Awilco Drilling PLC

Report and Financial Statements

31 December 2011

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

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Directors' report

Registered No. 7114196

The Directors present their report and financial statements for the year 31 December 2011. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

The Company was incorporated on 30 December 2009.

Results and dividends

The loss after taxation for the year amounted to US$3.6 million (2010: profit US$12.4 million). The Directors do not recommend a dividend.

Principal activity

The principal activity of the Company and its subsidiaries ('the Group') is to own and operate two semi-submersible drilling rigs. During the year, both rigs left the Remontowa shipyard in Poland where they had undergone survey, repair and modification work. The rigs completed testing and commissioning of equipment and mobilisation to the UK Continental Shelf ('UKCS') where they subsequently commenced drilling operations for their relevant clients.

Business review and future developments

The Group continued with the rig upgrade projects in Remontowa shipyard, Gdansk, Poland and the rigs departed the shipyard for completion of testing and commissioning work during transit to the respective operating locations in UKCS. The WilPhoenix commenced operations on 27 June 2011 and the WilHunter on 1 July 2011. Both rigs operated throughout the remainder of 2011.

The development of onshore support facilities and resources were completed early 2011 and recruitment of offshore personnel was completed in Q2 prior to commencement of operator contracts.

The Group completed its legal entity restructuring early 2011 and was listed on the Oslo Axess stock exchange on 10 June 2011.

The UK drilling rig market continued to strengthen with continued pressure on fixed day rates and a further reduction in 2012 rig availability. Enquiries for longer term work, commencing 2013, have also now begun to appear. The level of demand continues to reflect expected high levels of utilisation during 2012 and 2013. Day rate levels continue to increase as demand puts pressure on rig availability.

Subsequent events

A contract has been signed for the WilPhoenix for a period of approx. 200 days with Hess Ltd. This contract commenced 1 March 2012. A contract has also been signed with Premier Oil UK Ltd for a 60 day program plus two 30 day options. A letter of intent has been signed with an undisclosed operator for the provision of the WilPhoenix for a term drilling program. The program will start in direct continuation from the Premier Oil UK Ltd contract and is firm until 28 February 2014 with options for up to an additional 250 days. Based on commencement on completion of the firm period of the preceding contract in mid-November 2012, the contract value for the firm period is estimated to be US$148 million. Contracts have also been awarded for the WilHunter with the contracted drilling program extending through to January 2013 performing work for MPX North Sea Ltd, Ithaca Energy UK Ltd, Endeavour Energy UK Ltd and Suncor Energy UK Ltd.

As reported in the Group's Q4, 2011 report the WilHunter incurred downtime whilst drilling for MPX Energy Ltd on 18 January and the rig recommenced operations on 21 March incurring a total period of 62 days operational downtime. A claim has been submitted under our loss of hire insurance cover for the period of the incident amounting to approximately US$2.9 million.

Directors’ report

Business review and future developments (continued)

Subsequent events (continued)

The Company entered into a short term loan facility of US$10million with affiliates of its two largest shareholders, Awilco Drilling AS and Tomkins Square Park S.A.R.L. The funds were available for draw down for a period up to and including 30 June 2012. During April 2012 these funds were drawn down and the facility was increased to US$15 million and extended to 30 June 2013. The loan is unsecured, attracted an arrangement fee of 2% payable on the full US$15 million and bears interest of 12% per annum plus a 3% commitment fee on drawn and undrawn funds.

WilHunter’s contract with Nautical Petroleum was completed in October 2011. However, a dispute has arisen whereby Nautical Petroleum has withheld payment of US$4 million in respect of duly approved invoices. In January 2012, the Company filed a claim in the English Courts for recovery of these funds. Nautical Petroleum has subsequently submitted a counterclaim. The Company believes that Nautical Petroleum’s actions and claims are without merit and is vigorously contesting them and pursuing collection of the withheld amounts.

Performance

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

	2011	*2010*
	US$000	*US$000*
Revenue	76,262	54,963
Operating profit	7,624	34,422
Profit/(Loss) for the year attributable to equity shareholders	(3,632)	12,444
Gross profit %	25%	72%
Number of employees and contractors at year end	215	104

The total revenue for the year relates to contract income received from drilling operations. Both rigs had commenced operations during the year with their relevant clients. The Group had rig operating expenses of US$57 million (US$15million: 2010) relating to rig operating costs, and general and administration expenses of US$11 million. (US$5 million: 2010). Both rigs moved from a refurbishment phase to being operational during 2011, with the WilPhoenix going on contract on 27 June 2011 and the WilHunter going on contract on 1 July 2011. This explains the increase year on year of the rig operational costs and the administration costs as resources were put in place.

The following key performance indicators (KPIs) are reviewed on a regular basis by management and subsequently reported to the Board of Directors:-

Quality, Health, Safety and Environment (QHSE)
Total recordable incident rate (TRIR)
Unplanned discharges
Environmental awareness

Financial (actual versus budget)
Revenue
Operating expenses
Operating margin
Contract Utilisation

Directors' report

Business review and future developments (continued)

Performance (continued)

Operations
Downtime
Customer feedback
Overdue critical preventative maintenance

Human Resources (HR)
Personnel turnover
Absenteeism
Employee engagement
Compliance with training matrix
General competency
Role specific competency

It should be noted that the applicability of KPIs may vary.

Principal risks and uncertainties

The primary risks are ones 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 risk to utilisation rates may arise through deferred commencement of drilling contracts either through delays incurred on shipyard project work or delays encountered by operators not able to commence in accordance with plan. There is also the possibility of gaps and idle periods during the year due to the unpredictable nature of the well management contracts. Additionally there is a utilisation risk associated with the possibility of mechanical down time following major modification upgrades. The Group mitigates this risk through its 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.

