

Awilco Drilling PLC

Report and Financial Statements

31 December 2022

Directors

Sigurd Thorvildsen
Henrik Fougner
Daniel Gold
John Simpson
Synne Syrrist

Secretary

Burness Paull LLP,
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Auditors

Ernst & Young LLP
4th Floor
2 Marischal Square
Broad Street
Aberdeen
AB10 1BL

Bankers

DNB Bank ASA
8th Floor
The Walbrook Building
25 Walbrook
London
EC4N 8AF

Registered Office

Suite 1
7th Floor
50 Broadway
London
SW1H 0BL

Strategic report

Corporate Strategy and business model

Awilco Drilling PLC ('the Company')'s strategy is to pursue the arbitration proceedings between Keppel FELS Shipyard and the former rig owning subsidiary companies, Awilco Rig 1 Pte. Ltd and Awilco Rig 2 Pte. Ltd. to a conclusion. During 2020, the vessel construction contracts for two semi-submersible rigs being built in Singapore were terminated, and the subsidiary companies entered into arbitration proceedings with the rig construction company. During April 2023, Awilco Rig 1 Pte Ltd received the arbitration tribunal's ruling which awarded in favour of Keppel FELS.

The second arbitration process between Awilco Rig 2 Pte Ltd and the shipyard continued as planned and commenced on 2 May 2023. No future decisions will be made until the final outcome of the proceeding is known.

Going Concern

In the prior year, the Company owned and operated two semi-submersible drilling rigs, the WilPhoenix and WilHunter, both standardised rigs used in the drilling of oil and gas wells and P&A work in the UK sector of the North Sea. Following the contractual arrangements to sell both rigs during Q2 2022, the Company is no longer performing operational activities relating to rigs. As a result of this, the financial statements have been prepared on a basis other than going concern.

Principal activity

Following the contractual arrangements as above to sell both rigs during Q2 2022, the principal activity of the Group during the year was to continue the arbitration processes with Keppel FELS shipyard.

Business review and future developments

Following the disposal of both of the Company's drilling rigs, WilPhoenix and WilHunter, the Company is no longer performing operational activities relating to rigs. The main focus during the year was on the arbitration processes. The final hearing for Nordic Winter was held on 13 January 2023 and as noted above, the arbitration ruling was awarded in favour of Keppel FELS. The hearing for Nordic Spring commenced on 2 May 2023. No future decisions will be made until the final outcome of the proceedings is known.

Performance

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

	2022	2021
	US\$000	US\$000
Revenue	-	33,077
Operating loss	(145,101)	(61,264)
Loss for the year attributable to equity shareholders	(145,357)	(72,229)
Operating loss margin %	n/a	(185%)
Number of employees and contractors at year end	8	107

The Group had rig operating expenses of US\$ 4.9 million (2021: US\$ 27.6 million) relating to rig operating costs included in cost of sales. General and administration expenses were US\$ 20.2 million (2021: US\$ 12.2 million). This included US\$ 15.1 million in respect of legal fees and other costs in support of the arbitration processes. (2021 : US\$ 5.5 million). There was an impairment expense of US\$ 0.2 million during the year. (2021: US\$ 48.1 million). Due to the sale of both rigs and other equipment during the year, there was gain on sale of US\$ 3.2 million (2021: nil).

As a result of the adverse tribunal award, an amount for the award plus an estimate of interest and costs of US\$ 122.6 million (2021 : nil) has been reflected in full in the subsidiary company and consequently is also reflected as a liability of the consolidated group. This is considered as a liability of the subsidiary and not the parent company.

Strategic report (continued)

Business review and future developments (continued)

Performance (continued)

Following the disposal of both of the Company's drilling rigs, the Company is no longer performing operational activities relating to rigs. In future, the principal KPIs will be in respect of maintaining an adequate cash buffer to meet the ongoing obligations of the Company.

Principal risks and uncertainties

The Company's primary risks during the prior year were those that impacted utilisation rates for each of the rigs, QHSE issues associated with operations and exposure to liquidity, credit, and legal risk. Following the disposal of the rigs and no ongoing rig operations, the principal risks are now in respect of liquidity and legal risks.

Liquidity

As described in Note 26 to the financial statements, the Group's objective is to maintain sufficient liquidity in order to support the needs of the business and meet liabilities as they fall due. During May 2023, the Group successfully signed a further short-term shareholder loan with Awilhelmsen Offshore AS. The loan is for a total of USD four million, structured as a draw-down facility.

Management intend to raise further funding by way of a private placement expected to be carried out during Q2 2023, followed up with the subsequent repair offerings. The funds will be used to support the ongoing arbitration process.

Legal risks

The Group values its reputation and aims to carry out business in a fair and open manner. Despite this the Group may become subject to claims during the course of its business. During 2020, the vessel construction contracts for two semi-submersible drilling rigs being built in Singapore, were terminated. The Group's subsidiary companies have entered into arbitration with the rig construction company, with the first arbitration process now concluded. The rig construction contracts were entered into on a non-recourse basis to the parent company or wider group. In order to mitigate any possible risk of cash outflow, the Group has established a dedicated team and has engaged specialist legal advisors to support the actions taken.

Corporate Social Responsibility

The Company recognises its duty to stakeholders to operate the business in an ethical and responsible manner. It is committed to developing its Corporate Social Responsibility (CSR) agenda, recognising that it can play a major part in its operations. This report does not contain information about any policies of the Company in relation to social community and human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Company's business activities. During the prior year, when operational activities were being performed, the following core values were applicable:

Core Values

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

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

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

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

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

Strategic report (continued)

Corporate Social Responsibility (continued)

Environmental matters

As a result of rig disposals, the Company is no longer performing operational activities relating to rigs so has no significant environmental matters to consider. The responsibility for minimising environmental impact in relation to the disposal of rigs passed to the buyers.

Anti-bribery and corruption

The Company requires its employees to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities. The Company has a specific Anti-Bribery and Corruption policy to ensure compliance with all applicable anti-bribery and corruption regulations and to ensure the Company's business is conducted in a socially responsible manner. A risk assessment is undertaken by the senior members of the Company as part of the quarterly review of the Company's risk register.

Policy

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

Equal opportunities and diversity

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

As at 31 December 2022, the number of directors and employees was as follows:

	Male	Female
Directors	4	1
Senior Managers	1	-
Other staff – onshore	3	4
Other staff – offshore	-	-

Health and Wellbeing

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

Absence Management

The Group has an established absence management procedure, to support employees during periods of sickness absence whilst ensuring the efficient and effective running of the organisation.

	2022	2021
Group sick leave (as a percentage of total hours worked)	0.6%	2.0%

Strategic report (continued)

Section 172

The Board of Directors have taken account of stakeholder views when making key decisions that impact the company and its stakeholders. The following matrix provides some examples of how, during the year, consideration was given to key stakeholders, being employees, investors, customers, suppliers, regulators and society in general. In the future, if activity is not increased again, many of these issues may no longer be relevant.

Stakeholder	Strategic Issue	Engagement	Outcome	Key Decision
Employees	Fair compensation and benefits package for employees	Market analysis is performed to ensure compensation levels are competitive in prevailing market. See also commitment expressed by the Board in respect of “Health and Wellbeing” of employees on page 4.	Pay levels for existing were considered to be fair and competitive within the industry.	Due to disposal of rigs and discontinued operations, the decision was taken to make the offshore personnel and the majority of onshore personnel redundant. A few key onshore positions were retained to support the ongoing arbitration process.

Stakeholder	Strategic Issue	Engagement	Outcome	Key Decision
Investors	Continue to seek growth opportunities that offer attractive returns to investors	Information is shared with investors in the form of half yearly and annual financial reports and press release disclosures are required. Additionally, half yearly presentations held and available on the Company website. Regular one to one investor meetings are also held.	No new outcomes in respect of investment opportunities at this time.	The Company successfully completed a private placement to raise new equity through the issue of new shares. The proceeds of the equity issue will be used to support the ongoing arbitration processes until their conclusion.

Strategic report (continued)

Section 172 (continued)


Stakeholder	Strategic Issue	Engagement	Outcome	Key Decision
Customers	Customer Satisfaction	When the Company was in an operational phase, customers were requested to provide feedback on a variety of areas to ensure the company was performing in accordance with, or better than, customer expectations.	Customer surveys feedback were part of the company KPIs. Scoring in this area was more than satisfactory during the course of the prior year.	No key decisions at this time.
Suppliers	Selection of key suppliers and high-level purchases. Ensure that vendors are paid on a timely manner.	Suppliers invited to tender and purchasing procedures require fair and transparent selection of vendors. Refer also paragraph on Investment Appraisal" on page 18 of the annual report.	Policies, procedures and scrutiny by the Board ensures vendor selection criteria is a robust process.	No key decisions at this time
Regulators	Accreditation and compliance with regulatory standards.	Details of standards achieved are detailed under "Health, Safety and Environment" on page 6 of the 2021 annual report.	Achievement and continued certification of compliance through external HSE audits ensures company operates at, or above, the standards required by the regulatory bodies that govern the industry.	The Company's has suspended its ISO 14001 accredited Environmental Managements System (EMS) to reflect the sale of its remaining assets however the Company remains committed to its previously stated goals with regards to environmental protection.

Strategic report (continued)

Section 172 (continued)

Stakeholder	Strategic Issue	Engagement	Outcome	Key Decision
Society	Minimising harm to the environment in operational performance of the fleet.	KPIs are established to measure if any adverse consequence to the environment within the control of the company.	Achievement and compliance with environmental sustainability.	<p>As a result of rig disposals, the Company is no longer performing operational activities so has no significant climate change impact to consider. The responsibility for minimising environmental impact in relation to the disposal of rigs has passed to the buyer.</p> <p>The WilHunter was sold for recycling by an approved Ships Recycling Facility in Turkey. The transportation and recycling was monitored by the Company's representatives who verified that the process was conducted in accordance with all relevant rules and regulations. Recycling was concluded in January 2023 to the satisfaction of the Scottish Environmental Protection Agency (SEPA).</p>

By order of the Board of Directors



Sigurd Thorvildsen
26 May 2023

Directors' report

Registered No. 7114196

The Directors present their report and financial statements for the year ended 31 December 2022. These financial statements have been prepared under UK-adopted International Accounting Standards (UK-adopted IAS).

Results and dividends

The loss after taxation for the year amounted to US\$ 145.4 million (2021: US\$ 72.2 million loss). There were no dividends paid during the year. (2021: nil)

Future developments

See Strategic Report pages 2-7.

Directors

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

Sigurd Thorvildsen
Henrik Fougner
Daniel Gold
John Simpson
Synne Syrrist

Financial instruments

The Group's financial risk management objectives and policies are discussed further in Note 27 on pages 67-69 of the financial statements.

