9	120	19
Finance expense	10	(9,507)	(14,129)
Foreign exchange gain/(loss), net	11	972	(238)
Gain on forward contracts at fair value through profit and loss		562	-
Gain on disposal of property, plant and equipment		147	-
Profit before taxation		132,477	42,076
Income tax expense	12	(10,214)	(2,682)
Profit for the year attributable to equity shareholders		122,263	39,394

There is no comprehensive income other than the results for the year.

Basic and diluted earnings per share (US$ per share)	13	4.07	1.31

Total comprehensive income for the period is attributable to the owners of the Company, as there is no non-controlling interest.

Group statement of financial position

as at 31 December 2013

	Notes	*2013* *US$000*	*2012* *US$000*
Non-current assets			
Property, plant and equipment	15	245,279	250,173
Deferred tax	12	2,763	853
		248,042	251,026
Current assets			
Inventory		4,799	4,799
Trade and other receivables	17	40,814	37,814
Current tax receivable		42,317	6,642
Cash and cash equivalents	18	52,347	16,926
		140,277	66,081
Total assets		388,319	317,107
Current liabilities			
Trade and other payables	19	26,720	14,006
Current tax payable		53,271	9,387
Loans	20	11,000	16,500
		90,991	39,893
Non-current liabilities			
Deferred tax liabilities	12	554	769
Loans	20	87,098	98,098
Other liabilities	25	2,164	-
		89,816	98,867
Total liabilities		180,807	138,760
Net Assets		207,512	178,347
Equity			
Called up share capital	22	304	304
Share premium account	22	129,837	129,837
Retained earnings		77,371	48,206
Total Shareholders' funds		207,512	178,347

Signed on behalf of the Board of Directors

Sigurd Thorvildsen
Director

Company statement of financial position

as at 31 December 2013

	Notes	2013 US$000	2012 US$000
Non-current assets			
Property, plant and equipment	15	483	649
Investment in subsidiaries	16	204	204
Amount due from subsidiary undertakings	23	87,679	82,950
Deferred tax	12	2,763	853
		91,129	84,656
Current assets			
Trade and other receivables	17	15,849	22,968
Cash and cash equivalents	18	52,235	16,825
		68,084	39,793
Total assets		159,213	124,445
Current liabilities			
Trade and other payables	19	16,446	6,411
Current tax payable		1,925	-
		18,371	6,411
Non-current liabilities			
Other liabilities	25	1,837	-
		1,837	-
Total liabilities		20,208	6,411
Net assets		139,005	118,038
Equity			
Called up share capital	22	304	304
Share premium account	22	129,837	129,837
Retained earnings		8,864	(12,103)
Total Shareholders' funds		139,005	118,038

Group statement of changes in equity

for the year ended 31 December 2013

	Share Capital US$000	*Share premium US$000*	*Retained earnings US$000*	*Total equity US$000*
At 1 January 2012	304	129,837	8,812	138,953
Total comprehensive profit for the year	-	-	39,394	39,394
At 31 December 2012	304	129,837	48,206	178,347
Total comprehensive profit for the year	-	-	122,263	122,263
Dividends paid	-	-	(93,098)	(93,098)
At 31 December 2013	304	129,837	77,371	207,512

Company statement of changes in equity

for the year ended 31 December 2013

	Share capital US$000	*Share premium US$000*	*Retained Earnings US$000*	*Total equity US$000*
At 1 January 2012	304	129,837	(13,295)	116,846
Total comprehensive profit for the year	-	-	1,192	1,192
At 31 December 2012	304	129,837	(12,103)	118,038
Total comprehensive profit for the year	-	-	114,065	114,065
Dividends paid	-	-	(93,098)	(93,098)
At 31 December 2013	304	129,837	8,864	139,005

Group statement of cash flows

for the year ended 31 December 2013

	Notes	2013 US$000	2012 US$000
Operating activities			
Profit before tax		132,477	42,076
Adjustments to reconcile profit before tax to net cash flows:			
Gain on disposal of property, plant and equipment		(147)	-
Depreciation		17,609	17,474
Net interest		9,387	14,110
Share based payment		9,653	2,024
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		7,868	(13,428)
(Increase) in prepayments and accrued revenue		(10,868)	(1,257)
Increase in trade and other payables		5,480	2,118
Interest paid		(9,761)	(23,511)
Interest received		120	19
Taxation paid		(4,231)	(2,558)
Net cash flow from operating activities		157,587	37,067
Investing activities			
Purchase of property, plant and equipment		(12,715)	(5,074)
Proceeds from disposal of property, plant and equipment		147	-
Net cash flow used in investing activities		(12,568)	(5,074)
Financing activities			
Payment of dividends		(93,098)	-
Issue of loans		-	10,000
Repayment of loans		(16,500)	(50,167)
Net cash flow used in financing activities		(109,598)	(40,167)
Net increase/(decrease) in cash and cash equivalents		35,421	(8,174)
Cash and cash equivalents at beginning of year		16,926	25,100
Cash and cash equivalents at end of year	18	52,347	16,926