Liquidity

As described in note 23 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. In order to achieve this, the Group has access to additional working capital facilities from Transocean Inc. As described in note 25, the Company has also entered into a short term loan agreement with its major shareholders to ensure sufficient liquidity buffer for 12 months after signing of the accounts.

Credit

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.

Directors' report

Directors

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

Sigurd Thorvildsen
Tom Furulund (resigned 13 April 2011)
Henrik Fougner
Mark Russell (resigned 13 April 2011)
Hege Hidle (resigned 13 April 2011)
Daniel Gold
John Simpson (appointed 13 April 2011)
Jon Bryce (appointed 13 April 2011)
Synne Syrrist (appointed 13 April 2011)

Insurance

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.

Policy and practice on payment of creditors

It is the Group's policy to settle all debts owing on a timely basis, taking into account the credit period given by each supplier. Trade creditors as at 31 December 2011 were equivalent to 30 (2010: 30) days' purchases based on the average daily amount invoiced by suppliers during the year.

Corporate governance

The information given in the corporate governance statement is set out on pages 8-13

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 access to sufficient working capital facilities from shareholders and the current market outlook is favourable.

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 the going concern basis.

Disclosure of information to the auditors

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

Responsibility statement

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

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The directors' report includes a fair review of the development and performance of the business, together with a description of the principal risks and uncertainties that they face.

Directors’ report

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

30 April 2012

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's and Company's financial position and financial performance;
- state that the Company 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. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

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

The Company is listed on the Oslo Axess stock exchange and has adopted the Norwegian Code of Practice for Corporate Governance of 21 October 2010 ('the Code').

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 for 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 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.
- Nomination Committee – the Company has not established a Nomination Committee, as the Articles of Association do not include such a requirement. The Board has carefully discussed the issue and is considering introducing a Nomination Committee during 2012.
- Board Composition – the Chief Executive Officer ('CEO') of the Company is also a member of the Board of Directors. The Company considers it an advantage to a new company to have the experience of executive management on the Board. It is also 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; this is in line with standard practice for a UK company.

Business

The Company's principal business is to own offshore drilling rigs for use in offshore drilling for oil and gas, 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 efficiently and safely.

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

Further information about the Company's vision, mission and strategy statements is available on the Company's website www.awilcodrilling.com

Equity and dividends

Full details of the shares issued are detailed in note 21. 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 long-term policy is to pay a regular dividend in support of the Company's main objective to maximise returns to shareholders. However, during 2011 the Company was focused on the development of capital intensive projects and this has limited any dividend payment in the short term.

Corporate governance

Equity and dividends (continued)

The level of the Company's dividends will be guided by current and prospective earnings, market prospects, capital expenditure requirements and investment opportunities.

The Company has not previously paid any dividends.

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.

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 three persons full time from the AWILHELMSEN Group for corporate services; and
- A short term USD 10 million credit facility with Awilco Drilling AS and Tompkins Square Park S.Á.R.L. (a Company controlled by QVT, the Company's second largest shareholder). The Company used this facility in April 2012.

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

Freely negotiable shares

The shares of the Company are freely negotiable.

Going concern

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

General Meetings

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

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

The next AGM is scheduled for early June 2012.

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 and five non-executive Directors including the Chairman. The Board believes that the structure and size of the Board is appropriate and that no single individual or group dominates the decision making process. The names, skills, experience and expertise of each Director are shown in the Board of Directors section of the Company's website at www.awilcodrilling.com

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

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

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

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

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

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

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

Board Performance

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

The performance of the executive director is reviewed annually by the Remuneration 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, although additional ad-hoc meetings may be held.

Corporate governance

The Board of Directors (continued)

Meetings and attendance

Board meetings are scheduled to be held at least four times a year, linked to key events in the Company's corporate reporting calendar. 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 and a Remuneration Committee. The Audit Committee has formal terms of reference governing its 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 authorised by the UK FSA and has chaired audit committees of UK listed companies and public bodies since 1996.

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

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

There is an opportunity at each meeting for the Audit Committee to discuss matters privately 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.

Remuneration Committee

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

The role of the Remuneration Committee is to establish and develop the remuneration policy for the Company's executives and key management and to determine specific remuneration packages for the executive Director. No executive 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)

The table below shows the frequency and attendance of directors as Board and Committee meetings during 2011.

	Board Meetings	*Remuneration Committee*	*Audit Committee*
No of meetings in year	5	2	2
Sigurd Thorvildsen	5	2	-
Tom Furulund *	2	-	-
Henrik Fougner	5	-	2
Mark Russell *	2	-	-
Hege Hidle *	2	-	-
Daniel Gold	5	2	-
John Simpson ^	3	-	2
Synne Syrrist ^	3	-	-
Jon Bryce ^	3	-	-

*Resigned 13 April 2011

^ Appointed 13 April 2011

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. 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 Management System.

Information and financial reporting systems

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

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

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.

Corporate governance

Internal controls and risk management (continued)

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 the 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 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 15 and 16. 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.

Remuneration of executive personnel

The Remuneration 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.

Corporate governance

Remuneration of executive personnel (continued)

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
30 April 2012

Directors’ remuneration report

Information not subject to audit

Remuneration Committee

The Remuneration Committee is appointed by the Board. During the year the Committee comprised Sigurd Thorvildsen (Chairman of the Committee) and Daniel Gold.

Remuneration policy

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.

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.