Directors' liability

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

Directors and their interests

None of the directors listed above had any direct interest in the Company's shares.

Major interest in shares

The Company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 26 May 2023.

	<i>No of shares</i>	<i>Percentage holding</i>
Awilhelmsen Offshore AS	2,257,777	50.5%
State Street Bank and Trust	1,019,000	22.8%
Akastor AS	305,097	6.8%
The Bank of New York Mellon	229,146	5.1%
Skandinaviska Enskilda Banken	220,000	4.9%

QVT Financial LP with affiliated and related parties owned 1,252,477 shares at 26 May 2023, a total of 28.0% of the Company's share capital.

Directors' report (continued)

Corporate governance

The information given in the corporate governance statement is set out on pages 13-19.

Going concern

As noted in the Strategic report, the Group is no longer performing operational activities relating to rigs. Accordingly, the financial statements have been prepared on a basis other than going concern (Note 2).

Greenhouse gas emissions

The Company's greenhouse gas emissions are categorised between two categories: direct emissions (from rig power generation and loss of refrigerants) and indirect emissions (from purchased electricity for onshore offices). All figures reported are in relation to energy consumed in the United Kingdom and offshore area.

All emissions from the facilities over which the Company has direct operational control were included. The Companies Act 2006 requires reporting on the following greenhouse gases:

- Carbon dioxide ("CO₂");
- Methane ("CH₄");
- Nitrous Oxide ("N₂O");
- Hydrofluorocarbons ("HFCs");
- Perfluorocarbons ("PFCs"); and
- Sulphur Hexafluoride ("SF₆").

PFCs and SF₆ are not emitted, and therefore not considered in this report.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions have been calculated using the latest conversion factors provided by the UK Government. Greenhouse gas emissions are reported in tonnes (t) carbon dioxide equivalents ("CO₂e"). Calculations are performed using the emission factors and global warming potential for each chemical compound, which are in accordance with the current guidance from the UK Government GHG Conversion Factors for Company Reporting 2022. The 2022 annual CO₂e emitted from operations was 1,774 t.

For the year ended 31 December 2022, the estimated carbon dioxide equivalent ("CO₂e") gas emissions were 1,749 tonnes as compared to 6,849 tonnes for the year ended 31 December 2021. Reduction of direct emissions reflects the sale of the WilPhoenix on the 9th June 2022. WilHunter remained in cold stack until its sale for recycling on the 22nd June 2022. Indirect emissions remained at a comparatively low level due to reduced occupancy of the office due to the global pandemic and reduced manning requirements.

Directors' report (continued)

Greenhouse gas emissions (continued)

Energy usage (kWh)	2022	2021
Indirect emissions (onshore offices)	97,641	123,251
Greenhouse Gas Emissions		
Direct emissions (owned rigs)	1,749	6,849
Indirect emissions (onshore offices)	25	26
Refrigerant emissions (offshore only)	-	102.0
Total emissions (CO ₂ c)	1,774	6,977
Direct CH ₄ emissions (owned rigs)	0.4	1.7
Direct N ₂ O emissions (owned rigs)	23.2	91.2

During 2022, zero drill cuttings were disposed to the environment from operations.

The Company's has suspended its ISO 14001 accredited Environmental Managements System (EMS) to reflect the sale of its remaining assets however the Company remains committed to its previously stated goals with regards to environmental protection.

The WilHunter was sold for recycling by an approved Ships Recycling Facility in Turkey, the transportation and recycling was monitored by the Company's representatives who verified that the process was conducted in accordance with all relevant rules and regulations. Recycling was concluded in January 2023 to the satisfaction of the Scottish Environmental Protection Agency (SEPA).

Assessment of Climate Change Impact

As a result of rig disposals, the Company is currently no longer performing operational activities relating to rigs so has no significant climate change impact to consider. The responsibility for minimising environmental impact in relation to the disposal of rigs has passed to the buyer.

Stakeholder relationships

The Directors recognise that business relationships with all stakeholders is beneficial to the well-being of the organisation. During the Company's operational phase, feedback in terms of relationships with suppliers, customers, investors was discussed with management at board meetings.

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 they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Responsibility statement

The directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared under UK-adopted International Accounting Standards (UK-adopted IAS), give a true and fair view of the assets, liabilities, financial position, and profit of the parent company and undertaking included in the consolidation taken as a whole;
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business, and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and,

Directors' report (continued)

Responsibility statement (continued)

- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Subsequent events

During January, following successful recycling of the WilHunter rig in Turkey, the counter security of GBP 2 million that was held in escrow in connection with the SEPA guarantee was returned in full.

Also, during January, the short-term shareholder loan and associated interest was repaid in full.

During February, a sublet opportunity was identified for the top floor of the Westhill office. The Company signed a revised lease with the landlord for the remaining bottom floor area of the office.

During April, the subsidiary company, Awilco Rig 1 Pte Ltd received the arbitration tribunal's ruling which awarded in favour of Keppel FELS. This is considered as an adjusting post balance sheet event and the financial statements have been amended accordingly.

During May, the Company signed a further short-term shareholder loan with Awilhelmsen Offshore AS. The loan is for a total of up to USD four million, structured as a draw-down facility, with interest rate of 10 percent per annum on the aggregated outstanding principal amount. In addition, there is an arrangement fee of 2 percent on the total amount. Maturity date for the loan is 30 June 2023. The loan shall be used to support the ongoing arbitration process.

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
26 May 2023

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statement in accordance with applicable United Kingdom law and regulation.

Company Law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and Company financial statements in accordance with UK adopted international accounting standards (UK-adopted IAS) as applied in accordance with section 408 of the Companies Act 2006.

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these 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;
- make judgements and estimates that are reasonable and prudent;
- 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 IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- in respect of the group financial statements, state whether UK adopted international accounting standards (UK-adopted IAS) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, UK-adopted IAS, as applied in accordance with section 408 of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and / or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Corporate governance

Awilco Drilling PLC is committed to maintaining high standards of corporate governance.

The Company was listed on the Oslo Bors stock exchange until 16 December 2022, when the Company transferred its listing from the Oslo Bors to Euronext Growth Oslo. As the Company remained on the Oslo Bors stock exchange for the majority of the year, the Company continued to adopt the Norwegian Code of Practice for Corporate Governance of 14 October 2021 ('the Code'). A copy of the code can be found at www.nues.no

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

Code of Practice Compliance

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

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

- Business – the Company's Articles of Association do not specifically define the Company's business. The Company is incorporated in England & Wales and this is in line with standard practice for a UK registered company. An overview of the Company's business can be found in this report.
- Equity and dividends – the authorisation given to undertake share capital increases has not been restricted to defined purposes, due to the scope of the Company's business. This is normal practice for a UK registered company.
- Auditor – the Auditor is not present during the Board meeting that considers the annual accounts; but the Auditor attends all Audit Committee meetings including discussions related to the Annual Report and financial statements.
- Corporate Assembly – the Company does not have a Corporate Assembly.

Business

During the prior year, the Company's principal business was to own offshore drilling rigs for use in offshore drilling operations, and to provide drilling services for oil and gas companies using these rigs. This was an intricate business which involved complex assets and high value equipment, and which required specialised and trained personnel to operate them efficiently and safely. Following the disposal of both of the Company's drilling rigs, the Company is no longer performing operational activities relating to rigs.

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

Equity and dividends

Full details of the shares issued are detailed in Note 25. The Company considers its equity to be at a level appropriate to the Company's objectives, strategies, cash flow projections and risk profile.

As the Company is no longer performing operational activities relating to rigs, there will be no dividends distributed arising from operational activity.

Corporate governance (continued)

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.

Equal opportunities and diversity

The Company is committed to ensuring that all employees are treated with respect and dignity and to ensure that decisions are taken without reference to irrelevant or discriminatory criteria. The Company will not tolerate any form of unlawful discrimination and is committed to promoting equality of opportunity and address unlawful discrimination in every aspect of its operations. The Company takes every possible step to ensure that decisions on recruitment, selection, training, conditions of work, pay and benefits, promotion, career, management, and every other aspect of employment are justifiable and based solely on objective criteria. During the year, there have been no incidents of non-compliance with this policy.

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 for personnel from the Awilhelmsen Group.

Awilhelmsen Offshore AS owns 50.5% of the ordinary shares in Awilco Drilling PLC.

Freely negotiable shares

The shares of the Company are freely negotiable.

Going concern

The Board regularly review the Company's financial projections to ensure resources are available to meet requirements and takes appropriate action if judged necessary. Following the cessation of operational activity, these financial statements have been prepared on a basis other than going concern.

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 two working days before the General Meeting, to ensure shareholders have as much time as possible to register. If a shareholder cannot attend a meeting in person, it is possible to vote through proxy.

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

The next AGM is scheduled for 26 June 2023.

Corporate governance (continued)

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 currently consists of 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 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 are dependent on the fees received from the Company as their primary source of income.

Board Performance

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

The performance of the Chief Executive Officer ("CEO") 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.

Corporate governance (continued)

The Board of Directors (continued)

Meetings and attendance

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

It is expected that all directors attend Board and relevant committee meetings, unless they are prevented from doing so by prior commitments or travel restrictions. If directors are unable to attend meetings, they are given the opportunity to be consulted and comment in advance of the meeting.

Board Committees

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

Audit Committee

The Audit Committee was chaired during the year by John Simpson and the other member of the Committee is Henrik Fougner. Only John Simpson is considered to be independent by the Board, which is acknowledged in the terms of reference of the Audit Committee. The Board is satisfied that John Simpson has recent and relevant financial experience, as the former CEO of Den Norske Bank (now DNB Bank) in London and Regional Director for DNB's Asia-Pacific operations. Mr. Simpson is currently a director of Marine Capital Limited, as UK asset manager and classed as an approved person by the UK FCA. He 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 half yearly 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 safeguarded. The Company will award non-audit work to the firm which provides the best commercial solution for the work in question taking into account the skills and experience of the firm involved and the fees payable for the work. In considering whether to award such work to the external auditors, attention is paid to the level of fees for non-audit services relative to the amounts of the audit fee and whether there are safeguards in place to mitigate to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services.

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

The Audit Committee have also been extensively involved in ensuring the appropriate disclosures regarding Going Concern have been included in the financial statements.

Remuneration Committee

The Remuneration Committee was chaired during the year by Sigurd Thorvildsen and the other members of the Committee are Daniel Gold and Henrik Fougner.

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

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

Corporate governance (continued)

The Board of Directors (continued)

Nomination Committee

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

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

The table below shows the frequency and attendance of directors and other members at Board and Committee meetings during 2022.