Company statement of cash flows

for the year ended 31 December 2013

	Notes	2013 US$000	2012 US$000
Operating activities			
Profit/(Loss) before tax		114,076	(3,411)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation		247	232
Net interest		(120)	709
Share based payment		8,928	2,024
Working capital adjustments:			
(Increase) in prepayments		(749)	(117)
Decrease/(increase)/decrease in trade receivables		3,143	(5,874)
Increase/(decrease) in trade and other payables		2,944	(550)
Interest paid		-	(728)
Interest received		120	19
Net cash flows from/(used in) in operating activities		128,589	(7,696)
Investing activities			
Purchase of property, plant and equipment		(81)	-
Net cash flows used in investing activities		(81)	-
Financing activities			
Dividends paid		(93,098)	-
Issue of loans		-	10,000
Repayment of loans		-	(10,000)
Net cash flows used in financing activities		(93,098)	-
Net increase/(decrease) in cash and cash equivalents		35,410	(7,696)
Cash and cash equivalents at beginning of year		16,825	24,521
Cash and cash equivalents at end of year	18	52,235	16,825

Notes to the financial statements

At 31 December 2013

1. General information

The Group and Company financial statements of Awilco Drilling PLC for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 24 April 2014. The Company is incorporated in the United Kingdom under the Companies Act 2006 and listed on the Oslo Axess stock exchange on 10 June 2011. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' report.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2013 and applied in accordance with the provisions of the Companies Act 2006.

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The profit recorded by the Company for the year was US$ 114 million. (2012 : US$1.2 million).

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Going concern

Management has prepared cash flow forecasts for a period of 24 months from the balance sheet date. This demonstrates the ability of the Group to pay its debts as they fall due for at least the next 24 months. The Group has positive net assets in the Group statement of financial position.

On this basis, management has concluded that the Group will remain a going concern for at least 12 months from the day of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

3. Significant accounting estimates and assumptions

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are discussed below.

Useful economic lives

The Group's drilling rigs are being depreciated over their estimated useful lives of 20 years which commenced July 2011 on a straight line basis and assuming a US$15 million residual value each. These estimates and associated assumptions have been assessed as reasonable by management against industry standards following the refurbishment work performed on the drilling rigs.

Notes to the financial statements

At 31 December 2013

4. Accounting policies

New standards and interpretations

The following standards and interpretations were issued and mandatory for 31 December 2013 but are not relevant to the Group.

- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements
- IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employees Benefits (Revised)
- IFRIC 20 Stripping Costs in the Production Phase of Surface Mine
- IFRS 1 First-time Adoption of International Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 January 2014 or later periods, but the Group has not early adopted them:

- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
- IFRS 11 Joint Arrangements
- IAS 28 Investments in Associates and Joint Ventures

It is not anticipated that the application of these standards and amendments will have any material impact on the Group's financial statements. The Group plans to adopt the amendments to these standards when they become effective.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above and net of outstanding bank overdrafts.

Notes to the financial statements

At 31 December 2013

4. Accounting policies (continued)

Property, plant and equipment

Rigs and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to its working condition. When it can be clearly demonstrated that subsequent expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of the assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of the asset. A component of an asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. Components with a similar depreciation method and useful life are grouped together.

Depreciation is calculated using the straight-line method for each asset, after taking into account the estimated residual value, over its expected useful lives as follows:

Semi-submersible rigs	–	20 years
Special periodical surveys	–	5 years
Other fixtures and equipment	–	3-5 years

Special periodical surveys are a five yearly thorough inspection and recertification of the hull and main machinery components of the rig, which also include class and flag state renewal and verification. The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Revenue recognition

Revenue derived from charter-hire contracts or other service contracts is recognized in the period that services are rendered at rates established in the relevant contracts. Certain contracts include mobilization fees payable at the start of the contract. In cases where the fee covers a general upgrade of a rig or equipment which increases the value of the rig or equipment beyond the contract period, the fee is recognized as revenue over the firm contract period whereas the investment is depreciated over the remaining lifetime of the asset. In cases where the fee covers specific upgrades or equipment specific to the contract, the mobilisation fees are recognized as revenue over the firm contract period.