Components of directors' remuneration

The remuneration package of the executive director and senior executives consists of the following elements:

Annual pay: Annual pay reflects the responsibilities, market value and expected performance level of the executive director and senior executives. Pay is reviewed annually or when a change in responsibility occurs.

Benefits in kind: Benefits typically comprise a car allowance and private health and dental care.

Performance Related Bonus: Bonus payments are determined by the Remuneration Committee and awarded where justified by performance.

Pension: Eligible employees can participate in a Defined Contribution Scheme which has a maximum employer contribution of 8%.

Long term incentive plan: An option scheme for the executive director and other key management personnel, with a total limit of up to 2% of the Company’s issued share capital was approved at the Annual General Meeting on 13 April 2011. 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.

Fees: The fees paid to the Chairman and the other non-executive directors are determined by the Board as a whole. They are 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 fees are reviewed on an annual basis. Current fees comprise US$23,335 for each non-executive director and US$30,911 for the Chairman. The non-executive directors do not have service agreements and cannot participate in the pension scheme, the bonus scheme or the long term incentive plan.

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 non-executive directors do not have service contracts but instead have letters of appointment.

The Board was elected at the Company’s AGM held on 13 April 2011 and all terms expire in 2012.

Directors' remuneration report

Audited information

Directors' remuneration

	Basic Salary and Fees	*Benefits (4)*	*Performance Related Bonus*	*Total 2011*	*Total 2010*
	US$	*US$*	*US$*	*US$*	*US$*
Executive Director:					
J O S Bryce (1)	304,000	15,201	-	319,201	-
Non-Executive Directors:					
S E Thorvildsen	30,911	-	-	30,911	31,000
T Furulund (3)	6,585	-	-	6,585	23,250
H Fougner	23,335	-	-	23,335	23,250
D A Gold	23,335	-	-	23,335	3,875
J N Simpson (2)	16,750	-	-	16,750	-
S Syrrist (2)	16,750	-	-	16,750	-
M A Russell (3)	6,585	-	-	6,585	23,250
H Hidle (3)	6,585	-	-	6,585	23,250
	434,836	15,201	-	450,037	127,875

(1) Appointed 13 April 2011, although has held the office of CEO since 1 July 2010.

(2) Appointed 13 April 2011

(3) Resigned 13 April 2011

(4) Include non-cash benefits comprising car allowance and private health and dental care

Long Term Incentive Plan:

	At 1 January 2011	*Granted in the year*	*At 31 December 2011*	*Expiry Date*	*Market price on date of award*	*Interest vested in 2011*	*Market price on vesting date*
	No.	*No.*	*No.*		*NOK*	*No.*	*NOK*
J O S Bryce	150,158	-	150,158	1 July 2015	29.00	37,540	32.50

By order of the Board of Directors

Sigurd Thorvildsen

30 April 2012

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 2011 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 25. 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 7, 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 (APB'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. 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 2011 and of the Group's loss 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 UK 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;

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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, 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

Moira Lawrence (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Aberdeen
30 April 2012

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 2011

	Notes	2011 US$000	2010 US$000
Revenue	5	76,262	54,963
Cost of sales		(57,719)	(15,168)
Gross Profit		18,543	39,795
General and administrative expenses		(10,919)	(5,373)
Operating Profit	6	7,624	34,422
Bank interest		127	119
Finance expense	9	(14,030)	(16,188)
Foreign exchange gain/(loss), net	10	2,635	(1,070)
Gain on disposal of property, plant and equipment		116	-
(Loss)/profit before taxation		(3,528)	17,283
Income tax expense	11	(104)	(4,839)
(Loss)/profit for the year attributable to equity shareholders		(3,632)	12,444

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

Basic and diluted (loss)/earnings per share	12	(0.13)	0.85

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

at 31 December 2011

	Notes	2011 US$000	2010 US$000
Non-current assets			
Property, plant and equipment	13	262,573	209,323
		262,573	209,323
Current assets			
Inventory		4,800	4,517
Trade and other receivables	15	23,128	912
Derivative financial instruments	16	-	392
Cash and cash equivalents	17	25,100	67,707
		53,028	73,528
Total assets		315,601	282,851
Current Liabilities			
Trade and other payables	18	19,246	19,834
Current tax payable		1,980	-
Loans	19	45,667	9,250
		66,893	29,084
Non-current liabilities			
Deferred tax liabilities	11	657	4,839
Loans	19	109,098	125,097
		109,755	129,936
Total liabilities		176,648	159,020
Net Assets		138,953	123,831
Equity			
Called up share capital	21	304	271
Share premium account	21	129,837	111,116
Retained earnings		8,812	12,444
Total Shareholders' funds		138,953	123,831

Signed on behalf of the Board of Directors

Sigurd Thorvildsen
Director

Company statement of financial position

at 31 December 2011

	Notes	*2011 US$000*	*2010 US$000*
Non-current assets			
Property, plant and equipment	13	881	626
Investment in subsidiaries	14	200	200
Amount due from subsidiary undertakings	22	86,758	49,785
		87,839	50,611
Current assets			
Trade and other receivables	15	9,423	531
Cash and cash equivalents	17	24,521	56,854
		33,944	57,385
Total assets		121,783	107,996
Current liabilities			
Trade and other payables	18	4,937	1,911
		4,937	1,911
Total liabilities		4,937	1,911
Net assets		116,846	106,085
Equity			
Called up share capital	21	304	271
Share premium account	21	129,837	111,116
Retained earnings		(13,295)	(5,302)
Total Shareholders' funds		116,846	106,085

