

# **Awilco Drilling PLC**

## **Report and Financial Statements**

31 December 2014

**Directors**

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

**Secretary**

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**Auditors**

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**Bankers**

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**Registered Office**

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## Strategic report

### Corporate Strategy and business model

Awilco Drilling (“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 utilisation. 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

The Company is effectively fully contracted to the end of 2015 with the WilPhoenix on contract until the end of 2017 and WilHunter on contract until December 2015. The UK market significantly slowed down during late 2014 and contracting activity has become limited.

The UK market is seeing increased rig availability, which is anticipated to continue throughout at least 2015.

### Performance

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

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Revenue	276,138	236,532
Operating profit	179,670	140,183
Profit for the year attributable to equity shareholders	137,484	122,263
Operating profit %	65%	59%
Number of employees and contractors at year end	239	238

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\$64 million (2013: US\$56 million) relating to rig operating costs, and general and administration expenses of US\$16 million (2013: 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 approved 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 2014, the revenue efficiency was 98.7% (2013: 95.8%). This is due to higher operational uptime during the year compared with prior year.

## Strategic report

### Business review and future developments (continued)

#### *Operating margin*

Operating margin is total revenue less operating costs. For the year ended 31 December 2014, operating margin was 76.8% (2013: 76.1%). The increased margin was due to an increase in revenue efficiency and contract day rates.

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 and hydraulic oil 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.
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#### *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.
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### 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 drilling 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 and prevailing market conditions. 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 other 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 tax expense is based upon its interpretation of the tax laws in effect in these 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.

#### *Industry risk*

The offshore contract drilling industry is cyclical and volatile. The Company's business depends on the level of activity of oil exploration, development and production in the North Sea and internationally. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development, political concerns and regulatory requirements all affect customers' levels of activity and drilling campaigns. Demand for the Company's services may be adversely affected by declines in exploration, development and production activity associated with depressed oil prices. Even the perceived risk of depressed oil prices and changes in the UK North Sea tax regime often causes exploration and production companies to reduce their spending.

#### *Commodity prices*

The profitability and cash flow of the Company's operations will be dependent upon the market price of oil and gas, as the Company's customers are mainly oil companies. The price of oil and gas is known to fluctuate. Oil and gas prices are affected by numerous factors beyond the Company's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries (OPEC), the level of production in non-OPEC countries, the cost of exploring for, developing, producing and delivering oil and gas, currency exchange rates and the availability of alternate energy sources and political and military conflicts in oil-producing and other countries. If the price of oil and gas products should drop significantly, this could have a material adverse effect on the Company.

## Strategic report

### Corporate Social Responsibility

The Company recognises its duty to stakeholders to operate the business in an ethical and responsible manner. It is committed to developing its Corporate Social Responsibility (CSR) agenda, recognising that it can play a major part in its 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 clients' 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.

#### *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 out 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 and 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 2014 the number of employees was as follows:

	Male	Female
Directors	5	1
Senior Managers	3	-
Other staff – onshore	14	13
Other staff – offshore	206	3

## Strategic report

### Corporate Social Responsibility (continued)

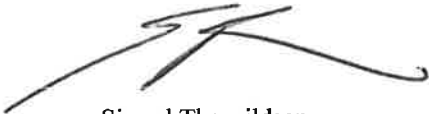
#### *Health and Wellbeing*

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. During the year, the Company received the Bronze Healthy Working Lives award and is considering applying for the next level Silver award.

#### *Health, Safety and Environment*

The Company recognises that it 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 2015

## Directors' report

Registered No. 7114196

The Directors present their report and financial statements for the year ended 31 December 2014. 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\$ 137.5 million (2013: US\$ 122.3 million). There was a total dividend of US\$ 136.6 million (2013: US\$ 93.1 million) paid during the year representing US\$ 4.55 per share (2013: US\$ 3.10).

### Future developments

See Strategic Report pages 2-6.

### 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 52-55 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 24 April 2015.

	<i>No of shares</i>	<i>Percentage holding</i>
Awilhelmsen Offshore	12,998,938	43.28%
Euroclear Bank	1,870,975	6.23%
UBS Securities LLC	1,648,850	5.49%
JP Morgan Chase	1,195,176	3.98%
Citibank s/a Charles Schwab	1,172,960	3.91%
Citibank s/a National Financial	1,132,935	3.77%
Merrill Lynch	1,129,000	3.76%

QVT Financial LP with affiliated and related parties owned 2,910,062 shares at 24 April 2015, a total of 9.69% of the Company's share capital.

FVP Master Fund LP with affiliated and related parties owned 2,709,318 shares at 31 December 2014 a total of 9.02% of the Company's share capital and have not notified the Company of any changes of ownership up to the date of signing the report and financial statements.



## Directors' report

### Corporate governance

The information given in the corporate governance statement is set out on pages 10-16.

### 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 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.

### Asset impairment consideration

Management has performed impairment tests on the rig asset values as at 31 December 2014. Based on the projected cash generation over the remaining useful lives of the assets, the Board has concluded that the discounted value is in excess of the book carrying value as at 31 December 2014. As a result, no impairment adjustment is required.

### 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:

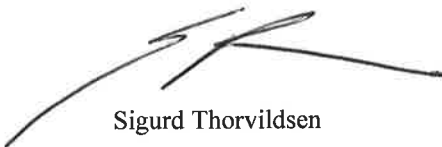
- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

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 2015

## 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 Regulations. 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 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 30 October 2014 ('the Code'). A copy of the code can be found at [www.nues.no](http://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 attends 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.

### 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.

Awilhelmsen Offshore owns 43% of the ordinary shares in Awilco Drilling PLC.

### 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](http://www.awilcodrilling.com)

The next AGM is scheduled for 10 June 2015.

## 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](http://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 are dependent on the fees received from the Company as their primary source of income.

### **Board Performance**

The Board completes an 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 and the fees payable for the work. In considering whether to award such work to the external auditors, attention is paid 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 the provision of 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 members of the Committee are Daniel Gold and Henrik Fougner.

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 2014.