	<i>Board Meetings</i>	<i>Remuneration Committee</i>	<i>Audit Committee</i>	<i>Nomination Committee</i>
No of meetings in year				
Sigurd Thorvildsen	7	1	-	-
Henrik Fougner	8	1	3	-
Daniel Gold	8	1	-	-
John Simpson	7	-	3	-
Synne Syrrist	8	-	-	-
Henrik Christensen (1)	-	-	-	1
Tom Furulund (1)	-	-	-	1

(1) Not members of the Board but members of the Nomination Committee only

Internal controls and risk management

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

Operational and business activity risks

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

Information and financial reporting systems

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

Corporate governance (continued)

Internal controls and risk management (continued)

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

Investment appraisal

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

External audit

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

Takeovers

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

Communication with shareholders

The Company is committed to maintaining 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 results as well as during the rest of the year.

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

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

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

Remuneration of the Board of Directors

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

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

The remuneration of the Board is disclosed in the Director's Remuneration Report on pages 20-33 of this report. None of the Board members have had any additional assignments for the Company and none of the non-executives participate in any incentive or share option programme.

Corporate governance (continued)

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.

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 a private meeting with the Audit Committee at the end of each of its meetings at which neither the CEO nor any other member from the management team is present.

By order of the Board of Directors



Sigurd Thorvildsen

26 May 2023

Directors' remuneration report

Information not subject to audit

Chairman of the Remuneration Committee's Annual Statement


Dear Shareholders,

I am pleased to present the directors' remuneration report for the financial year ended 31 December 2022, prepared in accordance with the Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

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

A resolution to approve the Directors remuneration report will be proposed at the AGM which is scheduled to be held on 26 June 2023.



Sigurd Thorvildsen
Chairman, Remuneration Committee
26 May 2023

Directors' remuneration report (continued)

Introduction

The Company's CEO is not an Executive Director of the Company but under UK company law, there is a requirement for quoted companies to treat the Chief Executive Officer, for the purposes of certain remuneration-related requirements, as if that person were a director of that quoted company. The current CEO was appointed following a proposal from the Board of Directors after the resignation of the previous CEO, acting on an interim basis. His services are provided to the Company under a management on hire agreement from a related party. The rates are per the management on hire agreement, which is currently NOK 2,839 per hour, and billing is based on an hours worked basis. This rate was not subject to review by the remuneration committee or approval by shareholders. The following remuneration report sets out the policy in respect of the components of remuneration which any future CEO employed directly by the company would receive.

Process for setting the Remuneration Policy

The Remuneration Committee (the "Committee") sets the remuneration policy based on the principles and framework outlined below. The Committee is briefed on and considers prevailing market conditions, the competitive environments and the positioning and relativities of pay and employment conditions across the wider Company workforce.

Following each meeting of the Committee, the Chair provides an update to the Board.

Although the Committee does not consult directly with employees on CEO or director remuneration, during its operational phase, the Company conducted periodic employee engagement surveys that gave employees an opportunity to provide feedback on a wide range of employee matters.

As part of the Company's commitment to good governance, the Committee also considers shareholder views when setting the remuneration policy. Feedback from shareholders and investors is shared with, and used as input into decision-making by, the Board and Committee in respect of the remuneration policy and its application. The Committee considers that this approach provides a robust mechanism to ensure its members are aware of matters raised, have a good understanding of current shareholders views, and can determine the Company's remuneration policy and make decisions as appropriate.

The remuneration policy is designed to avoid conflicts of interests between the Company and the interests of shareholders. In setting the remuneration policy, Committee members are subject to provisions designed to avoid or manage conflicts of interest, which are documented separately in the Company's compliance policies. None of the directors or CEO makes a decision relating to their own remuneration. Individual directors leave the meeting when their own remuneration is being discussed.

Remuneration policy

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

A significant proportion of the potential remuneration of the CEO and senior executives is performance-related with appropriately stretching targets, thus aligning their interests with those of shareholders and encouraging performance at the highest levels.

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

How the views of employees are taken into account

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

How the views of shareholders are taken into account

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

Directors' remuneration report (continued)

Remuneration Policy Table – Executive Directors and CEO

The table below summarises the remuneration policy for any Executive Directors and any future CEO employed directly by the Company.

Element	Purpose	Operation	Opportunity	Performance Measure
Annual Salary	To attract and retain key individuals and reflect their responsibilities, market value and expected performance level	Reviewed annually or when a change in responsibility occurs	There is no maximum salary opportunity	Not applicable
Benefits	To provide a market competitive reward package to the employee	<p>Benefits to be provided to Executive Directors or the CEO will be determined by the Committee taking into account such factors as it determines to be necessary, with the aim of creating a competitive overall package. The provision of benefits would not be expected to be performance related.</p> <p>Benefits may include, but are not limited to:</p> <ul style="list-style-type: none"> ➤ Car allowance ➤ Private health care ➤ Travel and housing allowance <p>Benefits may also be provided to reflect the jurisdiction in which an Executive Director or the CEO is recruited or to which an Executive Director or CEO is relocated for business reasons, including relocation costs, tax equalisation arrangements and arrangements to take into account exchange rates.</p> <p>Benefits may also include participation in any broad-based incentive plan operated by the Company from time to time, up to the relevant limit for participation as applies to such arrangement</p>	Car allowance is a fixed annual amount. There is no maximum for health/dental insurance as it will depend on the value of premiums paid in the year	Not applicable

Directors' remuneration report (continued)

Element	Purpose	Operation	Opportunity	Performance Measure
Performance-related bonus	To provide an incentive for superior work and to motivate executives toward even higher achievement and business results, to tie their goals and interests to those of the Company and its shareholders and to enable the Company to attract and retain highly qualified executives	Bonus payments are determined by the Remuneration Committee and awarded where justified by performance	The amount of bonus increases with the level of performance achieved, up to a maximum of 100% of salary	<p>Annual bonuses will be determined by reference to performance, in the normal course measured over one financial year. The performance measures, weightings and targets for the annual bonus will be set by the Committee on an annual basis</p> <p>The Committee shall have discretion to determine the terms and level at which annual bonuses may be granted, including the minimum performance required for an annual bonus to be payable</p> <p>In respect of an Executive Directors' or CEO's participation in annual bonus arrangements in any year, the Committee will have power to amend performance measures and targets after they have been set if events happen that mean they are no longer a fair test of performance</p>

Directors' remuneration report (continued)

Element	Purpose	Operation	Opportunity	Performance Measure
Pension	To provide a market competitive long-term retirement benefit	Eligibility to participate in a Defined Contribution scheme which has a maximum employer contribution of 12%	Up to 12% of salary	Not applicable
Long Term Incentive Plan (LTIP)	To motivate and incentivise executives to achieve key long-term incentives	<p>The Company has operated a historic LTIP arrangement for the former CEO with all awards being synthetic share options which are cash-settled</p> <p>In the event that the Company adopts a new long-term incentive plan (which may involve synthetic share options, cash or actual shares), the CEO would be eligible to participate in such plan, subject to the terms of, and the maximum levels of participation provided in, the rules of such plan.</p> <p>In respect of any performance-related long-term awards granted to the CEO, performance measures, weightings and targets would be set by the Committee</p> <p>Following grant of an award, the Committee would have power to amend performance measures and targets if events happen that mean they are no longer a fair test of performance</p> <p>The 2020 plan "vests" in 25% tranches linked to rig contract dates and expires after five years.</p>	Award of up to 100% of salary each calendar year	The awards are made at the discretion of the Board of Directors and are not guaranteed to be awarded each year

Notes to the Remuneration Policy Table

In considering the appropriate measures to apply to any performance-based awards, the Committee will seek to incentivise and reinforce delivery of the Company's strategic objectives achieving a balance between delivering annual returns to shareholders and ensuring long-term profitability and growth.

The performance targets set would be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates.

Directors' remuneration report (continued)

Statement of consideration of employment conditions elsewhere in the Company

The Company's remuneration policies and practices are founded on a high degree of alignment and consistency across the organisation. Accordingly, remuneration for senior management is determined taking into account the remuneration principles that would apply to a future CEO employed directly by the Company, and similar principles also form the basis of the remuneration arrangements for the wider workforce.

The approach to salary reviews is consistent across the Company, with consideration given to the scope of the role, responsibility, individual performance and pay levels in the selected peer group. Retirement benefits, typically in the form of a pension, are provided based on local market practice. Other benefits provided to the wider employee population reflect local market practice and legislative requirements.

A high proportion of the wider employee population are eligible to participate in annual bonus arrangements. Opportunities and metrics which apply to these arrangements may vary by organisational level with functional performance indicators incorporated where appropriate.

Senior managers are eligible to participate in the LTIP, with opportunities varying across levels with the most senior managers having a bigger portion of their pay delivered under the LTIP.

The key difference between remuneration for any future employed CEO and the wider employee population is the increased emphasis on long-term performance in respect of the CEO, with a greater percentage of their total remuneration being performance-related.

The Committee is regularly updated on the pay principles and practices in operation across the Company, in order to take these into account in setting the remuneration policy.

Other matters

In addition to the above, the Company is obliged to honour any contractual entitlement to compensation or benefits, and any incentive awards, which are held by: (i) any current or former Executive Director or CEO on the effective date of this policy; or (ii) an employee or officer of the Group on the date they are promoted to the role of Executive Director or CEO. Appropriate disclosure will be made of any compensation paid (or similar) to an Executive Director or CEO pursuant to any such arrangements.

The Company may reimburse all reasonable expenses incurred by an Executive Director or CEO in connection with their role. This will include expenses in attending Board or Board-committee meetings, or the Company may alternatively provide a travel allowance for such purpose. This may also include items which, for tax purposes, are treated as a taxable benefit, and in which case the Company may also pay any such tax on behalf of the Executive Director or CEO.

Approach to recruitment and promotions

In recruiting an Executive Director or CEO, including on promotion of an employee or officer from within the Group to the role of CEO, the Committee will offer the recruit a remuneration package that it believes is appropriate, taking into account the skills and experience of the individual and the need to recruit, retain and motivate individuals of the appropriate calibre. The remuneration package offered may include the components of remuneration described above in the Remuneration Policy Table.

For external hires, the Committee may determine that it would be appropriate to buy-out any existing incentive awards held by the individual that are forfeited as a result of the individual leaving their former employer. The Committee may also determine that it would be appropriate to grant recruitment-related awards. In the case of any buy-out of an equity based award, or the grant of any recruitment-related award, the award would normally be subject to such vesting and/or performance conditions as the Committee determines to be appropriate, either under a one-off arrangement or under the terms of the Company's incentive arrangements. In determining the terms of such awards, the Committee will take account of the vesting schedule and conditions attached to the forfeited awards (in the case of buy-out awards), but also other factors that it determines to be relevant, including the need to incentivise suitably and retain the individual during the initial years of their office.