Group statement of changes in equity

for the year ended 31 December 2011

	Share Capital US$000	*Share premium US$000*	*Retained earnings US$000*	*Total equity US$000*
At incorporation	-	-	-	-
Issued during the period	271	115,752	-	116,023
Transaction costs	-	(4,636)	-	(4,636)
Total comprehensive income for the period	-	-	12,444	12,444
At 31 December 2010	271	111,116	12,444	123,831
Shares issued during the year (note 21)	33	17,481	-	17,514
Refund of share issue costs recognised in 2010 (note 21)	-	1,771	-	1,771
Transaction costs	-	(531)	-	(531)
Total comprehensive loss for the year	-	-	(3,632)	(3,632)
At 31 December 2011	304	129,837	8,812	138,953

Company statement of changes in equity

for the year ended 31 December 2011

	Share capital US$000	*Share premium US$000*	*Retained Earnings US$000*	*Total equity US$000*
At incorporation	-	-	-	-
Issued during the period	271	115,752	-	116,023
Transaction costs (note 21)	-	(4,636)	-	(4,636)
Total comprehensive income for the period	-	-	(5,302)	(5,302)
At 31 December 2010	271	111,116	(5,302)	106,085
Shares issued during the year (note 21)	33	17,481	-	17,514
Refund of share issue costs recognised in 2010 (note 21)	-	1,771	-	1,771
Transaction costs	-	(531)	-	(531)
Total comprehensive loss for the year	-	-	(7,993)	(7,993)
At 31 December 2011	304	129,837	(13,295)	116,846

Group statement of cash flows

for the year ended 31 December 2011

	Notes	2011 US$000	2010 US$000
Operating activities			
(Loss)/Profit before tax		(3,528)	17,283
Adjustments to reconcile loss before tax to net cash flows:			
Revenue utilised for loan repayment		-	(33,772)
Gain on disposal of property, plant and equipment		(116)	-
Depreciation		15,041	11,995
Net fair value gains on derivative financial instruments		-	(392)
Net interest		13,903	16,069
Unrealised loss on exchange		-	44
Working capital adjustments:			
(Increase) in trade and other receivables		(8,819)	(38)
(Increase) in inventory		(283)	(155)
(Increase) in prepayments and accrued revenue		(13,005)	(872)
Increase/(decrease) in trade and other payables		(6,330)	8,888
Interest paid		(8,287)	(13,582)
Interest received		127	119
Taxation paid		(2,306)	-
Net cash flow (used in)/from operating activities		(13,603)	5,587
Investing activities			
Purchase of property, plant and equipment		(68,290)	(55,263)
Proceeds from disposal of property, plant and equipment		116	-
Net cash flow used in investing activities		(68,174)	(55,263)
Financing activities			
Proceeds from issue of share capital		17,514	116,019
Equity issue refund/(costs)		1,240	(4,636)
Issue of loans		29,000	6,000
Repayment of loans		(8,584)	-
Net cash flow from financing activities		39,170	117,383
Net (decrease)/increase in cash and cash equivalents		(42,607)	67,707
Cash and cash equivalents at beginning of year		67,707	-
Cash and cash equivalents at end of year	17	25,100	67,707

Company statement of cash flows

for the year ended 31 December 2011

	Notes	2011 US$000	2010 US$000
Operating activities			
Loss before tax		(3,626)	(7,363)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation		215	32
Interest income		(120)	(93)
Working capital adjustments:			
(Increase) in prepayments		(35)	(531)
(Increase) in trade receivables		(8,857)	-
Increase in trade and other payables		3,026	1,916
Interest received		120	93
Net cash flows used in operating activities		(9,277)	(5,946)
Investing activities			
Purchase of property, plant and equipment		(471)	(658)
Investment in newly incorporated subsidiary undertakings		-	(200)
Cash advanced to subsidiary undertakings		(41,675)	(53,951)
Cash received from subsidiary undertakings		336	6,226
Net cash flows used in investing activities		(41,810)	(48,583)
Financing activities			
Proceeds from issue of share capital		17,514	116,019
Equity issue (costs)/refund		1,240	(4,636)
Net cash flows from financing activities		18,754	111,383
Net (decrease)/increase in cash and cash equivalents		(32,333)	56,854
Cash and cash equivalents at beginning of year		56,854	–
Cash and cash equivalents at end of year	17	24,521	56,854

Notes to the financial statements

At 31 December 2011

1. General information

The Group and Company financial statements of Awilco Drilling PLC for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 30 April 2012. 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 offices 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 2011 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 loss recorded by the Company for the year was US$8.0 million. (US$5.3 million: 2010)

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 access to sufficient working capital facilities from Transocean Inc and shareholders. 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 the 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 remaining useful lives of 20 years (15 years: 2010) on a straight line basis and assuming a US$15 million (US$2 million: 2010) 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. The increase in the estimated useful economic lives of the drillings rigs has resulted in a decrease in depreciation expense in 2011 of US$1.8 million.

Notes to the financial statements

At 31 December 2011

4. Accounting policies

New standards and interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment), IFRS 7 Financial Instruments: Disclosures – collateral and qualitative disclosures and IAS 1 Presentation of Financial Statements – analysis of comprehensive income

The following standards and interpretations which have been adopted are relevant to the Group but have had no material impact on these financial statements:

- IAS 32 (amendments) ‘Financial instruments: presentation’
- IAS 27 ‘Consolidated and Separate Financial Statements’
- IFRIC 19 ’Extinguishing Financial Liabilities with Equity Instruments ’

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 2012 or later periods, but the Group has not early adopted them:

- IFRS 9 ‘Financial Instruments’ : Classification and Measurement
- IFRS 10 ‘Consolidated financial statements’
- IFRS 11 ‘Joint arrangements’
- IFRS 12 ‘Disclosure of Interests in Other Entities’
- IFRS 13 ‘Fair value measurement’
- IFRS 1 (amendment) ‘First-time adoption of International Financial Reporting Standards – Severe Hyperinflation and removal of fixed dates for first time adopters’
- IFRS 7 (amendments) – ‘New (enhanced) disclosure requirements for derecognition of financial assets’
- IAS 12 (amendments) –‘Deferred taxes – recovery of underlying assets’
- IAS 19 ‘Employee Benefits (Revised)’

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

Cash and cash equivalents

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

Notes to the financial statements

At 31 December 2011

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 its 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 purpose surveys	–	5 years
Other fixtures and equipment	–	3-5 years

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.