	<i>Board Meetings</i>	<i>Compensation Committee</i>	<i>Audit Committee</i>	<i>Nomination Committee</i>
No of meetings in year				
Sigurd Thorvildsen	6	6	-	-
Henrik Fougner (1)	6	2	3	-
Daniel Gold	6	6	-	-
John Simpson	6	-	3	-
Synne Syrrist	6	-	-	-
Jon Bryce	6	-	-	-
Henrik Christensen (2)	-	-	-	1
Tom Furulund (2)	-	-	-	1

(1) *Appointed to Compensation Committee on 16 June 2014*

(2) *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.

## Corporate governance

### Internal controls and risk management (continued)

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.

#### *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 17-26 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 2015

## Directors' remuneration report

### Information not subject to audit

Chairman of the Compensation Committee's Annual Statement

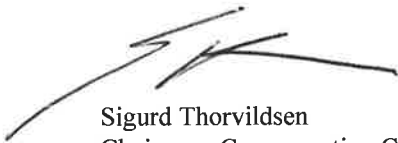
Dear Shareholders,

I am pleased to present the directors' remuneration report for the financial year ended 31 December 2014, prepared in accordance with the 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.

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 10 June 2015.



Sigurd Thorvildsen  
Chairman, Compensation Committee

24 April 2015

## 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 21.

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 <ul style="list-style-type: none"> <li>➤ Car allowance</li> <li>➤ Private health care</li> <li>➤ Private dental care</li> </ul>	Car allowance is a fixed annual amount. There is no maximum for health/dental insurance as it 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 23 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	<p>All awards are of synthetic shares which are cash settled.</p> <p>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.</p> <p>2012 Plan: The plan "vests" after three years and the exercise period is five years subject to the employee remaining employed by the Company.</p> <p>2014 Plan: Same vesting period as the 2012 plan.</p>	<p>Award of up to 100% of salary each calendar year</p> <p>2014 Award level is subject to performance measures and may increase or decrease accordingly.</p>	<p>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.</p> <p>2014 Plan has no specific performance measures other than measures relating to successful implementation of upcoming capital projects.</p>

### ***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. Relocation expenses or allowance may be paid as necessary. For an internal appointment, any existing contractual agreements in respect of prior employment may be honoured.

## 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 current salary level 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 2014 and those proposed for 2015 are as follows:

	2015	2014
	US\$	US\$
Chairman	74,200	74,200
Basic Fee	53,000	53,000
Chair of Audit Committee	8,000	8,000
Member of Audit, Compensation or Nomination Committee	4,800	4,800

Fees paid in respect of 2015 will be decided at the next AGM which is scheduled for 11 June 2015.

### **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 28<sup>th</sup> June 2013.

## Directors' remuneration report

### Audited information

#### Directors' remuneration

Single total figure of remuneration table

2014	<i>Basic Salary and Fees</i>	<i>Benefits (1)</i>	<i>Performance Related Bonus</i>	<i>Pension- related benefits(2)</i>	<i>Other(3)</i>	<i>Total</i>
	US\$	US\$	US\$	US\$	US\$	US\$
<i>Executive Director:</i>						
J O S Bryce	424,000	17,939	254,400	38,160	2,780,342	3,514,841
<i>Non-executive Directors:</i>						
S E Thorvildsen	79,000	-	-	-	-	79,000
H Fougner	57,800	-	-	-	-	57,800
D A Gold	57,800	-	-	-	-	57,800
J N Simpson	61,000	-	-	-	-	61,000
S Syrrist	53,000	-	-	-	-	53,000
	732,600	17,939	254,400	38,160	2,780,342	3,823,441

(1) Includes non-cash benefits comprising car allowance and private health and dental care

(2) Contributions made during 2014 to the defined contribution scheme

(3) Cash settled value of synthetic share options exercised during 2014

2013	<i>Basic Salary and Fees</i>	<i>Benefits (1)</i>	<i>Performance Related Bonus</i>	<i>Pension- related benefits(2)</i>	<i>Other(3)</i>	<i>Total</i>
	US\$	US\$	US\$	US\$	US\$	US\$
<i>Executive Director:</i>						
J O S Bryce	400,000	17,971	300,000	36,000	800,000	1,553,971
<i>Non-executive Directors:</i>						
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

(1) Includes non-cash benefits comprising car allowance and private health and dental care

(2) Contributions made during the year to the defined contribution scheme

(3) Cash settled value of synthetic share options exercised during the year

## Directors' remuneration report

### *Analysis of taxable benefits received*

The executive director received the following taxable benefits:

	2014	2013
	US\$	US\$
<b>J O S Bryce</b>		
Car allowance	16,000	16,000
Private health insurance	1,939	1,971
<b>Total</b>	<b>17,939</b>	<b>17,971</b>

### *Annual bonus 2014*

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 whilst also taking into account the current market conditions.

### *Annual bonus 2015*

The criteria for the 2015 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.

During 2014, a further long term incentive plan was introduced by the Company for the executive director and other key management personnel. The limit was increased to 4% of the Company's issued share capital and approved at the Annual General Meeting on 26 June 2013. The plan has the same vesting period as the 2012 plan.

	<i>At 1</i>	<i>Granted</i>	<i>Exercised</i>	<i>At 31</i>		<i>Market</i>	<i>Interest</i>	<i>Market</i>
	<i>January</i>	<i>in the</i>	<i>in the</i>	<i>December</i>	<i>Expiry date</i>	<i>price</i>	<i>vested</i>	<i>price on</i>
	<i>2014</i>	<i>year</i>	<i>year</i>	<i>2014</i>		<i>date of</i>	<i>in 2014</i>	<i>vesting</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>		<i>award</i>	<i>No.</i>	<i>date</i>
						<i>NOK</i>		<i>NOK</i>
J Bryce	131,234	14,459	(145,693)	-	1 Jul 2015	29.00	47,972	106.00
J Bryce	43,601	11,569	-	55,170	28 Nov 2017	61.50	-	-
J Bryce	-	31,507	-	31,507	11 Nov 2019	98.50	-	-

There are no specific performance conditions associated with the award of synthetic shares, except for the 2014 award which will be determined by specific performance measures relating to upcoming capital projects.