The maximum level of variable remuneration (excluding any buy-out awards) that may be granted to any new Executive Director or CEO is 250% per annum of their salary.

Directors' remuneration report (continued)

Service contracts

The current interim CEO is supplied to the Company under the terms of a management on hire agreement. Any future CEO employed directly by the Company would be subject to the details as explained below.

The employment contract of a future CEO would not be of a fixed duration and therefore would have no unexpired terms.

The notice period of the CEO's contract of employment would be six months with the same notice period for the Company. The CEO's employment could be terminated in the six-month probationary period without notice in the case of wilful misconduct or gross negligence.

In the event of termination by the Company, where there is no basis for dismissal as a result of gross breach of duty or other material breach of the employment contract by the CEO, or as a result of mutual agreement, the CEO shall be entitled to twelve months' severance pay.

In the event of a change of control of the Company, the CEO can terminate the employment contract and would be entitled to twelve months' severance pay.

The CEO's service contract would be available for inspection at the Company's registered office during normal hours of business.

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

Loss of office payments

Contractual entitlements

A departing Executive Director's or CEO's rights in respect of salary, retirement benefits and contractual benefits will be determined in accordance with his service contract.

Incentive plans

The terms of a departing Executive Director's or CEO's participation in any annual bonus or long-term incentive plans will be governed by the terms of such arrangements.

Corporate actions

The treatment of incentive awards in the event of a corporate action affecting the Company will be determined in accordance with the terms of such awards.

The Company may agree to pay reasonable legal fees on behalf of an Executive Director or CEO in respect of the effect of any corporate action on their personal position.

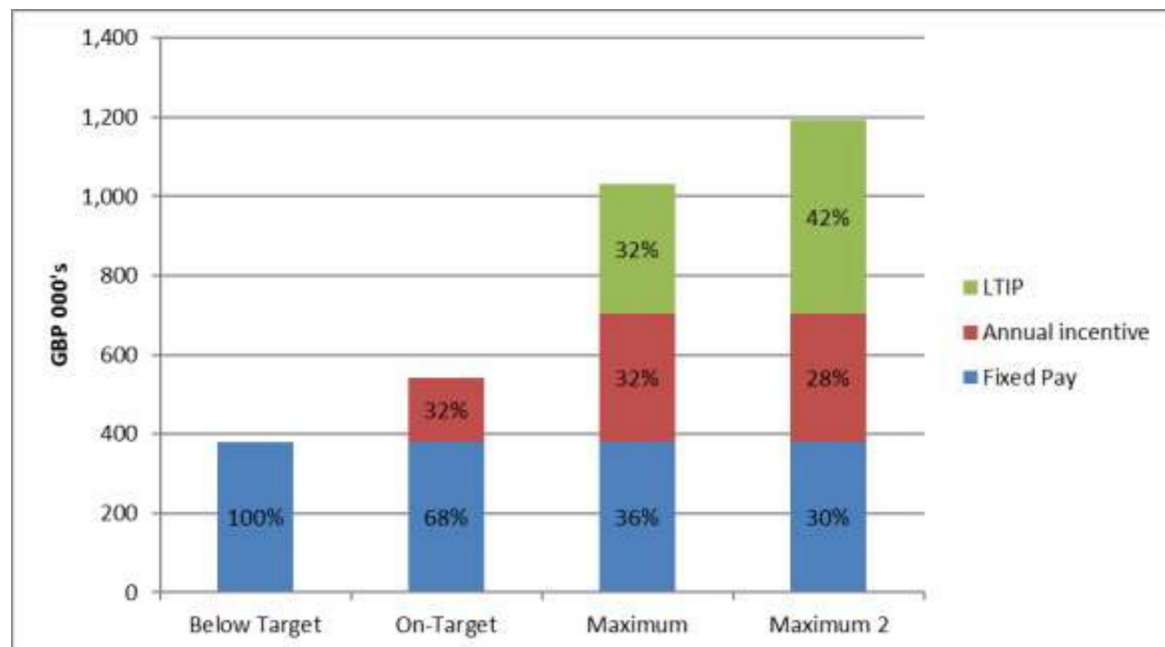
Other

The Company may enter into new contractual arrangements with a departing Executive Director or CEO in connection with the cessation of office or employment, including (but not limited to) in respect of settlement of claims, confidentiality, restrictive covenants and/or consultancy arrangements, where the Committee determines it necessary or appropriate to do so. The Company may pay reasonable legal fees on behalf of an Executive Director or CEO in connection with their cessation of office and employment. The Company may agree to provide other ancillary or non-material benefits, payments or similar to a departing Executive Director or CEO.

Directors' remuneration report (continued)

Reward Scenarios

The graph below shows how the total pay opportunities for any future CEO would vary under four performance scenarios. These have been prepared on the assumptions detailed below. The current interim CEO is on a fixed rate in accordance with a management on hire agreement and as a result no performance scenarios are applicable.



Below target = fixed pay only (base salary, benefits and pension)

On target = 50% payable of annual bonus, 0% LTIP award

Maximum = 100% payable of annual bonus, 100% LTIP award

Maximum 2 = 100% payable of annual bonus, 100% LTIP award and 50% share price increase over the performance period

The chart illustrates the potential rewards available under the remuneration policy on an annualised basis for the financial year 2022. The values (other than the Maximum 2 illustration) assume a constant share price and do not take into account dividend adjustments that may be received on the share awards. The potential awards available for "on-target" performance under the annual bonus and LTIP are provided for illustration only and do not reflect formal policy decisions that these amounts will be received. Maximum 2 illustration assumes a share price increase of 50% over the performance period but in all other respects is the same as the Maximum illustration. The figures used in the chart are provided for illustration only based on a theoretical grant over 100% of salary, being the maximum permitted under the policy table.

The salary level (on which the bonus and LTIP elements of the package are calculated) are based on the previous salary level of GBP 325,000 based on the GBP/NOK year end exchange rate.

Directors' remuneration report (continued)

Remuneration policy table – non-executive directors

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

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

New appointments

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

Letters of appointments

The Non-executive Directors' Letters of Appointment are available for inspection at the Company's registered office during normal hours of business.

Other matters

In addition to the above, the Company is entitled to honour any contractual entitlement to compensation or benefits, and any incentive awards, which are held by any current or former Non-Executive Director on the effective date of this policy. Appropriate disclosure will be made of any compensation paid (or similar) to a Non-Executive Director pursuant to any such arrangements.

The Company may reimburse all reasonable expenses incurred by a Non-Executive Director in connection with their role. This will include expenses in attending Board or Board-committee meetings, or the Company may alternatively provide a travel allowance for such purpose. This may also include items which, for tax purposes, are treated as a taxable benefit, and in which case the Company may also pay any such tax on behalf of the Non-Executive Director.

Fees for non-executive directors

The current level of fees paid for 2021 and those proposed for 2022 are as follows:

	2022 GBP	2021 GBP
Chairman	46,375	46,375
Basic Fee	33,125	33,125
Chair of Audit Committee	5,000	5,000
Member of Audit, Remuneration or Nomination Committee	3,000	3,000

Fees to be paid in respect of 2022 will be decided at the next AGM which is scheduled for 26 June 2023.

Retirement and re-election of directors

All directors were required, under the Articles of Association of the Company, to retire at the first AGM. At each subsequent AGM, any directors who have been appointed by ordinary resolution or by the directors since the last AGM or who were not appointed or reappointed at one of the preceding two AGMs must retire from office and may offer themselves for reappointment by the members. After recommendation by the Nomination Committee, all directors were re-appointed at the AGM on 9th June 2021 and will be due for re-appointment at the next AGM which is scheduled for 26 June 2023.

Directors' remuneration report (continued)

Audited information

Directors' remuneration

Single total figure of remuneration table

	Basic Salary and Fees	Benefits (1)	Pension related benefits (2)	Total Fixed Remuneration	Performance Related bonus	Other (3)	Total Variable Remuneration
2022	GBP	GBP	GBP	GBP	GBP	GBP	GBP
<i>Chief Executive Officer:</i>							
E D Jacobs (4)	213,225	-	-	213,225	-	-	-
	213,225	-	-	213,225	-	-	-
<i>Non-executive Directors:</i>							
S E Thorvildsen	49,375	-	-	49,375	-	-	-
H Fougner	39,125	-	-	39,125	-	-	-
D A Gold	36,125	-	-	36,125	-	-	-
J N Simpson	38,125	-	-	38,125	-	-	-
S Syrrist	33,125	-	-	33,125	-	-	-
	195,875	-	-	195,875	-	-	-
2021	GBP	GBP	GBP	GBP	GBP	GBP	GBP
<i>Chief Executive Officer:</i>							
J E O Berge	27,083	1,290	3,296	31,669	-	-	-
E D Jacobs (4)	170,337	-	-	170,337	-	-	-
	197,420	1,290	3,296	202,006	-	-	-
<i>Non-executive Directors:</i>							
S E Thorvildsen	49,375	-	-	49,375	-	-	-
H Fougner	39,125	-	-	39,125	-	-	-
D A Gold	36,125	-	-	36,125	-	-	-
J N Simpson	38,125	-	-	38,125	-	-	-
S Syrrist	33,125	-	-	33,125	-	-	-
	195,875	-	-	195,875	-	-	-

- (1) Includes non-cash benefits comprising car allowance and private health and dental care
- (2) Contributions made during the year to the defined contribution scheme
- (3) Cash-settled value of synthetic share options exercised during the year
- (4) Interim CEO, not employed by Company but provided under a management on hire agreement from a related party

Directors' remuneration report (continued)

Analysis of taxable benefits received

The Chief Executive Officer received the following taxable benefits:

	2022 GBP	2021 GBP
<u>J E O Berge (1)</u>		
Car allowance	-	1,290
Total	-	1,290

(1) Resigned 1 February 2021

Annual bonus 2022

For the year under review, there was no bonus awarded to the Chief Executive Officer.

Annual bonus 2023

The criteria for the 2023 bonus has yet to be finalised by the Remuneration Committee but it is considered unlikely that a bonus for 2023 will be awarded.

Long Term Incentive Plan

A long term incentive plan for the CEO and other key management personnel, with a total limit of up to up to 4,000,000 shares was approved at the general meeting on 11 November 2019.

The 2020 plan “vests” in 25% tranches. The vesting dates for the plan are linked to the contract that was signed with Keppel FELS shipyard in Singapore to build up to four new CS60 semi-submersible drilling rigs, with each contract option being independent of each other. Each 25% tranche “vests” on the date each of the four the rig option contracts commence, and day rate revenue is earned. In the event that the rig building contract is terminated, as is the case for Rig 1 and Rig 2, the shares will lapse. In the event that the build option is not exercised, as is the case with Rig 3 and Rig 4, specific vesting dates in 2023 and 2024 are stipulated.