Deferred 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.

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.

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.

Notes to the financial statements

At 31 December 2011

4. Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

Earnings per share

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

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

Leases

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

Financial assets

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

Derecognition of financial assets

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

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

Notes to the financial statements

At 31 December 2011

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 2011

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 is given in Note 24. 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.

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$37m) arising from the drilling activities.
In the prior year, total revenue for the year was attributed to one customer.

6. Operating profit

This is stated after charging

	2011	*2010*
	US$000	*US$000*
Depreciation (Note 13)	15,041	11,995
Operating lease expense on land and buildings	149	120

7. Auditors' remuneration

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

	2011	*2010*
	US$000	*US$000*
Audit of financial statements	80	77
Statutory audits for subsidiaries	48	31
Other audit services	-	41
Taxation services	216	229
	344	378

Notes to the financial statements

At 31 December 2011

8. Staff costs

	2011	*2010*
	US$000	*US$000*
Wages and salaries	17,043	412
Pension costs	646	-
Social security costs	354	51
Share Based Payments	525	-
	18,568	463

The Company makes contributions to a defined contribution scheme for all eligible employees, up to a maximum of 8% 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:

	No.	*No.*
Onshore, including management	22	1
Offshore	179	-
	201	1

In 2010, the Group had an average number of 13 personnel from an external personnel Company at the total cost of US$2.7 million. This continued until quarter 1 of 2012, when any contractors were then employed directly.

9. Finance expense

	2011	*2010*
	US$000	*US$000*
Interest on loans	14,030	16,188
	14,030	16,188

10. Foreign exchange

	2011	*2010*
	US$000	*US$000*
Gain on foreign exchange transactions	5,056	392
(Loss) on foreign exchange transactions	(2,421)	(1,462)
Net gain/(loss) on foreign exchange transactions	2,635	(1,070)

Notes to the financial statements

At 31 December 2011

11. Income tax

(a) Income tax on (loss)/profit on ordinary activities

	2011 US$000	*2010 US$000*
UK corporation tax on the (loss) / profit for the year	4,286	-
Total current income tax	4,286	-
Deferred income tax:		
Origination and reversal of temporary differences:	(8,114)	8,771
Losses arising in the current year not relievable against current tax	-	(3,932)
Utilisation of prior period tax losses	3,932	-
Total deferred income tax (credit)/charge	(4,182)	4,839
Income tax charge in the Group statement of comprehensive income	104	4,839

(b) Reconciliation of the total income tax charge

	2011 US$000	*2010 US$000*
(Loss)/profit from continuing operations	(3,528)	17,283
Tax calculated at UK standard rate of corporation tax	(935)	4,839
Expenses not deductible for tax purposes	532	133
Balancing charge on inter Group transfer of assets	3,446	-
Effect of higher / lower taxes on overseas earnings	(2,867)	-
Other	(72)	(133)
Income tax charge in the Group statement of comprehensive income	104	4,839

The income tax expense above is computed at (loss)/profit before taxation multiplied by the effective rate of corporation tax in the UK of 26.5% (2010:28%)

(c) Deferred income tax

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

	2011 US$000	*2010 US$000*
Deferred tax liability		
Temporary differences relating to property plant and equipment	(657)	(8,771)
Deferred tax asset		
Unused tax losses	-	3,932
	(657)	(4,839)

Notes to the financial statements

At 31 December 2011

11. Income tax (continued)

(d) Change in corporation tax

In February 2011, the Group restructured its operations and transferred its rigs previously owned by its UK subsidiaries to its Maltese subsidiaries. In July 2011, the Group signed a 4 year Advanced Pricing Agreement (APA) with HMRC on the allocation of taxable profit between the UK and Malta. According to the APA, taxable profit will be allocated between UK and Malta in the ratio of 11% to 89% respectively. Consequently, from 1 July 2011 only 11% of taxable profits will be taxed at the prevailing rate of UK corporation tax.

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011. A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1 April 2012. There has not been an impact in the current year as there is no UK related deferred tax recognised.

In addition, the Government announced its intention to reduce further the UK corporation tax rate to 24% from 1 April 2013 and to 23% from 1 April 2014. There would not have been an aggregate impact of the proposed reductions from 25% to 23% to deferred tax assets and deferred tax liabilities as there is no UK related deferred tax recognised in the current year for the Group consolidated accounts.

(e) Temporary tax credit associated with Group taxable profits in Malta

In line with 89% of taxable profit being subject to tax in Malta as stated in note (d) above, the Group is entitled to a 30% tax credit on dividends paid to the parent Company. In 2011 the corporation tax rate in Malta was 35% resulting in a tax credit of US$4 million which will be utilised against the Group tax charge when dividends are paid by the entities incorporated in Malta.