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

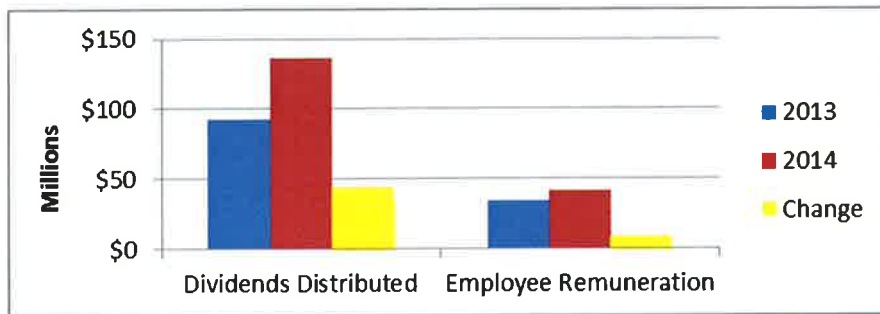


## Directors' remuneration report

### Information not subject to audit:

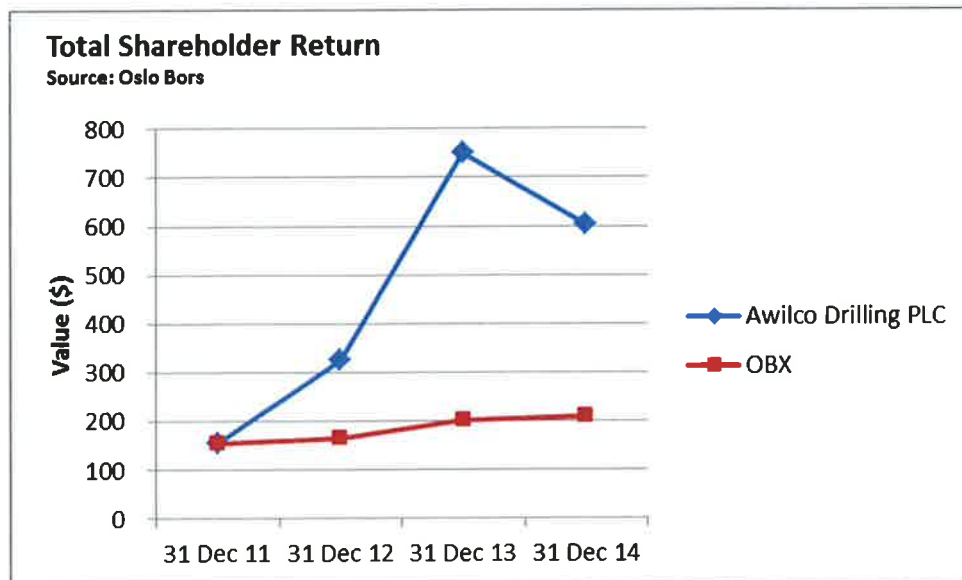
#### *Relative importance of the spend on pay*

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



#### *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. The graph is a reporting requirement, however the LTIP awards that are made to the executive director are not based on share performance.



## Directors' remuneration report

### Chief Executive Officer (CEO) remuneration

#### Five year comparison

The table below summarises the Chief Executive Officer (the executive director)'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\$	%
2014	J O S Bryce	3,514,841	254,400	60%
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 1<sup>st</sup> July 2010.

### Comparison of CEO remuneration to employee remuneration

	2014	2013	Change %	Employee remuneration change
	US\$	US\$		
Salary and fees	424,000	400,000	6.0%	3.1%
Taxable benefits	17,939	17,971	(0.2%)	(0.2%)
Annual variable performance related remuneration	254,400	300,000	(15%)	73.0%
Total	696,339	717,971		
Single total figure of remuneration	3,514,841	1,553,971		

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 Director's base salary and considering current market conditions, the Committee decided there would be no change to the Executive Directors' salary effective from 1 April 2015.

#### 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.

#### *Statement of shareholder voting*

The table below sets out the voting by the Company's shareholders on the resolution to approve the Directors' remuneration report at the AGM held on 26 June 2014.

	Total number of votes	% of votes cast
For	18,637,194	99.2%
Against	150,000	0.8%
Total votes cast	18,787,194	100.0%

The Compensation Committee is pleased to note that 99.2% of shareholders approved the 2013 Directors' remuneration report.

By order of the Board of Directors



Sigurd Thorvildsen  
24 April 2015

# 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 2014 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 26. 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 9, 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 2014 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 2015

## 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 2014

	<i>Notes</i>	<i>2014</i> US\$000	<i>2013</i> US\$000
<b>Revenue</b>	5	276,138	236,532
Cost of sales		<u>(80,762)</u>	<u>(75,462)</u>
<b>Gross Profit</b>		195,376	161,070
General and administrative expenses		<u>(15,706)</u>	<u>(20,887)</u>
<b>Operating Profit</b>	6	179,670	140,183
Finance income	9	161	120
Finance expense	10	(11,861)	(9,507)
Foreign exchange gain, net	11	114	972
(Loss)/gain on forward contracts at fair value through profit and loss	26	(294)	562
Gain on disposal of property, plant and equipment		<u>-</u>	<u>147</u>
Profit before taxation		167,790	132,477
Income tax expense	12	<u>(30,306)</u>	<u>(10,214)</u>
<b>Profit for the year attributable to equity shareholders</b>		<u>137,484</u>	<u>122,263</u>

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

Basic and diluted earnings per share (US\$ per share)	13	4.58	4.07
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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 2014

	<i>Notes</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	251,165	245,279
Deferred tax	12	2,486	2,763
		<u>253,651</u>	<u>248,042</u>
<b>Current assets</b>			
Inventory		4,799	4,799
Trade and other receivables	17	40,760	40,814
Current tax receivable		82,595	42,317
Cash and cash equivalents	18	75,951	52,347
		<u>204,105</u>	<u>140,277</u>
		<u>457,756</u>	<u>388,319</u>
<b>Total assets</b>			
<b>Current liabilities</b>			
Trade and other payables	19	18,116	26,720
Current tax payable		108,522	53,271
Borrowing	20	10,000	11,000
		<u>136,638</u>	<u>90,991</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	-	554
Borrowing	20	110,000	87,098
Other liabilities		2,766	2,164
		<u>112,766</u>	<u>89,816</u>
		<u>249,404</u>	<u>180,807</u>
<b>Total liabilities</b>			
<b>Net Assets</b>			
		<u>208,352</u>	<u>207,512</u>
<b>Equity</b>			
Called up share capital	22	304	304
Share premium account	22	129,837	129,837
Retained earnings		78,211	77,371
		<u>208,352</u>	<u>207,512</u>
<b>Total Shareholders' funds</b>			