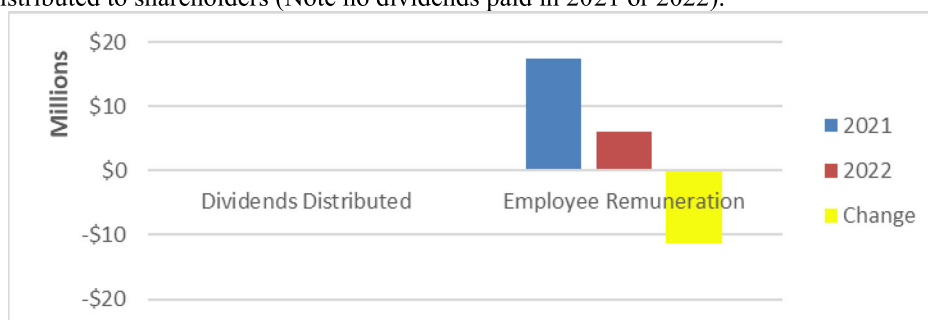
There are no directors who have any interests in shares.

Directors' remuneration report (continued)

Information not subject to audit:

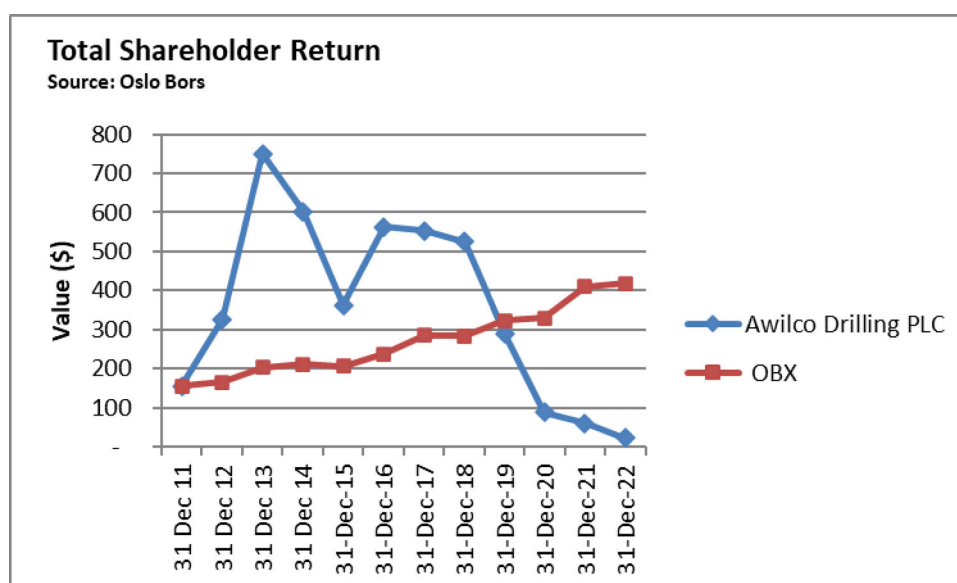
Relative importance of the spend on pay

The graph below shows the relative importance of the spend on pay (for all employees) compared with the returns distributed to shareholders (Note no dividends paid in 2021 or 2022).



Total shareholder return performance graph

The graph below shows the total shareholder return in terms of change in value of an initial investment of £100 on 10 June 2011 (and assuming dividends are re-invested) in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the OBX (an index on the Oslo Bors stock exchange). This was selected as it represents a broad equity market index in which the Company is a constituent member. The graph is a reporting requirement, however, the LTIP awards that are made to the Executive Director are not based on share performance.



Directors' remuneration report (continued)

Chief Executive Officer ('CEO') remuneration

Five-year comparison

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

Year	Chief Executive Officer	Single total figure of remuneration	Annual variable element (actual award versus opportunity)	
		GBP	GBP	%
2022	E Jacobs (4)	213,255	-	-
2021	E Jacobs (4)	170,337	-	-
2021	J E O Berge (3)	557,625	-	-
2020	J E O Berge	380,341	-	-
2019	J E O Berge (1)	417,591	162,500	50%
2019	J O S Bryce (2)	719,207	-	0%
2018	J O S Bryce	383,030	82,800	31%

(1) Appointed 1 May 2019

(2) Resigned 18 March 2019

(3) Resigned 1 February 2021

(4) Interim CEO, not employed by Company but provided under a management on hire agreement from a related party

Comparison of CEO remuneration to employee remuneration

	2022	2021	Change %	Employee remuneration change
	GBP	GBP		
Salary and fees	213,255	197,420	8%	(8)%
Termination payment	-	529,252	n/a	n/a
Taxable benefits	-	1,290	n/a	0%
Annual variable performance related remuneration	-	-	0%	(38)%
Total Annual figure	213,255	727,962		
Single total figure of remuneration	213,255	727,962		

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

Comparison of Directors remuneration to employee remuneration

	2022 Change %	2021 Change %	2020 Change %	2019 Change %	2018 Change %
S E Thorvildsen	0%	0%	0%	0%	0%
H Fougner	0%	0%	0%	0%	0%
D A Gold	0%	0%	0%	0%	0%
J N Simpson	0%	0%	0%	0%	0%
S Syrrist	0%	0%	0%	0%	0%
Employees	(10.3)%	1.5%	2%	(3.8)%	(1.5)%

The above table shows the movement in remuneration for the Directors for the past five years compared with the average movement in remuneration (per head) for all Company employees.

Directors' remuneration report (continued)

Implementation of remuneration policy for following financial year

Base salaries

Any future CEO's base salary will continue to be reviewed annually by the Remuneration Committee, based on performance and current market conditions. The Remuneration Committee will then make a recommendation to the Board of Directors. There is no change from the previous year.

Pension and benefits

The CEO would be eligible to participate in a defined contribution arrangement which the Company contributes a maximum of 12% of base salary. Additional benefits include private medical and dental insurance and company car allowance.

Annual performance related remuneration

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

Statement of shareholder voting

The table below sets out the voting by the Company's shareholders on the resolution to approve the Directors' remuneration report at the AGM held on 22 June 2022.

	Total number of votes	% of votes cast
For	33,533,127	99.9%
Total votes cast	33,543,136	100.0%

The Remuneration Committee is pleased to note that 99.9% of shareholders approved the 2021 Directors' remuneration report.

By order of the Board of Directors



Sigurd Thorvildsen
26 May 2023

Independent auditors' report

to the members of Awilco Drilling PLC

Opinion

In our opinion:

- ▶ Awilco Drilling plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- ▶ the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Awilco Drilling plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise:

Group	Parent company
Group statement of financial position at 31 December 2022	Company statement of financial position as at 31 December 2022
Group statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Company statement of cash flows for the year then ended
Group statement of cash flows for the year then ended	Related notes 1 to 29 to the financial statements including a summary of significant accounting policies
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and, as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditors' report

to the members of Awilco Drilling PLC

Emphasis of Matter - financial statements prepared on a basis other than going concern

We draw attention to Note 2 in the financial statements which explains the Company and Group are currently no longer performing operational activities relating to rigs and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of 4 components and audit procedures on specific balances for a further component• The components where we performed full or specific audit procedures accounted for 100% of Loss before tax, 100% of Revenue and 100% of Total assets
Key audit matters	<ul style="list-style-type: none">• Accounting for and disclosure of amounts relating to the two arbitration processes
Materiality	<ul style="list-style-type: none">• Overall group materiality of \$190k which represents 0.75% of Operating Costs.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 5 reporting components of the Group, we selected 5 components covering entities within Singapore and the United Kingdom, which represent the principal business units within the Group.

Of the 5 components selected, we performed an audit of the complete financial information of 4 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining component ("specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's Loss before tax, 100% (2021: 100%) of the Group's Revenue and 100% (2021: 94%) of the Group's Total assets.

For the current year, the full scope components contributed 100% (2021: 100%) of the Group's Loss before tax, 100% (2021: 100%) of the Group's Revenue and 100% (2021: 100%) of the Group's Total assets.

Independent auditors' report

to the members of Awilco Drilling PLC

Tailoring the scope (continued)

The specific scope component contributed 0% (2021: 2%) of the Group's Loss before tax, 0% (2021: 0%) of the Group's Revenue and 9% (2021: 1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. All audit testing was conducted by the Primary audit team.

Changes from the prior year

We have classified five entities as full scope and one as specific scope in the current year, compared to four entities as full scope and two as specific scope in the prior year. This is as a result of reduced materiality for the group.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Awilco Drilling plc. The Group has determined it does not expect material future impacts from climate change on their operations. This is explained on page 10 in the Directors Report. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in the Basis of Preparation in note 2, management have considered the impact of climate change on its operations when preparing the financial statements and concluded that it does not have a material impact on the financial statements as at 31 December 2022. Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition risks, and ensuring that the effects of climate risks disclosed on page 10 have been appropriately reflected by management in reaching areas of judgement in the financial statements. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report

to the members of Awilco Drilling PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Accounting for and disclosure of balances relating to the two arbitration processes. <i>Refer to the Accounting policies (page 50); and Note 24 of the Consolidated Financial Statements (page 64)</i></p> <p>In 2020 two construction contracts for new build rigs were cancelled between the subsidiary companies, Awilco Rig 1 Pte Ltd and Awilco Rig 2 Pte Ltd and Keppel Fels Limited (Keppel). Two arbitration processes were initiated. Claims were received from Keppel Fels Limited for liabilities relating to the cancellation of the contracts, whilst Awilco Rig 1 Pte Ltd and Awilco Rig 2 Pte Ltd, counter claimed for recovery of deposits and variation order payments.</p> <p>Under IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets") the Group is required to assess whether the probability of an outflow of resources is more likely than not to occur. Similarly, they also need to assess whether there is the possibility of an inflow of economic benefits to the group.</p> <p>Judgement is required to assess whether the matter satisfies the recognition criteria for a provision or receivable or whether the amounts should continue to be disclosed as a contingent liabilities and contingent assets.</p>	<p>We obtained an update from management and in-house legal counsel regarding the current year developments of the two arbitration cases.</p> <p>We wrote to and held discussions with the legal advisors to understand the status and arbitration rulings of the two arbitration cases, as part of our confirmation of the amounts disclosed in the financial statements.</p> <p>We engaged our internal legal specialists to help in our assessment of the status of the arbitration cases and the financial impact on the group.</p> <p>We updated the audit evidence from previous financial periods.</p> <p>As part of our subsequent events testing, we considered the impact of the Arbitration ruling on the Awilco Rig 1 PTE Ltd case issued on 21 April 2023 and deemed this to be an adjusting post balance sheet event in accordance with IAS 10.</p> <p>We audited the accounting entries recorded for the liabilities recognised relating to the settlement awarded to Keppel and management's estimate of the legal costs arising in accordance with IAS 37.</p> <p>We assessed the completeness and accuracy of the Group's accounting entries and disclosures relating to this matter in Note 7 and 22 to the Group financial statements.</p> <p>All procedures were conducted by the Primary audit team.</p>	<p>We concluded that amounts recorded and disclosed in the financial statements are adequate and appropriate.</p>

Independent auditors' report

to the members of Awilco Drilling PLC

Key Audit Matters (continued)

In the current year the Key Audit Matter relates to the accounting for and disclosure of amounts relating to the two arbitration processes, whereas in the prior year it related to the impairment of rigs, which were fully impaired in the prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$190k (2021: \$330k), which is 0.75% (2021: 0.75%) of Operating expenses. We believe that operating expenses provides us with the most appropriate basis considering the activities of the group.