12. Earnings per share

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

	2011	*2010*
	US$000	*US$000*
Loss/(profit) for the year attributable to equity share holders	(3,632)	12,444

	2011	*2010*
	No.000	*No.000*
Weighted average number of ordinary shares for basic earnings per share	28,727	14,605

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

Notes to the financial statements

At 31 December 2011

13. Property, plant and equipment

Group	*Semi submersible drilling rigs*	*Special purpose surveys*	*Other fixtures and equipment*	*Total*
	US$000	*US$000*	*US$000*	*US$000*
Cost:				
At incorporation	-	-	-	-
Additions	206,073	14,587	658	221,318
At 31 December 2010	206,073	14,587	658	221,318
Additions	51,908	15,913	470	68,291
At 31 December 2011	257,981	30,500	1,128	289,609
Depreciation:				
At incorporation	-	-	-	-
Provided	(11,963)	-	(32)	(11,995)
At 31December 2010	(11,963)	–	(32)	(11,995)
Provided	(11,776)	(3,050)	(215)	(15,041)
At 31 December 2011	(23,739)	(3,050)	(247)	(27,036)
Net book value:				
At 31 December 2011	234,242	27,450	881	262,573
At 1 January 2011	194,110	14,587	626	209,323

On 14 January 2010, the group acquired two semi-submersible drilling rigs for a total consideration of US$191 million, in connection with which, the group was granted a five year seller's credit (see note 19). These rigs are pledged as security for the seller's credit and working capital loan (see note 19). Included in the semi submersible drilling rigs is assets under construction costs of US$ nil (2010: US$15 million) relating to the costs of the upgrade being performed on the rigs which completed mid 2011. These were not subject to depreciation until completion.

Notes to the financial statements

At 31 December 2011

13. Property, plant and equipment (continued)

Company	*Office Equipment US$000*	*Other fixtures and equipment US$000*	*Total US$000*
Cost:			
At incorporation	-	-	-
Additions	445	213	658
At 31December 2010	445	213	658
Additions	25	445	470
At 31 December 2011	470	658	1,128
Depreciation:			
At incorporation	-	-	-
Provided	(8)	(24)	(32)
At 31December 2010	(8)	(24)	(32)
Provided	(104)	(111)	(215)
At 31 December 2011	(112)	(135)	(247)
Net book value:			
At 31 December 2011	358	523	881
At 1 January 2011	437	189	626

14. Investments

	Company US$000
Company shares in subsidiary undertakings	
At incorporation	200
At 31 December 2010 and 2011	200

At incorporation, the Company acquired WilPhoenix (UK) Ltd and WilHunter (UK) Ltd as newly incorporated companies (see note 22). During the year the Company acquired WilPhoenix (Malta) Limited, WilHunter (Malta) Limited and Awilco Drilling Pte Ltd as newly incorporated companies for a total of $5 (see note 22).

Notes to the financial statements

At 31 December 2011

15. Trade and other receivables

	Group 2011 US$000	Company 2011 US$000	Group 2010 US$000	Company 2010 US$000
Trade receivables	8,857	8,857	38	-
Prepayments and other receivables	674	195	332	224
Accrued revenue	13,226	-	-	-
VAT receivable	371	371	542	307
	23,128	9,423	912	531

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

Group

		Neither past due nor impaired	Past due but not impaired	
	Total	<30 days	30-60 days	60-90 days
	US$000	US$000	US$000	US$000
2011	8,857	23	6,589	2,245
2010	38	38	-	-

Company

		Neither past due nor impaired	Past due but not impaired	
	Total	<30 days	30-60 days	60-90 days
	US$000	US$000	US$000	US$000
2011	8,857	23	6,589	2,245
2010	-	-	-	-

16. Derivative financial instruments

	Group 2011 US$000	Group 2010 US$000
Foreign exchange forward contracts	-	392

The foreign currency forward contracts as at 31 December 2010 were entered into in order to minimise the Group's exposure to fluctuations in foreign currency exchange rates on planned payments of approximately £2 million and €6 million on the upgrading project. No contracts were entered into in 2011.

Notes to the financial statements

At 31 December 2011

17. Cash and short-term deposits

	Group 2011 US$000	*Company 2011 US$000*	*Group 2010 US$000*	*Company 2010 US$000*
Cash at bank and in hand	25,100	24,521	67,707	56,854

Cash at bank earns interest at floating rates based on daily bank deposit rates. In the previous year the Company had restricted cash of US$2,500,000 in relation to foreign exchange forward contracts (see note 16). The restriction was lifted mid February 2011 as all hedging contracts had matured in January 2011. There is no restricted cash at 31 December 2011.

18. Trade and other payables

	Group 2011 US$000	*Company 2011 US$000*	*Group 2010 US$000*	*Company 2010 US$000*
Trade and other payables	7,623	4,937	13,953	1,911
Interest payable	9,047	-	2,606	–
Withholding tax payable	2,576	-	3,275	–
	19,246	4,937	19,834	1,911

19. Loans

	Group 2011 US$000	*Group 2010 US$000*
Current loans:		
Seller's credit (see (a) below)	16,500	8,250
Working capital loan (see (b) below)	29,167	1,000
Total current loans	45,667	9,250
Non-current loans:		
Seller's credit (see (a) below)	109,098	120,097
Working capital debt (see (b) below)	-	5,000
Total non-current loans	109,098	125,097
Total loans	154,765	134,347

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 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. There is an option to defer a maximum of two principal repayments and during the year the Group deferred principal repayments of US$5.5 million (2010: nil).