Signed on behalf of the Board of Directors



Sigurd Thorvildsen  
Director

## Company statement of financial position

as at 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>US\$000</i>	<i>2013</i> <i>US\$000</i>
<b>Non-current assets</b>			
Property, plant and equipment	15	837	483
Investment in subsidiaries	16	204	204
Amount due from subsidiary undertakings	23	173,615	87,679
Deferred tax	12	648	2,763
		<u>175,304</u>	<u>91,129</u>
<b>Current assets</b>			
Trade and other receivables	17	17,984	15,849
Cash and cash equivalents	18	75,759	52,235
		<u>93,743</u>	<u>68,084</u>
<b>Total assets</b>		<u>269,047</u>	<u>159,213</u>
<b>Current liabilities</b>			
Trade and other payables	19	10,284	16,446
Current tax payable		-	1,925
Borrowing	20	10,000	-
		<u>20,284</u>	<u>18,371</u>
<b>Non-current liabilities</b>			
Other liabilities		118	1,837
Borrowing	20	110,000	-
		<u>110,118</u>	<u>1,837</u>
<b>Total liabilities</b>		<u>130,402</u>	<u>20,208</u>
<b>Net assets</b>		<u>138,645</u>	<u>139,005</u>
<b>Equity</b>			
Called up share capital	22	304	304
Share premium account	22	129,837	129,837
Retained earnings		8,504	8,864
<b>Total Shareholders' funds</b>		<u>138,645</u>	<u>139,005</u>

Signed on behalf of the Board of Directors



Sigurd Thorvildsen  
Director



## Group statement of changes in equity

for the year ended 31 December 2014

	<i>Share Capital US\$000</i>	<i>Share premium US\$000</i>	<i>Retained earnings US\$000</i>	<i>Total equity US\$000</i>
<b>At 1 January 2013</b>	304	129,837	48,206	178,347
Total comprehensive profit for the year			122,263	122,263
Dividends paid	-	-	(93,098)	(93,098)
<b>At 31 December 2013</b>	304	129,837	77,371	207,512
Total comprehensive profit for the year	-	-	137,484	137,484
Dividends paid	-	-	(136,643)	(136,643)
<b>At 31 December 2014</b>	304	129,837	78,211	208,352

## Company statement of changes in equity

for the year ended 31 December 2014

	<i>Share capital US\$000</i>	<i>Share premium US\$000</i>	<i>Retained Earnings US\$000</i>	<i>Total equity US\$000</i>
<b>At 1 January 2013</b>	304	129,837	(12,103)	118,038
Total comprehensive profit for the year	-	-	114,065	114,065
Dividends paid			(93,098)	(93,098)
<b>At 31 December 2013</b>	<b>304</b>	<b>129,837</b>	<b>8,864</b>	<b>139,005</b>
Total comprehensive profit for the year	-	-	136,283	136,283
Dividends paid	-	-	(136,643)	(136,643)
<b>At 31 December 2014</b>	<b>304</b>	<b>129,837</b>	<b>8,504</b>	<b>138,645</b>

## Group statement of cash flows

for the year ended 31 December 2014

	<i>2014</i>	<i>2013</i>
<i>Notes</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Operating activities</b>		
Profit before tax	167,790	132,477
Adjustments to reconcile profit before tax to net cash flows:		
Gain on disposal of property, plant and equipment	-	(147)
Depreciation	17,912	17,609
Net interest	11,700	9,387
Share based payment	(7,149)	9,653
Working capital adjustments:		
Decrease in trade and other receivables	2,300	7,868
Decrease/(increase) in prepayments and accrued revenue	(2,248)	(10,868)
(Decrease)/increase in trade and other payables	(780)	5,480
Interest paid	(11,934)	(9,761)
Interest received	161	120
Taxation paid	(15,610)	(4,231)
<b>Net cash flow from operating activities</b>	<b>162,142</b>	<b>157,587</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(23,797)	(12,715)
Proceeds from disposal of property, plant and equipment	-	147
<b>Net cash flow used in investing activities</b>	<b>(23,797)</b>	<b>(12,568)</b>
<b>Financing activities</b>		
Payment of dividends	(136,643)	(93,098)
Issue of bonds	125,000	-
Repayment of loans and bonds	(103,098)	(16,500)
<b>Net cash flow used in financing activities</b>	<b>(111,741)</b>	<b>(109,598)</b>
Net increase in cash and cash equivalents	23,604	35,421
<b>Cash and cash equivalents at beginning of year</b>	<b>52,347</b>	<b>16,926</b>
<b>Cash and cash equivalents at end of year</b>	<b>18 75,951</b>	<b>52,347</b>

## Company statement of cash flows

for the year ended 31 December 2014

	<i>2014</i>	<i>2013</i>
<i>Notes</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Operating activities</b>		
Profit before tax	132,624	114,076
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation	310	247
Net interest	2,444	(120)
Share based payment	(7,526)	8,928
Working capital adjustments:		
(Increase) in prepayments	(2,534)	(749)
(Increase)/decrease in trade receivables	(79,786)	3,143
(Decrease)/increase in trade and other payables	(2,268)	2,944
Interest paid	(4,559)	-
Interest received	2,127	120
<b>Net cash flows from/(used in) in operating activities</b>	<u>40,832</u>	<u>128,589</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(665)	(81)
<b>Net cash flows used in investing activities</b>	<u>(665)</u>	<u>(81)</u>
<b>Financing activities</b>		
Dividends paid	(136,643)	(93,098)
Issue of bonds	125,000	-
Repayment of bonds	(5,000)	-
<b>Net cash flows used in financing activities</b>	<u>(16,643)</u>	<u>(93,098)</u>
Net increase in cash and cash equivalents	23,524	35,410
<b>Cash and cash equivalents at beginning of year</b>	<u>52,235</u>	<u>16,825</u>
<b>Cash and cash equivalents at end of year</b>	<u>18 75,759</u>	<u>52,235</u>

## Notes to the financial statements

At 31 December 2014

### 1. General information

The Group and Company financial statements of Awilco Drilling PLC for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 24 April 2015. 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 2014 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\$ 136 million. (2013: US\$ 114 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 2014

### 4. Accounting policies

#### *New standards and interpretations*

The following standards and interpretations were issued and mandatory for 31 December 2014 but are not relevant to the Group.

- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- IAS 36 Recoverable Amount Disclosure for Non-Financial Assets – Amendments to IAS 36
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS39
- IFRIC 21 Levies

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 2015 or later periods, but the Group has not early adopted them:

- IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19
- IFRS 2 Share-based payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures
- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- IFRS 15 Revenue from Contracts with Customers

It is not anticipated that the application of these standards and amendments will have any material impact on the Group's financial statements, however the Group is still looking at the impact of IFRS 15 given it is a new standard still subject to interpretation. 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 2014

### 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 2014

### 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.

##### *Transactions 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 2014

### 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 2014

### 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\$ 137 million arising from the provision of drilling services. (2013: US\$ 89 million)

### 6. Operating profit

This is stated after charging/ (crediting)

	2014	2013
	US\$000	US\$000
Depreciation (Note 15)	17,912	17,609
Operating lease expense on land and buildings	338	236
Settlement of legal claim	(2,485)	1,900
Insurance receivable	-	(1,855)

## Notes to the financial statements

At 31 December 2014

### 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.

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Audit of the financial statements	96	107
Local statutory audits of subsidiaries	53	51
Tax services – compliance	55	34
Tax services - advisory	323	91
	<u>527</u>	<u>283</u>

### 8. Staff costs

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Wages and salaries	35,648	31,349
Pension costs	1,262	1,147
Social security costs	4,754	1,572
Long term incentive plan	2,583	7,680
	<u>44,247</u>	<u>41,748</u>

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:

	<i>2014</i>	<i>2013</i>
	<i>No.</i>	<i>No.</i>
Onshore, including management	31	30
Offshore	209	197
	<u>240</u>	<u>227</u>

### 9. Finance income

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Bank interest	161	120
	<u>161</u>	<u>120</u>

## Notes to the financial statements

At 31 December 2014

### 10. Finance expense

	2014 US\$000	2013 US\$000
Interest on loans and bonds	11,861	9,379
Shareholder loan commitment fee	-	128
	<u>11,861</u>	<u>9,507</u>

### 11. Foreign exchange

	2014 US\$000	2013 US\$000
Gain on foreign exchange transactions	705	972
(Loss) on foreign exchange transactions	(591)	-
Net gain on foreign exchange transactions	<u>114</u>	<u>972</u>

### 12. Income tax

#### (a) Income tax on profit on ordinary activities

	2014 US\$000	2013 US\$000
UK corporation tax on the profit for the year	22,562	6,331
Foreign tax on the profit for the year	7,827	5,995
Total current income tax	<u>30,389</u>	<u>12,326</u>
Amounts under/(over) provided in previous years	194	14
Total current income tax	<u>30,583</u>	<u>12,340</u>
Deferred income tax:		
Origination and reversal of temporary differences	985	(2,126)
Effect of unused tax losses	(1,262)	-
Total deferred income tax credit	<u>(277)</u>	<u>(2,126)</u>
Income tax charge in the Group statement of comprehensive income	<u>30,306</u>	<u>10,214</u>

#### (b) Reconciliation of the total income tax charge

	2014 US\$000	2013 US\$000
Profit from continuing operations	<u>167,790</u>	<u>132,477</u>
Tax calculated at UK standard rate of corporation tax	36,075	30,800
Expenses not deductible for tax purposes	620	377
Effect of lower taxes on overseas earnings	(24,471)	(21,017)
Tax losses not realised	13,232	-
Unrecognised deferred tax asset	5,118	-
Amounts under/(over) provided in previous years	194	14
Other	(462)	40
Income tax charge in the Group statement of comprehensive income	<u>30,306</u>	<u>10,214</u>

## Notes to the financial statements

At 31 December 2014

### 12. Income tax (continued)

The income tax expense above is computed at profit before taxation multiplied by the effective rate of corporation tax in the UK of 21.5% (2013: 23.25%)

(c) Deferred income tax

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

	2014 US\$000	2013 US\$000
<b>Deferred tax liability</b>		
Temporary differences relating to property plant and equipment	-	(554)
<b>Deferred tax asset</b>		
Temporary differences relating to property plant and equipment	576	-
Tax losses carried forward	1,262	
Share-based payment	648	2,763
Net deferred tax asset	<u>2,486</u>	<u>2,209</u>

(d) Unrecognised tax losses

The Group has tax losses of US\$61.5 million which arose in the UK (2013: nil) that are available for offset against future taxable profits that are not part of the bareboat charter ring-fence arrangements. Deferred tax assets have not been recognised in respect of these losses.

### 13. Earnings per share

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

	2014 US\$000	2013 US\$000
Profit for the year attributable to equity share holders	<u>137,484</u>	<u>122,263</u>
	2014 No.000	2013 No.000
Weighted average number of ordinary shares for basic earnings per share	<u>30,032</u>	<u>30,032</u>

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

## Notes to the financial statements

At 31 December 2014

### 14. Dividends paid and proposed

	2014	2013
	US\$000	US\$000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Total dividends per share for 2014 : US\$ 4.55 (2013: US\$ 3.10)	136,643	93,098
Dividends paid	<u>136,643</u>	<u>93,098</u>

### 15. Property, plant and equipment

<i>Group</i>	<i>Semi submersible drilling rigs US\$000</i>	<i>Special purpose surveys US\$000</i>	<i>Other fixtures and equipment US\$000</i>	<i>Total US\$000</i>
Cost:				
<b>At 1 January 2013</b>	263,055	30,500	1,128	294,683
Additions	12,634	-	82	12,716
Disposals	-	-	(2)	(2)
<b>At 31 December 2013</b>	<u>275,689</u>	<u>30,500</u>	<u>1,208</u>	<u>307,397</u>
Additions	23,132	-	665	23,797
<b>At 31 December 2014</b>	<u>298,821</u>	<u>30,500</u>	<u>1,873</u>	<u>331,194</u>
Depreciation:				
<b>At 1 January 2013</b>	(34,881)	(9,150)	(479)	(44,510)
Provided	(11,262)	(6,100)	(247)	(17,609)
Disposals	-	-	1	1
<b>At 31 December 2013</b>	<u>(46,143)</u>	<u>(15,250)</u>	<u>(725)</u>	<u>(62,118)</u>
Provided	(11,501)	(6,100)	(311)	(17,912)
<b>At 31 December 2014</b>	<u>(57,644)</u>	<u>(21,350)</u>	<u>(1,036)</u>	<u>(80,030)</u>
Net book value:				
<b>At 31 December 2014</b>	<u>241,178</u>	<u>9,150</u>	<u>837</u>	<u>251,165</u>
At 31 December 2013	<u>229,546</u>	<u>15,250</u>	<u>483</u>	<u>245,279</u>

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).