Cost of sales

Cost of sales includes rig operating costs and the depreciation cost for the two rigs.

Taxation

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

At 31 December 2013

4. Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using United States Dollars (US$) "the functional currency". The Group financial statements are presented in US$ and all values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated, which is the Company's functional currency and presentation currency. All subsidiaries have US$ as their functional currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement. The principal foreign currencies used by the Group are Pounds Sterling (£ or GBP), Euro (€) and Norwegian Kroner (NOK).

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Leases

Leases, where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial asset not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset, or
- The Company has transferred substantially all the risks and rewards of the asset.

Notes to the financial statements

At 31 December 2013

4. Accounting policies (continued)

Derecognition of financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Inventories

Inventories of drilling equipment and spares for future integrated drilling service wells are stated at the lower of cost incurred and net realisable value. These inventory items include spare parts and supplies relating to the operation of the semi-submersible drilling rigs.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans

Loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Loans are subsequently measured at their amortised cost applying the effective interest rate method.

Finance charges on the loans are recognised as finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Notes to the financial statements

At 31 December 2013

4. Accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, to hedge certain foreign currency risks. The derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not designate any derivative financial instruments as hedges nor apply hedge accounting. Any gains or losses arising from changes in the fair value of derivatives are taken to the income statement.

Share based payment

The cost of cash settled transactions is measured initially at fair value at the grant date using a Black-Scholes model; further details are given in Note 25. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

Pension

The pension plan in place is a defined contribution plan. Pension contributions are charged to the income statement as an expense in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

5. Revenue

Revenue represents the invoiced amount of services provided after the deduction of rebates and retrospective discounts. All items are stated net of value added tax.

The Group only has one segment – providing drilling services in the UK. As a result no further segmental information has been provided.

Information about major customer

Annual revenue from one customer amounted to US$ 89 million arising from the drilling services. (2012 : US$55 million)

6. Operating profit

This is stated after charging/(crediting)

	2013	*2012*
	US$000	*US$000*
Depreciation (Note 15)	17,609	17,474
Operating lease expense on land and buildings	236	148
Provision for doubtful debts	-	9,700
Settlement of legal claim	1,900	-
Insurance receivable	(1,855)	(1,548)

Notes to the financial statements

At 31 December 2013

7. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2013 *US$000*	*2012* *US$000*
Audit of the financial statements	107	96
Local statutory audits of subsidiaries	51	48
Tax services – compliance	34	37
Tax services - advisory	91	109
	283	290

8. Staff costs

	2013 *US$000*	*2012* *US$000*
Wages and salaries	31,349	27,321
Pension costs	1,147	1,085
Social security costs	1,572	788
Share Based Payments	7,680	1,111
	41,748	30,305

The above excludes directors' remuneration. The Company makes contributions to a defined contribution scheme for all eligible employees, up to a maximum of 9% of salary. Contributions are charged to the income statement as incurred.

The average monthly number of employees during the year was made up as follows:

	2013 *No.*	*2012* *No.*
Onshore, including management	30	26
Offshore	197	189
	227	215

9. Finance income

	2013 *US$000*	*2012* *US$000*
Bank interest	120	19
	120	19

Notes to the financial statements

At 31 December 2013

10. Finance expense

	2013 US$000	2012 US$000
Interest on loans	9,379	13,447
Shareholder loan commitment fee	128	682
	9,507	14,129

11. Foreign exchange

	2013 US$000	2012 US$000
Gain on foreign exchange transactions	972	82
(Loss) on foreign exchange transactions	-	(320)
Net gain/(loss) on foreign exchange transactions	972	(238)

12. Income tax

(a) Income tax on profit on ordinary activities

	2013 US$000	2012 US$000
UK corporation tax on the profit for the year	6,331	2,316
Foreign tax on the profit for the year	5,995	1,129
Total current income tax	12,326	3,445
Amounts under/(over) provided in previous years	14	(33)
Total current income tax	12,340	3,412
Deferred income tax:		
Origination and reversal of temporary differences	(2,126)	(730)
Total deferred income tax credit	(2,126)	(730)
Income tax charge in the Group statement of comprehensive income	10,214	2,682

(b) Reconciliation of the total income tax charge

	2013 US$000	2012 US$000
Profit from continuing operations	132,477	42,076
Tax calculated at UK standard rate of corporation tax	30,800	10,309
Expenses not deductible for tax purposes	377	291
Effect of lower taxes on overseas earnings	(21,017)	(7,872)
Amounts under/(over) provided in previous years	14	(33)
Other	40	(13)
Income tax charge in the Group statement of comprehensive income	10,214	2,682