We determined materiality for the Parent Company to be \$900k (2021: \$2.1 million), which is 3% (2021: 5%) of Operating Expenses (2021: Equity). The change from the prior year is because of the lack of rig operations in the current year, resulting in a lower value.

During the course of our audit, we reassessed initial materiality and increased it due to the increase in Operating Costs.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely \$140k (2021: \$240k). We have set performance materiality at this percentage due to the history of past misstatements and lack thereof, our ability to assess the likelihood of misstatements and the effectiveness of the internal control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$63k to \$140k (2021: \$72k to \$249k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$9k (2021: \$17k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent auditors' report

to the members of Awilco Drilling PLC

Other information

The other information comprises the information included in the annual report set out on pages 2-11, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report

to the members of Awilco Drilling PLC

Responsibilities of directors (continued)

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- We understood how Awilco Drilling plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the risk of fraud through management override and, in response, we carried out procedures such as testing of transactions back to source information, which were designed to provide reasonable assurance that the financial statements were free from fraud or error; and
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report

to the members of Awilco Drilling PLC

Use of our report

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.

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Aberdeen
26 May 2023

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 2022

		2022	2021
	Notes	US\$000	US\$000
Revenue	5	-	33,077
Cost of sales		(5,363)	(33,986)
Impairment	16, 17, 23	(205)	(48,120)
Gain on sale of drilling rigs		3,188	-
Gross Loss		(2,380)	(49,029)
General and administrative expenses		(20,153)	(12,235)
Other expense	7	(122,568)	(4)
Operating Loss	6	(145,101)	(61,268)
Finance income	10	53	-
Finance expense	11	(168)	(1,441)
Net loss on foreign exchange transactions	12	(119)	(254)
Loss before taxation		(145,335)	(62,963)
Income tax expense	13	(21)	(9,266)
Loss for the year attributable to equity shareholders		<u>(145,356)</u>	<u>(72,229)</u>

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

			Restated
Basic and diluted loss per share (US\$ per share) *	14	(228.2)	(132.3)

Total comprehensive income for the year is attributable to the owners of the Company, as there is no minority interest.

* A reverse share split has been undertaken during the year, and as a result the weighted average number of shares for the purposes of determining EPS has been retrospectively restated. See Note 14.

Group statement of financial position

as at 31 December 2022

	Notes	2022 US\$000	2021 US\$000
Non-current assets			
Property, plant and equipment	16	-	15,764
Right-of-use asset	23	-	-
		<u>-</u>	<u>15,764</u>
Current assets			
Inventory		-	115
Trade and other receivables	19	2,635	662
Cash and cash equivalents	20	8,880	9,685
		<u>11,515</u>	<u>10,462</u>
Total assets		<u>11,515</u>	<u>26,226</u>
Current liabilities			
Trade and other payables	21	118,372	4,550
Provisions	22	9,278	1,100
Loans		1,500	-
Current tax payable		9,174	9,251
		<u>138,324</u>	<u>14,901</u>
Non-current liabilities			
Trade and other payables	21	146	426
		<u>146</u>	<u>426</u>
Total liabilities		<u>138,470</u>	<u>15,327</u>
Net (Liabilities)Assets		<u>(126,955)</u>	<u>10,899</u>
Shareholders' Equity			
Called up share capital	25	3,581	525
Share premium account	25	222,827	218,381
Retained deficit		<u>(353,363)</u>	<u>(208,007)</u>
Total Shareholders' equity		<u>(126,955)</u>	<u>10,899</u>

Signed on behalf of the Board of Directors



Sigurd Thorvildsen
Director
26 May 2023

Company statement of financial position

as at 31 December 2022

	Notes	2022 US\$000	2021 US\$000
Non-current assets			
Property, plant and equipment	16	-	419
Right of use assets	23	-	-
Investment in subsidiaries	18	-	75
Amount due from subsidiary undertakings	26	-	15,245
		-	15,739
Current assets			
Trade and other receivables	19	2,635	2,305
Cash and cash equivalents	20	8,539	9,346
		11,174	11,651
		11,174	27,390
Total assets			
Current liabilities			
Trade and other payables	21	1,380	2,435
Loans		1,500	-
		2,880	2,435
Non-current liabilities			
Trade and other payables	21	146	426
		3,026	2,861
Total liabilities			
		8,148	24,529
Net assets			
Shareholders' Equity			
Called up share capital	25	3,581	525
Share premium account	25	222,827	218,381
Retained deficit		(218,260)	(194,377)
		8,148	24,529
Total Shareholders' equity			

The loss recorded by the Company for the year was US\$ 23.9 million (2021: US\$ 83.7 million loss).

Signed on behalf of the Board of Directors



Sigurd Thorvildsen
Director
26 May 2023

Group statement of changes in equity

for the year ended 31 December 2022

	<i>Called Up Share Capital US\$000</i>	<i>Share Premium account US\$000</i>	<i>Retained Earnings/(deficit) US\$000</i>	<i>Total shareholders equity US\$000</i>
At 1 January 2021	525	218,381	(135,778)	83,128
Total comprehensive loss for the year	-	-	(72,229)	(72,229)
At 31 December 2021	525	218,381	(208,007)	10,899
Equity issue as at 22 December 2022	3,056	4,796	-	7,852
Equity issue costs as at 22 December 2022	-	(350)	-	(350)
Total comprehensive loss for the year	-	-	(145,356)	(145,356)
At 31 December 2022	3,581	222,827	(353,363)	(126,955)

Company statement of changes in equity

for the year ended 31 December 2022

	<i>Called Up Share capital US\$000</i>	<i>Share Premium account US\$000</i>	<i>Retained Earnings/(deficit) US\$000</i>	<i>Total shareholders equity US\$000</i>
At 1 January 2021	525	218,381	(110,669)	108,237
Total comprehensive loss for the year	-	-	(83,708)	(83,708)
At 31 December 2021	525	218,381	(194,377)	24,529
Equity issue as at 22 December 2022	3,056	4,796	-	7,852
Equity issue costs as at 22 December 2022	-	(350)	-	(350)
Total comprehensive loss for the year	-	-	(23,883)	(23,883)
At 31 December 2022	3,581	222,827	(218,260)	8,148

Group statement of cash flows

for the year ended 31 December 2022

	Notes	2022 US\$000	2021 US\$000
Operating activities			
Loss before taxation		(145,336)	(62,963)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets and right of use assets	16, 23	419	6,241
Impairment of fixed assets and right of use assets	16, 23	205	48,120
Inventory write off		-	3,026
Net finance expense		115	1,441
Share-based payment		-	(114)
Gain on sale of property, plant and equipment		(3,188)	-
Working capital adjustments:			
Decrease in trade receivables		34	3,486
Decrease / (increase) in inventory		115	(115)
(Increase) / (decrease) in prepayments and other receivables		(2,006)	2,249
Increase/(decrease) in trade and other payables		122,098	(3,605)
Interest paid	11	(168)	(53)
Interest received	10	53	-
Taxation paid		(98)	(65)
Net cash flows used in operating activities		<u>(27,757)</u>	<u>(2,352)</u>
Investing activities			
Purchase of property, plant and equipment	16	(205)	(2,229)
Proceeds from disposal of property, plant and equipment		18,533	-
Net cash flow from/(used in) investing activities		<u>18,328</u>	<u>(2,229)</u>
Financing activities			
Proceeds from issue of share capital		7,852	-
Equity issue costs		(350)	-
Issue of loans		1,500	-
Payment of principal portion of lease liabilities	23	(244)	(472)
Net cash flows generated from/(used in) financing activities		<u>8,758</u>	<u>(472)</u>
Net decrease in cash and cash equivalents		(671)	(5,053)
Net foreign exchange difference		(134)	-
Cash and cash equivalents at beginning of year		<u>9,685</u>	<u>14,738</u>
Cash and cash equivalents at end of year	20	<u>8,880</u>	<u>9,685</u>

Company statement of cash flows

for the year ended 31 December 2022

	Notes	2022 US\$000	2021 US\$000
Operating activities			
Loss before taxation		(23,884)	(83,692)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of fixed assets and right of use assets	16, 23	419	390
Impairment of fixed assets and investments	18, 23	75	979
Net finance income		(6,686)	(1,907)
Share based payment		-	(114)
Working capital adjustments:			
Decrease / (Increase) in prepayments		6,440	(25)
Decrease in trade and subsidiary receivables	26	15,278	80,968
(Decrease) in trade and other payables		(1,089)	(833)
Interest paid		(168)	(41)
Interest received		50	-
Net cash flows used in operating activities		<u>(9,565)</u>	<u>(4,275)</u>
Financing activities			
Proceeds from issue of share capital		7,852	-
Equity issue costs		(350)	-
Issue of loans		1,500	-
Payment of principal portion of lease liabilities	23	<u>(244)</u>	<u>(340)</u>
Net cash flows generated from/(used in) financing activities		<u>8,758</u>	<u>(340)</u>
Net decrease in cash and cash equivalents		(807)	(4,615)
Cash and cash equivalents at beginning of year		<u>9,346</u>	<u>13,961</u>
Cash and cash equivalents at end of year	20	<u><u>8,539</u></u>	<u><u>9,346</u></u>

Notes to the financial statements

At 31 December 2022

1. General information

The Group and Company financial statements of Awilco Drilling PLC for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 26 May 2023. The Company is a public company limited by shares, incorporated in the United Kingdom (England and Wales) under the Companies Act 2006 and listed on the Euronext Growth Oslo stock exchange. The Company's registered number is 7114196 and the address of the registered office is given on page 1. The principal place of the business is 2 Kingshill Park, Westhill, Aberdeenshire, AB32 6FL. The nature of the Group's operations and its principal activities are set out in the Strategic report.