Notes to the financial statements

At 31 December 2011

19. Loans (continued)

b) Working capital loan agreement

The group entered into an agreement with Transocean Inc in 2010 for a three year working capital facility of US$35 million. The funds were available for draw down over a period of 18 months, up to and including 14 July 2011. The loans are specified for the purpose of providing funds for working capital and/or capital expenditure for WilPhoenix and WilHunter. The borrowing was secured by second priority mortgages on the drilling rigs. The interest rate is 10%. The repayment terms are in 6 equal quarterly instalments after the final draw down date as stated above. The repayments may be accelerated due to mandatory repayments based on a calculation of available funds in accordance with the agreement. It is anticipated the remaining balance of the loan will be repaid during 2012.

	Group 2011 US$000	*Group 2010 US$000*
Loans repayment:		
Within one year	45,667	9,250
In two to five years	109,098	125,097
	154,765	134,347

20. Commitments and contingencies

Obligations under operating leases

At 31 December 2011 the Group had future minimum lease payments under non-cancellable operating leases as set out below:

	Group 2011 US$000	*Company 2011 US$000*	*Group 2010 US$000*	*Company 2010 US$000*
Payments due under operating lease for land and buildings:				
Within one year	93	93	93	93
In two to five years	279	279	372	372
	372	372	465	465

Capital commitments

There were no capital commitments at 31 December 2011 (2010: US$ 46.6 million relating to rig upgrade and reactivation projects).

21. Share capital

Group and Company

Authorised	*2011 No.000*	*2010 No.000*
Ordinary shares of £0.0065 each	30,032	30,000

Notes to the financial statements

At 31 December 2011

21. Share capital (continued)

Group and Company

Allotted called up and fully paid	*No.000*	*US$000*
At incorporation	1	-
Authorised, issued and fully paid up on 14 January 2010	10,999	-
Sub-total before the redenomination on 23 September 2010	11,000	-
After the redenomination, bonus issue and consolidation on 23 September 2010	11,000	110
Issued on 1 October 2010	16,000	161
At 31 December 2010	27,000	271
Issue of shares in June 2011	3,032	33
At 31 December 2011	30,032	304

On incorporation, the Company's issued share capital was 1,000 shares of US$0.00001 each.

On 14 January 2010 an additional 10,999,000 shares of US$0.00001 each were issued at a price of $5.

On 23 September 2010 the share capital of the Company was redenominated from 11,000,000 shares of US$0.00001 each to 11,000,000 shares of £0.0000065 each. On the same day and following the redenomination the Company issued an additional 10,989,000,000 of ordinary shares of £0.0000065 at a par value as a bonus issue to the credit of the share premium account. On the same day and following the bonus issue the Company consolidated the share capital from £71,500 divided into 11,000,000,000 ordinary shares of £0.0000065 each to £71,500 divided into 11,000,000 ordinary shares of £0.0065 each.

On 1 October 2010 an additional 16,000,000 shares of £0.0065 each were issued, each at a price of NOK 24.

On 7 June 2011, a further 3,031,500 shares of £0.0065 were issued each at a price of NOK31.

Group and Company

	Share premium account US$000
At incorporation	-
Issued during the year	115,752
Transaction costs	(4,636)
At 31 December 2010	111,116
At 1 January 2011	111,116
Issued during the year	17,481
Refund of share issue costs recognised in 2010 (see (a) below)	1,771
Transaction costs	(531)
At 31 December 2011	129,837

(a) During 2011, the Group and Company received a refund of stamp duty erroneously paid in respect of certain shares issued during 2010.

Notes to the financial statements

At 31 December 2011

22. Related party transactions

Group

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

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

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

Transactions entered into and trading balances outstanding at 31 December 2011 with AWILHELMSEN AS and its subsidiaries are as follows:

	2011 *US$000*	*2010* *US$000*
Purchase of management services	6,261	1,992
Commitment fee on shareholder loan (see (a) below)	90	-
Amounts owed to AWILHELMSEN AS and its subsidiaries	(198)	(597)

(a) The Group and Company have entered into a loan arrangement with major shareholders (see note 25), in connection with which commitment fees amounting to US$150,000 (including US$60,000 to Tomkins Square Park S.A.R.L.) were incurred paid during 2011 (2010: nil).

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

Directors and other key management personnel

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

	2011 *US$000*	*2010* *US$000*
Short-term employee benefits	1,086	591
Share-based payment	241	-
Other long-term benefits	43	

Included in the short-term employee benefits are director's emoluments of US$450,000 (2010: US$128,000). Nine directors received remuneration in respect of their services to the Company during the year (2010: six).

Included in the purchase of management services from AWILHELMSEN AS are costs in relation to employees who are also considered to be key management personnel of the Group. These amounts are not included in the remuneration figure above as it has not been practicable to separately identify them from the management services fee.

Notes to the financial statements

At 31 December 2011

22. Related party transactions (continued)

Company

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

	2011	*2010*
	US$000	*US$000*
Transactions:		
Transfer of funds to WilPhoenix (UK) Ltd	14,644	31,108
Invoiced to WilPhoenix (UK) Ltd	1,453	
Transfer of funds from WilPhoenix (UK) Ltd	-	(1,728)
Transfer of funds to WilHunter (UK) Ltd	12,166	22,843
Invoiced to WilHunter (UK) Ltd	1,453	
Transfer of group relief to WilHunter (UK) Ltd	822	2,060
Transfer of funds from WilHunter (UK) Ltd	-	(4,498)
Transfer of funds to WilPhoenix (Malta) Ltd	7,056	-
Invoiced to WilPhoenix (Malta) Ltd	222	
Transfer of funds to WilHunter (Malta) Ltd	2,152	-
Invoiced to WilHunter (Malta) Ltd	222	
Transfer of funds from Awilco Drilling Pte Ltd	(336)	-
Taxation paid on behalf of subsidiaries	2,306	
	42,160	49,785
Balance:		
Amounts receivable from WilPhoenix (UK) Ltd	45,478	29,380
Amounts receivable from WilHunter (UK) Ltd	31,964	20,405
Amounts receivable from WilPhoenix (Malta) Ltd	7,278	-
Amounts receivable from WilHunter (Malta) Ltd	2,374	-
Amounts payable to Awilco Drilling Pte Ltd	(336)	-
	86,758	49,785

Entity with significant influence over the Group

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

23. 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. In addition, the Group had derivative forward exchange contracts in 2010 which matured in January 2011.