The income tax expense above is computed at profit before taxation multiplied by the effective rate of corporation tax in the UK of 23.25% (2012: 24.5%)

Notes to the financial statements

At 31 December 2013

12. Income tax (continued)

(c) Deferred income tax

The deferred income tax included in the statement of financial position is as follows:

	2013	*2012*
	US$000	*US$000*
Deferred tax liability		
Temporary differences relating to property plant and equipment	(554)	(769)
Deferred tax asset		
Share-based payment	2,763	853
Net deferred tax asset	2,209	84

(d) Change in corporation tax

The Government announced its intention to further reduce the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 onwards. There would not have been an aggregate impact of the proposed reductions from 21% to 20% to deferred tax assets and deferred tax liabilities as there is no UK related deferred tax recognised in the current year for the Group consolidated accounts.

13. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013	*2012*
	US$000	*US$000*
Profit for the year attributable to equity share holders	122,263	39,394

	2013	*2012*
	No.000	*No.000*
Weighted average number of ordinary shares for basic earnings per share	30,032	30,032

Total earnings and weighted average number of shares outstanding during the year is the same as for the diluted earnings per share.

Notes to the financial statements

At 31 December 2013

14. Dividends paid and proposed

	2013 US$000	2012 US$000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2013 : US$ 3.10 (2012: nil)	93,098	-
Dividends paid	93,098	-

15. Property, plant and equipment

Group	*Semi submersible drilling rigs US$000*	*Special purpose surveys US$000*	*Other fixtures and equipment US$000*	*Total US$000*
Cost:				
At 1 January 2012	257,981	30,500	1,128	289,609
Additions	5,074	-	-	5,074
At 31 December 2012	263,055	30,500	1,128	294,683
Additions	12,634	-	82	12,716
Disposals			(2)	(2)
At 31 December 2013	275,689	30,500	1,208	307,397
Depreciation:				
At 1 January 2012	(23,739)	(3,050)	(247)	(27,036)
Provided	(11,142)	(6,100)	(232)	(17,474)
At 31 December 2012	(34,881)	(9,150)	(479)	(44,510)
Provided	(11,262)	(6,100)	(247)	(17,609)
Disposals			1	1
At 31 December 2013	(46,143)	(15,250)	(725)	(62,118)
Net book value:				
At 31 December 2013	229,546	15,250	483	245,279
At 31 December 2012	228,174	21,350	649	250,173

On 14 January 2010, the group acquired two semi-submersible drilling rigs for a total consideration of US$191 million, in connection with which, the group was granted a five year seller's credit (see note 20). These rigs are pledged as security for the seller's credit and working capital loan (see note 20).

Notes to the financial statements

At 31 December 2013

15. Property, plant and equipment (continued)

Company	*Office Equipment US$000*	*Other fixtures and equipment US$000*	*Total US$000*
Cost:			
At 1 January 2012 and 31 December 2012	470	658	1,128
Additions	82	-	82
Disposals	(2)	-	(2)
At 31 December 2013	550	658	1,208
Depreciation:			
At 1 January 2012	(112)	(135)	(247)
Provided	(106)	(126)	(232)
At 31 December 2012	(218)	(261)	(479)
Provided	(141)	(106)	(247)
Disposals	1	-	1
At 31 December 2013	(358)	(367)	(725)
Net book value:			
At 31 December 2013	192	291	483
At 31 December 2012	252	397	649

16. Investments

	Company US$000
Company shares in subsidiary undertakings	
At incorporation	204
At 31 December 2012 and 2013	204

At incorporation, the Company acquired WilPhoenix (UK) Ltd and WilHunter (UK) Ltd as newly incorporated companies. During 2011 the Company acquired WilPhoenix (Malta) Limited, WilHunter (Malta) Limited, both incorporated in Malta, and Awilco Drilling Pte Ltd. incorporated in Singapore, all as newly incorporated companies for a total of $5.