During the year, the full amount of the loan was repaid.

## Notes to the financial statements

At 31 December 2014

### 15. Property, plant and equipment (continued)

<i>Company</i>	<i>Office Equipment US\$000</i>	<i>Other fixtures and equipment US\$000</i>	<i>Total US\$000</i>
Cost:			
<b>At 1 January 2013</b>	470	658	1,128
Additions	82	-	82
Disposals	(2)	-	(2)
<b>At 31 December 2013</b>	550	658	1,208
Additions	631	33	664
<b>At 31 December 2014</b>	1,181	691	1,872
Depreciation:			
<b>At 1 January 2013</b>	(218)	(261)	(479)
Provided	(141)	(106)	(247)
Disposals	1	-	1
<b>At 31 December 2013</b>	(358)	(367)	(725)
Provided	(165)	(145)	(310)
<b>At 31 December 2014</b>	(523)	(512)	(1,035)
Net book value:			
At 31 December 2014	658	179	837
At 31 December 2013	192	291	483

### 16. Investments

	<i>Company US\$000</i>
<i>Company shares in subsidiary undertakings</i>	
At incorporation	204
At 31 December 2013 and 2014	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 2014

### 17. Trade and other receivables

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Trade receivables	12,116	12,116	14,417	14,417
Prepayments and other receivables	4,380	5,375	5,151	872
Accrued revenue	23,760	-	20,675	-
VAT receivable	504	493	571	560
	<u>40,760</u>	<u>17,984</u>	<u>40,814</u>	<u>15,849</u>

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

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
At 1 January	4,604	9,421
Charge for the year	-	-
Amounts released	(4,604)	(4,817)
At 31 December	<u>-</u>	<u>4,604</u>

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

#### *Group*

	<i>Total</i>	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>	
		<i>&lt;30 days</i>	<i>30-60 days</i>	<i>60-90 days</i>	
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
2014	12,116	-	12,086	30	
2013	14,417	-	14,242	175	

#### *Company*

	<i>Total</i>	<i>Neither past due nor impaired</i>		<i>Past due but not impaired</i>	
		<i>&lt;30 days</i>	<i>30-60 days</i>	<i>60-90 days</i>	
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
2014	12,116	-	12,086	30	
2013	14,417	-	14,242	175	

### 18. Cash and short-term deposits

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cash at bank and in hand	<u>75,951</u>	<u>75,759</u>	<u>52,347</u>	<u>52,235</u>



## Notes to the financial statements

At 31 December 2014

### 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\$ 1,380,000 in relation to foreign exchange forward contracts (see Note 24).

### 19. Trade and other payables

	<i>Group</i> <i>2014</i> <i>US\$000</i>	<i>Company</i> <i>2014</i> <i>US\$000</i>	<i>Group</i> <i>2013</i> <i>US\$000</i>	<i>Company</i> <i>2013</i> <i>US\$000</i>
Trade and other payables	16,203	8,371	24,733	16,446
Interest payable	1,913	1,913	1,987	-
	<u>18,116</u>	<u>10,284</u>	<u>26,720</u>	<u>16,446</u>

### 20. Borrowings

	<i>Group</i> <i>2014</i> <i>US\$000</i>	<i>Company</i> <i>2014</i> <i>US\$000</i>	<i>Group</i> <i>2013</i> <i>US\$000</i>
Current borrowings:			
Seller's credit (see (a) below)	-	-	11,000
Bond (see (b) below)	10,000	10,000	-
<b>Total current borrowings</b>	<u>10,000</u>	<u>10,000</u>	<u>11,000</u>
Non-current borrowings:			
Seller's credit (see (a) below)	-	-	87,098
Bond (see (b) below)	110,000	110,000	-
<b>Total non-current borrowings</b>	<u>110,000</u>	<u>110,000</u>	<u>87,098</u>
<b>Total borrowings</b>	<u>120,000</u>	<u>120,000</u>	<u>98,098</u>

#### 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.

The Transocean debt was fully repaid on 14 April 2014.

#### b) Secured bond

During April 2014, the Company successfully issued a US\$125 million secured bond in the Norwegian bond market with maturity in April 2019. The purpose of the bond was to refinance the existing Transocean debt and for general corporate purposes. Settlement date of the bond was 9 April 2014 and it was issued with an interest rate of 7%. Repayment terms are US\$5 million bi-annually with a final bullet repayment of US\$80 million in April 2019.

## Notes to the financial statements

At 31 December 2014

### 20. Borrowings (continued)

	<i>Group &amp; Company 2014 US\$000</i>	<i>Group 2013 US\$000</i>
Bond and loans repayment:		
Within one year	10,000	11,000
In two to five years	110,000	87,098
	<u>110,000</u>	<u>98,098</u>

### 21. Commitments and contingencies

#### *Obligations under operating leases*

At 31 December 2014 the Group had future minimum lease payments under non-cancellable operating leases as set out below:

	<i>Group 2014 US\$000</i>	<i>Company 2014 US\$000</i>	<i>Group 2013 US\$000</i>	<i>Company 2013 US\$000</i>
Payments due under operating lease for land and buildings:				
Within one year	474	474	232	232
In two to five years	1,555	1,559	302	302
	<u>2,029</u>	<u>2,029</u>	<u>534</u>	<u>534</u>

#### *Capital commitments*

There were capital commitments of US\$ 22.9 million at 31 December 2014 (2013: nil).