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

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

Notes to the financial statements

At 31 December 2011

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

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 4.1 million in trade and other payables. A 5% strengthening or weakening of US$ to GBP would have an effect of US$ 0.3 million on the Group 2011 result. 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 access to shareholders' loans and the prospect of issuing new equity.

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

Group	*On demand*	*Less than 3 months*	*3 to 12 months*	*1-5 years*	*over 5 years*	*Total*
Interest bearing loans	–	3,234	17,822	155,875	–	176,931
Trade and other payables	–	17,228	–	–	–	17,228
Capital commitments	–	–	46,200	–	–	46,200
At 31 December 2010	-	20,462	64,022	155,875	–	240,359
Interest bearing loans	–	17,230	28,178	129,261	–	174,669
Trade and other payables	–	10,199	–	–	–	10,199
At 31 December 2011		27,429	28,178	129,261	–	184,868

Notes to the financial statements

At 31 December 2011

23. 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.

Company	*On demand*	*Less than 3 months*	*3 to 12 months*	*1-5 years*	*over 5 years*	*Total*
Trade and other payables	–	1,911	–	–	–	1,911
At 31 December 2010	–	1,911	–	–	–	1,911
Trade and other payables	–	4,937	–	–	–	4,937
At 31 December 2011	–	4,937	–	–	–	4,937

Capital management

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

The Group and the Company are in a formative period, and their objective is to ensure they have enough capital to support their liquidity requirements. The Company does not yet have any specific plans or policies with regards to dividend payments.

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 capital plus net debt. The Group includes within net debt, loans less cash and cash equivalents.

	Group 2011 US$000	*Group 2010 US$000*
Loan (note 19)	154,765	134,347
Cash and cash equivalents (note 17)	(25,100)	(67,707)
Net debt	129,665	66,640
Capital	138,953	123,831
Capital and net debt	268,618	190,471
Gearing ratio	48%	35%

Notes to the financial statements

At 31 December 2011

24. 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 2% of the Company's issued share capital was approved at the Annual General Meeting on 13 April 2011. 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.

The share options are cash settled.

The following table list the inputs to the model used for this valuation:

	2011
Exercise price	NOK 29.00
Share price	NOK 30.00
Expected life	3.36 years
Volatility	65%
Risk free interest rate	1.57%
Fair value per option	NOK 14.17
Model used	Black-Scholes

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

	2011	*2011*	*2010*	*2010*
	No.	*WAEP (NOK)*	*No.*	*WAEP (NOK)*
Outstanding as at 1 January	-	-	-	-
Granted during the year	420,442	29.00	-	-
Outstanding at 31 December	420,442	29.00	-	-
Exercisable at 31 December	105,111	29.00	-	-

The estimated fair value of the granted share options is 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 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 2011 is 3.36 years. The total share option costs amounted to US$520,000 (2010: nil).

Notes to the financial statements

At 31 December 2011

25. Subsequent events

A contract has been signed for the WilPhoenix for a period of approx. 200 days with Hess Ltd. This contract commenced 1 March 2012. A contract has also been signed with Premier Oil UK Ltd for a 60 day program plus two 30 day options. A letter of intent has been signed with an undisclosed operator for the provision of the WilPhoenix for a term drilling program. The program will start in direct continuation from the Premier Oil UK Ltd contract and is firm until 28 February 2014 with options for up to an additional 250 days. Based on commencement on completion of the firm period of the preceding contract in mid-November 2012, the contract value for the firm period is estimated to be US$148 million. Contracts have also been awarded for the WilHunter with the contracted drilling program extending through to January 2013 performing work for MPX North Sea Ltd, Ithaca Energy UK Ltd, Endeavour Energy UK Ltd and Suncor Energy UK Ltd.

As reported in the Group's Q4, 2011 report the WilHunter incurred downtime whilst drilling for MPX Energy Ltd on 18 January and the rig recommenced operations on 21 March incurring a total period of 62 days operational downtime. A claim has been submitted under our loss of hire insurance cover for the period of the incident amounting to approximately US$2.9 million.

The Company entered into a short term loan facility of US$10 million with affiliates of its two largest shareholders, Awilco Drilling AS and Tomkins Square Park S.A.R.L. The funds were available for draw down for a period up to and including 30 June 2012. During April 2012 these funds were drawn down and the facility was increased to US$15 million and extended to 30 June 2013. The loan is unsecured, attracted an arrangement fee of 2% payable on the full US$15 million and bears interest of 12% per annum plus a 3% commitment fee on drawn and undrawn funds.

WilHunter's contract with Nautical Petroleum was completed in October 2011. However, a dispute has arisen whereby Nautical Petroleum has withheld payment of US$4 million in respect of duly approved invoices. In January 2012, the Company filed a claim in the English Courts for recovery of these funds. Nautical Petroleum has subsequently submitted a counterclaim. The Company believes that Nautical Petroleum's actions and claims are without merit and is vigorously contesting them and pursuing collection of the withheld amounts.