Notes to the financial statements

At 31 December 2013

17. Trade and other receivables

	Group 2013 US$000	*Company 2013 US$000*	*Group 2012 US$000*	*Company 2012 US$000*
Trade receivables	14,417	14,417	22,285	22,285
Prepayments and other receivables	5,151	872	2,510	260
Accrued revenue	20,675	-	12,588	-
VAT receivable	571	560	431	423
	40,814	15,849	37,814	22,968

The movement in the provision for impairment of trade receivables is as follows:

	2013 US$000	*2012 US$000*
At 1 January	9,421	-
Charge for the year	-	9,421
Amounts written off	(4,817)	-
At 31 December	4,604	9,421

As at 31 December, the analysis of ageing of trade receivables is as follows:

Group

		Neither past due nor impaired	*Past due but not impaired*	
	Total US$000	*<30 days US$000*	*30-60 days US$000*	*60-90 days US$000*
2013	14,417	-	14,242	175
2012	22,285	-	22,285	-

Company

		Neither past due nor impaired	*Past due but not impaired*	
	Total US$000	*<30 days US$000*	*30-60 days US$000*	*60-90 days US$000*
2013	14,417	-	14,242	175
2012	22,285	-	22,285	-

18. Cash and short-term deposits

	Group 2013 US$000	*Company 2013 US$000*	*Group 2012 US$000*	*Company 2012 US$000*
Cash at bank and in hand	52,347	52,235	16,926	16,825

Notes to the financial statements

At 31 December 2013

18. Cash and short-term deposits (continued)

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company has restricted cash of US$ 1,000,000 in relation to foreign exchange forward contracts (see Note 24)

19. Trade and other payables

	Group 2013 US$000	*Company 2013 US$000*	*Group 2012 US$000*	*Company 2012 US$000*
Trade and other payables	24,733	16,446	11,765	6,411
Interest payable	1,987	-	2,241	-
	26,720	16,446	14,006	6,411

20. Loans

	Group 2013 US$000	*Group 2012 US$000*
Current loans:		
Seller's credit (see (a) below)	11,000	16,500
Total current loans	11,000	16,500
Non-current loans:		
Seller's credit (see (a) below)	87,098	98,098
Total non-current loans	87,098	98,098
Total loans	98,098	114,598

a) Deferred payment deed (seller's credit)

In 2010, the Group was granted a five year seller's credit from Transocean Inc of US$162 million in connection with the acquisition of the drilling rigs from Transocean Inc. The borrowings are secured by first priority mortgages on the drilling rigs. The interest rate is 9%. Repayment terms are quarterly repayments of US$2.75 million over five years and a final repayment of US$87 million. During the year, in addition to the scheduled repayments, previously deferred payments of US 5.5 million were also repaid.

	Group 2013 US$000	*Group 2012 US$000*
Loans repayment:		
Within one year	11,000	16,500
In two to five years	87,098	98,098
	98,098	114,598

Notes to the financial statements

At 31 December 2013

21. Commitments and contingencies

Obligations under operating leases

At 31 December 2013 the Group had future minimum lease payments under non-cancellable operating leases as set out below:

	Group 2013 US$000	*Company 2013 US$000*	*Group 2012 US$000*	*Company 2012 US$000*
Payments due under operating lease for land and buildings:				
Within one year	232	232	225	225
In two to five years	302	302	518	518
	534	534	743	743

Capital commitments

There were no capital commitments at 31 December 2013 (2012: nil).

22. Share capital

Group and Company

Authorised	*2013 No.000*	*2012 No.000*
Ordinary shares of £0.0065 each	30,032	30,032

Group and Company

Allotted called up and fully paid	*No.000*	*US$000*
At 1 January 2012	30,032	304
At 31 December 2012 and 2013	30,032	304

Group and Company

	Share premium account US$000
At 1 January 2012	129,837
At 31 December 2012 and 2013	129,837

Notes to the financial statements

At 31 December 2013

23. Related party transactions

Group

The financial statements include the financial statements of the Group and the subsidiaries listed below:

Name	*Country of Incorporation*	*% Interest*
WilPhoenix (UK) Ltd	United Kingdom	100
WilHunter (UK) Ltd	United Kingdom	100
WilPhoenix (Malta) Ltd	Malta	100
WilHunter (Malta) Ltd	Malta	100
Awilco Drilling Pte Ltd	Singapore	100

During the year the Group entered into transactions, in the ordinary course of business, with Awilhelmsen AS, which is a major shareholder through its subsidiaries.

Transactions entered into and trading balances outstanding at 31 December 2013 with Awilhelmsen AS and its subsidiaries are as follows:

	2013 *US$000*	*2012* *US$000*
Purchase of management services	1,818	2,527
Commitment fee on shareholder loan (see (a) below)	78	409
Share based payment	2,930	913
Amounts owed to Awilhelmsen AS and its subsidiaries	(192)	(179)

(a) The Group and Company have entered into a loan arrangement with major shareholders in connection with which commitment fees amounting to US$128,000 (including US$51,000 to Tomkins Square Park S.A.R.L.) were incurred and paid during 2013 (2012: US$682,000). The loan arrangement finished during April 2013.