### 22. Share capital

#### *Group and Company*

	<i>2014 No.000</i>	<i>2013 No.000</i>
<i>Authorised</i>		
Ordinary shares of £0.0065 each	<u>30,032</u>	<u>30,032</u>

#### *Group and Company*

	<i>No.000</i>	<i>US\$000</i>
<i>Allotted called up and fully paid</i>		
At 1 January 2013	30,032	304
At 31 December 2013 and 2014	<u>30,032</u>	<u>304</u>

## Notes to the financial statements

At 31 December 2014

### 22. Share capital (continued)

*Group and Company*

	<i>Share premium account US\$000</i>
At 1 January 2013	129,837
At 31 December 2013 and 2014	<u>129,837</u>

### 23. Related party transactions

*Group*

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

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Interest</i>
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 2014 with Awilhelmsen AS and its subsidiaries are as follows:

	<i>2014 US\$000</i>	<i>2013 US\$000</i>
Purchase of management services	2,275	1,818
Commitment fee on shareholder loan	-	78
Share based payment	743	2,930
Amounts owed to Awilhelmsen AS and its subsidiaries	<u>(21)</u>	<u>(192)</u>

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.

## Notes to the financial statements

At 31 December 2014

### 23. Related party transactions (continued)

#### *Directors and other key management personnel*

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

	2014	2013
	US\$000	US\$000
Short-term employee benefits	2,377	2,937
Share-based payment	942	6,507
Other long-term benefits	123	103

Included in the short-term employee benefits are director's emoluments of US\$733,000 (2013: US\$702,000). Six directors received remuneration in respect of their services to the Company during the year (2013: six). The highest paid director was Jon Bryce – please refer to the Directors' remuneration report on page 21 for further details.

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

#### *Company*

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

	2014	2013
	US\$000	US\$000
<i>Transactions:</i>		
Amounts invoiced to WilPhoenix (UK) Ltd in respect of services provided to the company	44,848	36,748
Invoiced to WilPhoenix (UK) Ltd	4,309	7,535
Amounts invoiced on behalf of WilPhoenix (UK) Ltd	(139,710)	(112,688)
Amounts invoiced to WilHunter (UK) Ltd in respect of services provided to the company	39,789	35,834
Invoiced to WilHunter (UK) Ltd	5,188	7,535
Amounts invoiced on behalf of WilHunter (UK) Ltd	(136,671)	(119,035)
Amounts invoiced to WilPhoenix (Malta) Ltd in respect of services provided to the company	6,134	14,295
Invoiced to WilPhoenix (Malta) Ltd	653	1,160
Amounts invoiced to WilHunter (Malta) Ltd in respect of services provided to the company	4,066	11,914
Invoiced to WilHunter (Malta) Ltd	790	1,160
Invoiced to Awilco Drilling Pte Ltd	1,425	1,035
Transfer of funds from Awilco Drilling Pte Ltd	(256)	(78)
Taxation paid on behalf of subsidiaries	19,455	4,234
Dividends received from WilPhoenix (UK) Ltd	27,500	5,000
Dividends received from WilHunter (UK) Ltd	-	37,000
Dividends received from WilPhoenix (Malta) Ltd	57,900	31,062
Dividends received from WilHunter (Malta) Ltd	53,200	42,018
Issue of intercompany loan to WilHunter (Malta) Ltd	34,848	-
Issue of intercompany loan to WilPhoenix (Malta) Ltd	62,466	-
	<u>85,934</u>	<u>4,729</u>

## Notes to the financial statements

At 31 December 2014

### 23. Related party transactions (continued)

*Balance:*

Amounts payable to WilPhoenix (UK) Ltd	(120,352)	(62,496)
Amounts payable to WilHunter (UK) Ltd	(108,318)	(22,926)
Amounts receivable from WilPhoenix (Malta) Ltd	223,968	95,349
Amounts receivable from WilHunter (Malta) Ltd	175,924	76,852
Amounts receivable from Awilco Drilling Pte. Ltd.	2,393	900
	<u>173,615</u>	<u>87,679</u>

#### **Entity with significant influence over the Group**

Awilhelmsen AS, owns 43% of the ordinary shares in Awilco Drilling PLC.

### 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 are generally approximate to the carrying values except foreign exchange contracts which are carried at fair value.

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 GBP 3.7 million in trade and other payables (2013: GBP 2.4 million). A 5% strengthening or weakening of US\$ to GBP would have an effect of US\$ 0.3 million on the Group 2014 result (2013: US\$0.2 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 or entering into new borrowing arrangements.

## Notes to the financial statements

At 31 December 2014

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

#### Liquidity risk (continued)

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

<i>Group</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1-5 years</i>	<i>Total</i>
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	<u>21,993</u>	<u>19,789</u>	<u>93,302</u>	<u>135,084</u>
Interest bearing loans	-	16,312	133,275	149,587
Trade and other payables	11,430	6,686	2,766	20,882
At 31 December 2014	<u>11,430</u>	<u>22,998</u>	<u>136,041</u>	<u>170,469</u>

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

<i>Company</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1-5 years</i>	<i>Total</i>
Trade and other payables	13,611	2,273	1,837	17,721
At 31 December 2013	<u>13,611</u>	<u>2,273</u>	<u>1,837</u>	<u>17,721</u>
Interest bearing loans	-	16,312	133,275	149,587
Trade and other payables	8,378	1,906	118	10,402
At 31 December 2014	<u>8,378</u>	<u>18,218</u>	<u>133,393</u>	<u>159,989</u>

#### Fair value of financial assets and financial liabilities

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

<i>Group</i>	<i>2014 US\$000 Book Value</i>	<i>2013 US\$000 Book Value</i>	<i>2014 US\$000 Fair Value</i>	<i>2013 US\$000 Fair Value</i>
Financial assets				
<i>Loans and receivables</i>				
Trade receivables	12,116	14,417	12,116	14,417
Prepayment and other receivables	4,380	4,589	4,380	4,589
Accrued revenue	23,760	20,675	23,760	20,675
VAT receivable	504	571	504	571
Current tax receivable	82,595	42,317	82,595	42,317
Cash and cash equivalents	75,951	52,347	75,951	52,347
<i>Fair value through profit and loss</i>				
Foreign exchange contracts	-	562	-	562
Total financial assets	<u>199,306</u>	<u>135,478</u>	<u>199,306</u>	<u>135,478</u>