2. Basis of preparation

Statement of compliance

The Group and Company financial statements are prepared in accordance with UK-adopted International Accounting Standards (UK-adopted IAS) as applied in accordance with section 408 of the Companies Act 2006. No IFRS reconciliation table has been provided, as would typically be required under the Euronext Growth Markets rule book as there are no reconciling items between IFRS and UK Adopted IAS for the Group.

Basis other than going concern

It is the responsibility of the directors to prepare the financial statements on a going concern basis unless it is inappropriate to presume the Group will continue in business. The Group is no longer performing operational activities relating to rigs. Accordingly, they adopt the basis other than going concern in preparing these financial statements. There have been no departures from IFRS, and no adjustments to carrying values as a result of the basis of preparation have been made. The Group is raising the necessary funds from shareholders to fund the ongoing arbitration process. During May 2023, the Group successfully signed a further short-term shareholder loan with Awilhelmsen Offshore AS. The loan is for a total of USD four million, structured as a draw-down facility.

Management intend to raise further funding by way of a private placement expected to be carried out during Q2 2023, followed up with the subsequent repair offerings. The funds will be used to support the ongoing arbitration process.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company. Under IFRS 10, control exists where the investor has: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies and prepared on a historical cost basis. 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\$ 23.9 million (2021: US\$ 83.7 million loss).

Measurement and disclosure of climate-related matters

In preparing the financial statements, management have considered the impact of the physical and transition risks of climate change as set out on page 10, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2022.

3. Significant accounting judgements, 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.

Notes to the financial statements

At 31 December 2022

3. Significant accounting judgements, estimates and assumptions (continued)

Legal Proceedings

The subsidiary companies are involved in legal arbitration proceedings. The subsidiary company has recognised a provision for cost reimbursement due to a legal obligation as a result of a past event that exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation, even although the timing or amount of the liability is uncertain.

The final amount of any cost reimbursement may be materially different to management's estimate. Similarly, the subsidiary company would recognise an asset for any settlement or cost reimbursement in relation to legal proceedings due to them if it is virtually certain that the income will be received.

Following the arbitration tribunal's ruling which awarded in favour of Keppel FELS, a provision has been made in the subsidiary company based on an estimate of the expected legal costs. This is considered as a liability of the subsidiary and not the parent company.

Where an outflow of economic resources is not probable or an inflow of economic resources is not virtually certain, the subsidiary company will disclose a contingent liability or contingent asset, respectively.

Contingent Liabilities

As detailed in Note 24, there is one item that is considered as a contingent liability. This is in connection with a claim that has been submitted by Keppel FELS shipyard in respect of amounts it considers recoverable due to termination provisions in the contract for Nordic Spring. The Group has applied judgement in evaluating it as contingent liability only and no provision has been made.

4. Accounting policies

New standards and interpretations

There were various standards effective for annual periods beginning on or after 1 January 2022

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

However, none had any impact on these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards and interpretations - not yet adopted

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 2023 or later periods, but the Group has not early adopted them:

- IFRS 17 Insurance contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Definition of accounting estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

It is not anticipated that the application of these standards and amendments will have any material impact on the Group's financial statements.

Notes to the financial statements

At 31 December 2022

4. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

Property, plant and equipment

Rigs and equipment are stated at cost less depreciation and impairment losses. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to its working condition. When it can be clearly demonstrated that subsequent expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of the assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of the asset.

A component of an asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. Components with a similar depreciation method and useful life are grouped together.

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

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

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 statement of comprehensive income in the period of derecognition.

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.

Revenue recognition

Revenue derived from charter-hire contracts or other service contracts is recognised in the period that services are rendered at rates established in the relevant contracts. Certain contracts include mobilisation 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 recognised 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 recognised as revenue over the firm contract period.

Cost of sales

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

Taxation

Current income tax

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

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

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Notes to the financial statements

At 31 December 2022

4. Accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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\$, which is the Company's functional currency and presentation currency and all values are rounded to the nearest thousand dollars (US\$000) except when otherwise indicated.

Transactions and balances

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

Earnings/(loss) per share

Basic earnings/(loss) 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.

Notes to the financial statements

At 31 December 2022

4. Accounting policies (continued)

Earnings/(loss) per share (continued)

Diluted earnings/(loss) 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

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group has taken the recognition exemption in respect of short-term leases and leases of low value assets, and instead recognises the expense associated with such leases in the income statement on a straight-line basis.

For all other leases, the Group recognises lease liabilities representing lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any incentives received. Right of use assets are depreciated on a straight-line basis over the remaining lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term, using the interest rate implicit to the lease, and if not readily determinable, at the incremental borrowing rate.

The lease liabilities are included in trade and other payables in Note 21.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss, amortised cost, or fair value through other comprehensive income as appropriate. 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.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in Note 19.

The Group recognises an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For financial assets other than trade receivables and contract assets, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL)."

Trade and other receivables

Trade receivables and amounts due from subsidiary undertakings, which generally have 60-day terms, are recognised and subsequently carried at the original invoiced value net of expected credit loss. Where the time value of money is material, receivables are carried at amortised cost. During the current and prior years, these balances have been immaterial.

Notes to the financial statements

At 31 December 2022

4. Accounting policies (continued)

Trade and other payables

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

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 statement of comprehensive income.

Share-based payment

The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes model, further details are given in Note 26. 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 statement of comprehensive income for the period.

Pension

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction in reporting of the related expense, on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed.

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

Information about major customers

There was no revenue arising during the year from the provision of drilling services (2021: US\$ 25 million and US\$ 8 million from two major customers).

6. Operating loss

This is stated after charging

	2022	2021
	US\$000	US\$000
Depreciation (Note 16, 23)	419	6,241
Legal and other arbitration costs – included in G&A expense	15,069	5,544
Inventory recognised as an expense during the year	-	255
Write off of inventory	-	3,026

Notes to the financial statements

At 31 December 2022

7. Other expense

As noted in the Strategic report, during April 2023, Awilco Rig 1 Pte Ltd received the arbitration tribunal's ruling was awarded in favour of Keppel FELS. This is considered an adjusting post balance sheet event therefore the below costs have been recognised. The arbitration panel is still to determine the final amounts for the interest and legal fees.

	2022 US\$000	2021 US\$000
Tribunal award	98,522	-
Interest on award	14,768	-
Provision for legal fees (Note 22)	9,278	-
	<u>122,568</u>	<u>-</u>

8. Auditors' remuneration

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

	2022 US\$000	2021 US\$000
Audit of the financial statements	246	246
Local statutory audits of subsidiaries	19	23
Tax services - compliance	34	27
	<u>299</u>	<u>296</u>

9. Staff costs

	2022 Group US\$000	2022 Company US\$000	2021 Group US\$000	2021 Company US\$000
Wages and salaries	5,001	2,314	14,608	2,555
Directors Fees	216	216	277	277
Pension costs	181	86	649	120
Social security costs	640	346	1,877	457
Long term incentive plan	-	-	(19)	(19)
	<u>6,038</u>	<u>2,962</u>	<u>17,393</u>	<u>3,391</u>

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

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

	2022 No.	2021 No.
Onshore, including management (Company)	14	22
Offshore	24	96
	<u>38</u>	<u>118</u>

Notes to the financial statements

At 31 December 2022

10. Finance income

	2022 US\$000	2021 US\$000
Bank interest	53	-

11. Finance expense

	2022 US\$000	2021 US\$000
Interest on lease liabilities	124	53
Interest on loans	44	-
Interest on taxation	-	1,388
	168	1,441

12. Net (loss)/gain on foreign exchange transactions

	2022 US\$000	2021 US\$000
Gain on foreign exchange transactions	21	14
(Loss) on foreign exchange transactions	(140)	(268)
Net (loss) on foreign exchange transactions	(119)	(254)

13. Income tax

Income tax on profit on ordinary activities

	2022 US\$000	2021 US\$000
Foreign tax on the loss for the year	21	98
Total current income tax	21	98
Amounts under provided in previous years	-	9,152
Tax credit available to the UK	-	-
Total current income tax	21	9,250
Deferred income tax:		
Origination and reversal of temporary differences	-	16
Impact of changes in tax rates	-	-
Total deferred income tax	-	16
Income tax charge in the Group statement of comprehensive income	21	9,266

Notes to the financial statements

At 31 December 2022

13. Income tax (continued)

Reconciliation of the total income tax charge

	2022 US\$000	2021 US\$000
Loss from continuing operations	(145,336)	(62,963)
Tax calculated at UK standard rate of corporation tax of 19% (2021:19%)	(27,614)	(11,963)
Expenses not deductible/(income not taxable) for tax purposes	(27)	112
Effect of (lower)/higher taxes on overseas earnings	21	98
Unrecognised deferred tax asset	28,247	11,867
Tax (over)/under provided in previous years	-	9,152
Disposal of assets	(606)	-
Income tax charge in the Group statement of comprehensive income	<u>21</u>	<u>9,266</u>

The income tax expense above is computed at loss before taxation multiplied by the effective rate of corporation tax in the UK of 19% (2021: 19%).

The corporate tax measures announced in the March 2021 Budget set out that corporation tax will increase from 19% to 25% from April 2023.

Deferred income tax

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

	2022 US\$000	2021 US\$000
Deferred tax asset		
As at 1 January	-	16
Share-based payment	-	(16)
As at 31 December	<u>-</u>	<u>-</u>

Unrecognised deductible temporary differences

The Group has total tax losses of US\$ 241.1 million which arose in the UK (2021: US\$ 82.1 million) that are available for offset against future deductible profits that are not part of the bareboat charter ring-fence arrangements. Following the disposal of the rigs during the year, there are no longer deductible temporary differences relating to fixed assets (2021: US\$ 59.4 million) or unutilised capital allowances. (2021: US\$ 40.6 million). Deferred tax assets have not been recognised in respect of these losses due to the uncertainty of future profits being at this level.

Notes to the financial statements

At 31 December 2022

14. Loss per share

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

	2022 US\$000	2021 US\$000
Loss for the year attributable to equity share holders	<u>(145,356)</u>	<u>(72,229)</u>

	2022 No.000	<i>Restated</i> 2021 No.000
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>637</u>	<u>546</u>

Total earnings and weighted average number of shares outstanding during the year are the same as for diluted earnings per share. On 20 December 2022, a 100 : 1 reverse share split was performed (see also Note 24) which resulted in the prior year weighted average number of ordinary shares being retrospectively restated.

15. Government grants

	2022 US\$000	2021 US\$000
At 1 January	-	-
Received during the year	-	14
Released to the statement of profit or loss	-	(14)
At 31 December	<u>-</u>	<u>-</u>

The above Government grants received were in respect of the UK Coronavirus Job Retention Scheme.