Sales and purchases between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement terms vary between 30 and 90 days. The Company has not provided or benefitted from any guarantees for any related party receivables or payables. The Company has not made any provision for doubtful debts relating to amounts owed by related parties.

Directors and other key management personnel

The remuneration of directors and other key management personnel of the Group is as follows

	2013 *US$000*	*2012* *US$000*
Short-term employee benefits	2,937	1,601
Share-based payment	6,507	1,004
Other long-term benefits	103	66

Included in the short-term employee benefits are director's emoluments of US$702,000 (2012: US$678,000). Six directors received remuneration in respect of their services to the Company during the year (2012: six).

Included in the purchase of management services from Awilhelmsen AS are costs in relation to employees who are also considered to be key management personnel of the Group. These amounts are not

Notes to the financial statements

At 31 December 2013

23. Related party transactions (continued)

included in the remuneration figure above as it has not been practicable to separately identify them from the management services fee.

Company

The Company entered into the following transactions and had the following balances with its wholly owned subsidiaries

	2013 *US$000*	*2012* *US$000*
Transactions:		
Amounts invoiced to WilPhoenix (UK) Ltd in respect of services provided to the company	36,748	31,207
Invoiced to WilPhoenix (UK) Ltd	7,535	3,704
Amounts invoiced on behalf of WilPhoenix (UK) Ltd	(112,688)	(85,217)
Amounts invoiced to WilHunter (UK) Ltd in respect of services provided to the company	35,834	35,039
Invoiced to WilHunter (UK) Ltd	7,535	3,704
Amounts invoiced on behalf of WilHunter (UK) Ltd	(119,035)	(59,695)
Amounts invoiced to WilPhoenix (Malta) Ltd in respect of services provided to the company	14,295	40,977
Invoiced to WilPhoenix (Malta) Ltd	1,160	576
Amounts invoices to WilHunter (Malta) Ltd in respect of services provided to the company	11,914	18,810
Invoiced to WilHunter (Malta) Ltd	1,160	576
Invoiced to Awilco Drilling Pte Ltd	1,035	923
Transfer of funds from Awilco Drilling Pte Ltd	(78)	(715)
Taxation paid on behalf of subsidiaries	4,234	4,230
Dividends received from WilPhoenix (UK) Ltd	5,000	-
Dividends received from WilHunter (UK) Ltd	37,000	-
Dividends received from WilPhoenix (Malta) Ltd	31,062	-
Dividends received from WilHunter (Malta) Ltd	42,018	-
	4,729	(5,881)
Balance:		
Amounts payable to WilPhoenix (UK) Ltd	(62,496)	(2,355)
Amounts (payable)/receivable from WilHunter (UK) Ltd	(22,926)	14,807
Amounts receivable from WilPhoenix (Malta) Ltd	95,349	48,832
Amounts receivable from WilHunter (Malta) Ltd	76,852	21,761
Amounts receivable/(payable) to Awilco Drilling Pte Ltd	900	(95)
	87,679	82,950

Entity with significant influence over the Group

Awilco Drilling AS, a wholly owned subsidiary of Awilhelmsen AS, owns 49% of the ordinary shares in Awilco Drilling PLC (52% on incorporation).

Notes to the financial statements

At 31 December 2013

24. Capital management, financial risk management objectives and policies

The Group's and the Company's principal financial liabilities comprise loans, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

Management has assessed the fair values of the financial instruments generally approximate to the carrying values.

The Group and the Company are exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign currency risk. Financial instruments affected by market risk are trade payables and accruals.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's and Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and Company's operating activities (when expenses are denominated in a different currency from the Company's functional currency).

The Group manages its foreign currency risk by holding cash in the foreign currency required to settle foreign current liabilities, unless the Group has insufficient cash resources available, in which case, it enters into hedging transactions for significant foreign currency commitments.

At the balance sheet date, the Group held GBP2.4 million in trade and other payables (2012 : GBP3.4 million). A 5% strengthening or weakening of US$ to GBP would have an effect of US$ 0.2 million on the Group 2013 result (2012 : US$0.3 million). The Group has no other material currency exposures.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables). The Company has credit risk due to its receivables from subsidiary undertakings and from external clients.

Management assess the credit rating of new and existing clients and determine if any action is required to secure the financial security in respect of work performed.