## Notes to the financial statements

At 31 December 2014

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

#### *Fair value of financial assets and financial liabilities (continued)*

	2014 US\$000 <i>Book Value</i>	2013 US\$000 <i>Book Value</i>	2014 US\$000 <i>Fair Value</i>	2013 US\$000 <i>Fair Value</i>
Financial liabilities				
Interest bearing debt				
Non-current portion	110,000	87,098	98,725	87,098
Current portion	10,000	11,000	8,975	11,000
Trade and other payables	16,203	26,335	16,203	26,335
Interest payable	1,913	1,987	1,913	1,987
Current tax payable	108,522	53,271	108,522	53,271
<i>Fair value through profit and loss</i>				
Foreign exchange contracts	294	-	294	-
<b>Total financial liabilities</b>	<b>246,932</b>	<b>179,691</b>	<b>234,632</b>	<b>179,691</b>

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

<i>Company</i>	2014 US\$000 <i>Book Value</i>	2013 US\$000 <i>Book Value</i>	2014 US\$000 <i>Fair Value</i>	2013 US\$000 <i>Fair Value</i>
Financial assets				
<i>Loans and receivables</i>				
Trade receivables	12,116	14,417	12,116	14,417
Prepayment and other receivables	5,375	310	5,375	310
VAT receivable	493	560	493	560
Cash and cash equivalents	75,759	52,235	75,759	52,235
<i>Fair value through profit and loss</i>				
Foreign exchange contracts	294	562	294	562
<b>Total financial assets</b>	<b>94,037</b>	<b>68,084</b>	<b>94,037</b>	<b>68,084</b>

	2014 US\$000 <i>Book Value</i>	2013 US\$000 <i>Book Value</i>	2014 US\$000 <i>Fair Value</i>	2013 US\$000 <i>Fair Value</i>
Financial liabilities				
Trade and other payables	8,371	18,283	8,371	18,283
Interest payable	1,913	-	1,913	-
Interest bearing debt				
Non-current portion	110,000	-	98,725	-
Current portion	10,000	-	8,975	-
<b>Total financial liabilities</b>	<b>130,284</b>	<b>18,283</b>	<b>117,984</b>	<b>18,283</b>

## Notes to the financial statements

At 31 December 2014

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

#### 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. 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.

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, bonds and loans less cash and cash equivalents.

	<i>Group</i> 2014	<i>Group</i> 2013
	<i>US\$000</i>	<i>US\$000</i>
Borrowing (note 20)	120,000	98,098
Cash and cash equivalents (note 18)	<u>(75,951)</u>	<u>(52,347)</u>
Net debt	44,049	45,751
Capital	<u>208,352</u>	<u>207,512</u>
Capital and net debt	<u>252,402</u>	<u>253,263</u>
Gearing ratio	17%	18%

### 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.

During 2014, a further award was introduced by the Company for the executive group and other key management personnel, for onshore management and for offshore personnel with the same vesting periods as the 2012 and 2013 awards.

All share options and awards are cash settled.



## Notes to the financial statements

At 31 December 2014

### 25. Share-based payments (continued)

The following table list the inputs to the model used for these valuations (share prices are in NOK).

<i>Group and Company</i>	<i>2014</i>				<i>2013</i>		
	<i>2010 Plans</i>	<i>2012 Plans</i>	<i>2013 Plans</i>	<i>2014 Plans</i>	<i>2010 Plans</i>	<i>2012 Plans</i>	<i>2013 Plans</i>
Exercise price	29.00	-	-	-	29.00	-	-
Share price	78.00	78.00	78.00	78.00	129.00	129.00	129.00
Expected life	1.40 years	0.91 years	1.42 years	2.39 years	1.31 years	1.55 years	2.13 years
Volatility	55%	55%	55%	55%	58%	58%	58%
Risk free interest rate	0.98%	0.99%	0.94%	0.88%	1.40%	1.47%	1.57%
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.

<i>Group</i>	<i>2014</i>		<i>2013</i>	
	<i>No.</i>	<i>WAEP (NOK)</i>	<i>No.</i>	<i>WAEP (NOK)</i>
Outstanding as at 1 January	935,827	17.93	778,714	21.28
Granted during the year	391,176	5.48	163,217	5.81
Exercised during the year	(586,115)	27.97	(95,621)	29.00
Forfeited during the year	(6,538)	-	(8,191)	-
Adjusted during the year	-	-	97,708	20.85
Outstanding at 31 December	734,347	3.44	935,827	17.93
Exercisable at 31 December	76,887	13.02	343,518	29.00
<i>Company</i>	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>No.</i>	<i>WAEP (NOK)</i>	<i>No.</i>	<i>WAEP (NOK)</i>
Outstanding as at 1 January	800,175	20.97	720,806	22.96
Granted during the year	299,692	7.15	86,318	11.22
Exercised during the year	(577,396)	28.39	(95,621)	29.00
Forfeited during the year	-	-	(2,192)	-
Adjusted during the year	6,727	-	90,864	22.42
Outstanding at 31 December	529,198	4.78	800,175	20.97
Exercisable at 31 December	51,136	19.58	343,518	29.00

## Notes to the financial statements

At 31 December 2014

### 25. Share-based payments (continued)

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 2014 is 1.18 years. The Group total share option and award credit amounted to US\$7.1 million (2013: US\$ 9.7 million). The carrying amount of the liability relating to the cash-settled options at 31 December 2014 is US\$ 3.5 million (2013: US\$12.2 million).

The Company only total share option and award was a credit which amounted to US\$7.5 million (2013: US\$8.9 million). The carrying amount of the liability relating to the cash-settled options at 31 December 2014 is US\$ 2.4 million (2013: \$11.5 million).

The table below summaries the carrying amount of the liability

<i>Group</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 – 5 years</i>	<i>Total</i>
Share options and awards	767	2,445	320	3,532
At 31 December 2014	767	2,445	320	3,532

<i>Company</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 – 5 years</i>	<i>Total</i>
Share options and awards	386	1,907	118	2,411
At 31 December 2014	386	1,907	118	2,411

### 26. Derivative Financial Instruments

	<i>2014</i>	<i>2013</i>
	<i>US\$000</i>	<i>US\$000</i>
Foreign exchange contracts	(294)	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. Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

#### **Fair value hierarchy**

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