Liquidity risk

The Group's objective is to maintain sufficient liquidity in order to support the needs of the business and meet the repayments of the debt and commitments as they fall due. In order to achieve this, the Group has the prospect of issuing new equity.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group	*Less than 3 months*	*3 to 12 months*	*1-5 years*	*Total*
Interest bearing loans	8,597	15,319	108,704	132,620
Trade and other payables	14,006	-	-	14,006
At 31 December 2012	22,603	15,319	108,704	146,626
Interest bearing loans	3,093	14,568	89,101	106,762
Trade and other payables	18,900	5,221	4,201	28,322
At 31 December 2013	21,993	19,789	93,302	135,084

Notes to the financial statements

At 31 December 2013

24. Capital management, financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company	*Less than 3 months*	*3 to 12 months*	*1-5 years*	*Total*
Trade and other payables	6,411	–	–	6,411
At 31 December 2012	6,411	–	–	6,411
Trade and other payables	13,611	2,273	1,837	17,721
At 31 December 2013	13,611	2,273	1,837	17,721

Fair value of financial assets and financial liabilities

The table below summaries the carrying amounts and fair values of the Group's financial assets and liabilities.

Group	*2013 US$000 Book Value*	*2012 US$000 Book Value*	*2013 US$000 Fair Value*	*2012 US$000 Fair Value*
Financial assets				
Loans and receivables				
Trade receivables	14,417	22,285	14,417	22,285
Prepayment and other receivables	4,589	2,510	4,589	2,510
Accrued revenue	20,675	12,588	20,675	12,588
VAT receivable	571	431	571	431
Current tax receivable	42,317	6,542	42,317	6,542
Cash and cash equivalents	52,347	16,926	52,347	16,926
Fair value through profit and loss				
Foreign exchange contracts	562	-	562	-
Total financial assets	135,478	61,282	135,478	61,282

	2013 US$000 Book Value	*2012 US$000 Book Value*	*2013 US$000 Fair Value*	*2012 US$000 Fair Value*
Financial liabilities				
Interest bearing debt				
Non-current portion	87,098	98,098	87,098	98,098
Current portion	11,000	16,500	11,000	16,500
Trade and other payables	26,335	11,765	26,335	11,765
Interest payable	1,987	2,241	1,987	2,241
Current tax payable	53,271	8,800	53,271	8,800
Total financial liabilities	179,691	137,404	179,691	137,404

Notes to the financial statements

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Fair value of financial assets and financial liabilities (continued)

The table below summaries the carrying amounts and fair values of the Company's financial assets and liabilities.

Company	*2013 US$000 Book Value*	*2012 US$000 Book Value*	*2013 US$000 Fair Value*	*2012 US$000 Fair Value*
Financial assets				
Loans and receivables				
Trade receivables	14,417	22,285	14,417	22,285
Prepayment and other receivables	310	260	310	260
VAT receivable	560	423	560	423
Cash and cash equivalents	52,235	16,825	52,235	16,825
Fair value through profit and loss				
Foreign exchange contracts	562	-	562	-
Total financial assets	68,084	39,793	68,084	39,793

	2013 US$000 Book Value	*2012 US$000 Book Value*	*2013 US$000 Fair Value*	*2012 US$000 Fair Value*
Financial liabilities				
Trade and other payables	18,283	6,411	18,283	6,411
Total financial liabilities	18,283	6,411	18,283	6,411

Capital management

Capital includes called up share capital, share premium and retained earnings.

The Company's intention is to pay a regular dividend in support of its main objective to maximise returns to shareholders. A quarterly dividend payment commenced in June 2013. All of the Company's free cash flow is intended to be distributed subject to maintaining a robust cash buffer to support operational working capital requirements and planned capital expenditure. In the case of attractive growth opportunities the Company will endeavour to maintain a meaningful dividend distribution.

The Company's capital is monitored at a Group level. The Group monitors capital using a gearing ratio, which is net debt divided by total shareholders' funds plus net debt. The Group includes within net debt, loans less cash and cash equivalents.

	Group 2013 US$000	*Group 2012 US$000*
Loan (note 18)	98,098	114,598
Cash and cash equivalents (note 16)	(52,347)	(16,926)
Net debt	45,751	97,672
Capital	207,512	178,347
Capital and net debt	253,263	276,019
Gearing ratio	18%	35%

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At 31 December 2013

25. Share-based payments

Long Term Incentive Plan

An option scheme for the executive director and other key management personnel, with a total limit of up to 3% of the Company's issued share capital was approved at the Annual General Meeting on 28 June 2012. The exercise period is 5 years and 25% of the options are "vested" after each of years 1, 2, 3 and 4, subject to continuing employment with the Company during the first two year period.

During 2012, three additional long term incentive plans were introduced by the Company for the executive group and other key management personnel, for onshore management and for offshore personnel. These plans are included as part of the 3% limit approved previously. The executive plan "vests" after three years and the exercise period is five years. The onshore management and offshore personnel plans, half "vests" after two years and the remaining half "vests" after three years and the exercise period is five years, subject to the employee remaining employed by the Company.

During 2013, a further award was introduced for onshore management and offshore personnel with the same vesting periods as the 2012 award. The limit was subsequently increased to 4% of the Company's issued share capital and approved at the Annual General Meeting on 26 June 2013.

All share options and awards are cash settled.

The following table list the inputs to the model used for these valuations:

Group and Company	*2013*			*2012*	
	2010 Plans	*2012 Plans*	*2013 Plans*	*2010 Plans*	*2012 Plans*
Exercise price	NOK 29.00	-	-	NOK 29.00	-
Share price	NOK 129.00	NOK 129.00	NOK 129.00	NOK 69.00	NOK 69.00
Expected life	1.31 years	1.55 years	2.13 years	2.79 years	2.41 years
Volatility	58%	58%	58%	60%	60%
Risk free interest rate	1.40%	1.47%	1.57%	1.46%	1.46%
Model used			Black-Scholes		

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options and awards during the year.

Group	*2013 No.*	*2013 WAEP (NOK)*	*2012 No.*	*2012 WAEP (NOK)*
Outstanding as at 1 January	778,714	21.28	420,442	29.00
Granted during the year	163,217	5.81	358,272	12.21
Exercised during the year	(95,621)	29.00	-	-
Forfeited during the year	(8,191)	-	-	-
Adjusted during the year	97,708	20.85	-	-
Outstanding at 31 December	935,827	17.93	778,714	21.28
Exercisable at 31 December	343,518	29.00	247,757	29.00

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At 31 December 2013

25. Share-based payments (continued)

Company	*2013 No.*	*2013 WAEP (NOK)*	*2012 No.*	*2012 WAEP (NOK)*
Outstanding as at 1 January	720,806	22.96	420,442	29.00
Granted during the year	86,318	11.22	300,364	14.50
Exercised during the year	(95,621)	29.00	-	-
Forfeited during the year	(2,192)	-	-	-
Adjusted during the year	90,864	22.42	-	-
Outstanding at 31 December	800,175	20.97	720,806	22.96
Exercisable at 31 December	343,518	29.00	247,757	29.00

The estimated fair value of the granted share options and awards are reached on the basis of the "Black-Scholes option pricing model". The model is applied utilising a risk free discount rate and also taking into account the terms and conditions upon which the options and awards are granted as well as the performance conditions that are required to be satisfied before vesting. The weighted average remaining contractual life at 31 December 2013 is 1.98 years. The Group total share option and award costs amounted to US$9.7 million (2012: US$ 2milion). The carrying amount of the liability relating to the cash-settled options at 31 December 2013 is US$12.2 million (2012: US$2.5 million).

The Company only total share option and award costs amounted to US$8.9 million (2012: US$2 million). The carrying amount of the liability relating to the cash-settled options at 31 December 2013 is US$11.5 million (2012: $2.5 million).

The table below summaries the carrying amount of the liability

Group	*Less than 3 months*	*3 to 12 months*	*1 – 5 years*	*Total*
Share options and awards	7,349	2,690	2,164	12,203
At 31 December 2013	7,349	2,690	2,164	12,203

Company	*Less than 3 months*	*3 to 12 months*	*1 – 5 years*	*Total*
Share options and awards	7,349	2273	1,837	11,459
At 31 December 2013	7,349	2,273	1,837	11,459

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26. Derivative Financial Instruments

	2013	*2012*
	US$000	*US$000*
Foreign exchange contracts	562	-

The foreign currency forwards were entered into in order to minimise the Company's exposure to losses resulting from fluctuations in foreign currency exchange rates. The fair value of the forward exchange contracts, as shown above, is recorded as other income in the statement of comprehensive income and classified as other receivables in the statement of financial position.

27. Subsequent events

During March 2014, the Company successfully completed a US$125 million secured bond in the Norwegian bond market with maturity in April 2019. The purpose of the bond is to refinance the existing Transocean debt and for general corporate purposes. Settlement date was 9 April 2014 and the bond loan will be issued with an interest rate of 7%. The Transocean debt was fully repaid on 14 April 2014.

Legislation was published on 1 April 2014 that addressed a change in bareboat chartering that caps the amount deductible for bareboat charter costs for UK Drilling Contractors. Based on the legislation as published, the Company's tax rate at a group level will increase.