Notes to the financial statements

At 31 December 2022

16. Property, plant and equipment

<i>Group</i>	<i>Semi-submersible drilling rigs</i>	<i>Assets under construction</i>	<i>Special purpose surveys</i>	<i>Other fixtures and equipment</i>	<i>Total</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cost:					
At 1 January 2021	337,652	111,280	16,159	2,017	467,108
Adjustment	247	-	(247)	-	-
Additions	722	-	1,507	-	2,229
At 31 December 2021	338,621	111,280	17,419	2,017	469,337
Additions	-	-	205	-	205
Disposals	(338,621)	-	(17,419)	-	(356,040)
At 31 December 2022	-	111,280	205	2,017	113,502
Depreciation and impairment:					
At 1 January 2021	(272,897)	(111,280)	(14,603)	(1,528)	(400,308)
Adjustment	(578)	-	578	-	-
Provided	(4,295)	-	(1,555)	(70)	(5,920)
Impairment	(45,507)	-	(1,839)	-	(47,346)
At 31 December 2021	(323,277)	(111,280)	(17,419)	(1,598)	(453,574)
Provided	-	-	-	(419)	(419)
Impairment	-	-	(205)	-	(205)
Disposals	323,277	-	17,419	-	340,696
At 31 December 2022	-	(111,280)	(205)	(2,017)	(113,502)
Net book value:					
At 31 December 2022	-	-	-	-	-
At 31 December 2021	15,345	-	-	419	15,764

Notes to the financial statements

At 31 December 2022

16. Property, plant and equipment (continued)

<i>Company</i>	<i>Other fixtures and equipment US\$000</i>
Cost:	
At 1 January 2021	2,017
Additions	-
Disposals	-
At 31 December 2021	2,017
Additions	-
Disposals	-
At 31 December 2022	2,017
Depreciation:	
At 1 January 2021	(1528)
Provided	(70)
At 31 December 2021	(1,598)
Provided	(419)
At 31 December 2022	(2,017)
Net book value:	
At 31 December 2022	-
At 31 December 2021	419

17. Impairment

The Group considered annually whether there were indicators of impairment of its property, plant and equipment, and at the prior year-end identified that there were indicators the WilPhoenix rig was impaired. In particular it was noted that there was no secured work for the rig, additional costs were expected to be needed to maintain the rig and the Group was contemplating disposing of the asset. As such, it was necessary to estimate the recoverable amount. Recoverable amount was assessed based on the rig's fair value less cost of disposal.

Post year end, a sale of the rig was agreed, and therefore the agreed sale price was used as the basis for determining the fair value less cost of disposal of the rig. As a result, the Group recognised US\$ 47.3 million as an impairment loss relating to the WilPhoenix rig in the prior year.

During the current year, an impairment of US\$ 0.2 million was recognised.

Notes to the financial statements

At 31 December 2022

18. Investments

	<i>Company</i> <i>2022</i> <i>US\$000</i>	<i>Company</i> <i>2021</i> <i>US\$000</i>
<i>Company shares in subsidiary undertakings</i>		
At 1 January	75	279
Impairment of investment in WilHunter (UK) Limited	-	(100)
Impairment of investment in Awilco Drilling Offshore (UK) Limited	-	(100)
Impairment of investment in Awilco Drilling Norge AS	-	(4)
Impairment of investment in Awilco Drilling Pte Ltd	(75)	-
At 31 December	-	75

Details of the holdings are as follows, all 100% shareholdings:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Registered Address</i>
Awilco Drilling Offshore (UK) Limited	United Kingdom	Suite 1, 7 th Floor, 50 Broadway, London
WilHunter (UK) Limited – in liquidation	United Kingdom	Suite 1, 7 th Floor, 50 Broadway, London
Awilco Drilling Pte. Ltd.	Singapore	8 Wilkie Road, Singapore
Awilco Rig 1 Pte. Ltd.	Singapore	8 Wilkie Road, Singapore
Awilco Rig 2 Pte. Ltd.	Singapore	8 Wilkie Road, Singapore

Notes to the financial statements

At 31 December 2022

19. Trade and other receivables

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Trade receivables	3	3	37	37
Prepayments and other receivables (1)	2,598	2,598	542	236
Accrued interest	-	-	-	1,949
VAT receivable	34	34	83	83
	<u>2,635</u>	<u>2,635</u>	<u>662</u>	<u>2,305</u>

(1) Included in the balance sheet at 31 December 2022 is a guarantee of GBP 2 million provided to SEPA in connection with the WilHunter rig recycling process. This was subsequently settled post year end.

As at 31 December 2022 and 2021, all trade receivables in the Group and Company are neither past due nor impaired.

20. Cash and cash equivalents

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Cash at bank	<u>8,880</u>	<u>8,539</u>	<u>9,685</u>	<u>9,346</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company has no restricted cash. (2021: nil)

21. Trade and other payables

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Trade and other payables:				
Lease Liabilities	495	495	315	315
Trade payables	1,156	391	885	763
Accruals and other liabilities (1)	115,305	640	3,350	1,357
	<u>116,956</u>	<u>1,526</u>	<u>4,550</u>	<u>2,435</u>
Non-current:				
Lease Liabilities	146	146	424	424
Other liabilities	-	-	2	2
Total	<u>146</u>	<u>146</u>	<u>426</u>	<u>426</u>

(1) Includes US\$ 113.3 million in connection with the arbitration tribunal ruling in favour of Keppel FELS (see Note 7)

Notes to the financial statements

At 31 December 2022

22. Provisions

	<i>Redundancy</i>	<i>Tribunal</i>	<i>Total</i>
	<i>US\$000</i>	<i>Award</i>	<i>US\$000</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
At 1 January 2022	1,100	-	1,100
Utilised	(1,100)	9,278	8,178
At 31 December 2022	-	9,278	9,278

The redundancy provision was in relation to Offshore personnel, which was subsequently settled during the year. The tribunal award is in relation to the expected costs award in connection with the tribunal ruling in favour of Keppel FELS (Note 7). The final decision on the amount of the award for legal costs is still to be received from the arbitration panel.

23. Leases

The Group has a lease contract in place for the office building at 2 Kingshill Park, Westhill, Aberdeenshire, AB32 6FL. In the prior year, the remaining right of use asset for the office building in Westhill was fully impaired. Set out below is the carrying amount of the right-of-use assets recognised and the movements during the period:

	<i>Office Building</i>		<i>Office Building</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
As at 1 January	-	-	1,096	1,096
Depreciation Expense	-	-	(321)	(321)
Impairment	-	-	(775)	(775)
As at 31 December	-	-	-	-

Set out below are the carrying amounts of lease liabilities (included under trade and other payables) and the movements during the period:

	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
As at 1 January	739	739	1,633	1,066
Accretion of interest	124	124	53	41
Payments	(368)	(368)	(505)	(368)
Remeasurement	-	-	(442)	-
As at 31 December	495	495	739	739
Current	349	349	315	315
Non-current	146	146	424	424

The maturity analysis of lease liabilities is disclosed in Note 26.

Notes to the financial statements

At 31 December 2022

23. Leases (continued)

The following are the amounts recognised in profit or loss:

	2022 Group US\$000	2022 Company US\$000	2021 Group US\$000	2021 Company US\$000
Depreciation expense of right-of-use assets	-	-	321	321
Interest expense on lease liabilities	124	124	53	41
Expense relating to leases of low-value assets (included in administrative expenses)	5	5	3	3
Total amount recognised in profit or loss	129	129	377	365

The Group has total cash outflows for leases of US\$ 0.1 million (2021: US\$ 0.5 million).

24. Commitments and contingencies

Capital commitments

There were nil capital commitments at 31 December 2022 (2021: US\$ 0.9 million).

	2022 US\$000	2021 US\$000
Amounts due within one year	-	873

Contingent Liabilities

In December 2020, Awilco Rig 2 Pte Ltd received notice from the shipyard purporting to terminate the contract for Nordic Spring. A notice of arbitration was also received. The Company notified the shipyard that it exercised its contractual right of termination as a result of breaches under the contract. It also exercised its contractual right and issued the shipyard a notice of termination as a result of Force Majeure.

It is recognised that Keppel FELS has submitted a claim in respect of amounts it considers recoverable due to termination provisions in the contract for Nordic Spring. Statement of claims have been received from Keppel FELS in the amount of Singapore Dollars 356.18 million (US\$ 268.9 million) for Awilco Rig 2 Pte. Ltd. but this claim is strongly denied. Due to the non-recourse nature of the contract, this is considered as a contingent liability only of the subsidiary and not the parent company. No provision has been made. It is expected that the final arbitration outcome for Awilco Rig 2 Pte Ltd, including any appeal process, will be no earlier than Q3 2023.

Contingent Asset

Following the termination of Nordic Spring, the subsidiary company, Awilco Rig 2 Pte. Ltd. has entered arbitration with Keppel FELS in respect of deposit and variation order payments. A total amount of USD 43.0 million plus interest is considered to be recoverable and is therefore disclosed as a contingent asset.

Notes to the financial statements

At 31 December 2022

25. Share capital

Group and Company

	2022	2021
<i>Authorised</i>	<i>No.000</i>	<i>No.000</i>
Ordinary shares of £0.65 each (2021 : £0.0065)	4,469	54,582

On 20 December 2022, a 100 : 1 reverse share split was performed

Group and Company

	2022	2022	2021	2021
<i>Allotted called up and fully paid</i>	<i>No.000</i>	<i>US\$000</i>	<i>No.000</i>	<i>US\$000</i>
At 1 January	54,582	525	54,582	525
Share consolidation	(54,036)	-	-	-
Equity issue	3,923	3,056	-	-
At 31 December	4,469	3,581	54,582	525

Group and Company

	2022	2021
	<i>Share premium account</i>	<i>Share premium account</i>
	<i>US\$000</i>	<i>US\$000</i>
At 1 January	218,381	218,381
Equity issue	4,446	-
At 31 December	222,827	218,381

26. Related party transactions

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

Transactions entered into and trading balances outstanding at 31 December 2022 with Awilhelmsen AS and its subsidiaries are as follows:

	2022	2021
	<i>US\$000</i>	<i>US\$000</i>
Purchase of management services	914	918
Interest	72	-
Amounts owed to Awilhelmsen AS and its subsidiaries	(261)	(264)

The Group and Company entered into a loan arrangement of US\$ 1.5 million with major shareholders in connection with which commitment fees and interest amounting to US\$96,000 (including US\$24,000 to QVT) were incurred and paid during 2022 (2021: 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. Included in the purchase of management services are the amounts in respect of the interim CEO.

Notes to the financial statements

At 31 December 2022

26. Related party transactions (continued)

Directors and other key management personnel

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

	2022	2021
	US\$000	US\$000
Short-term employee benefits	1,336	1,437
Share-based payments	-	(112)
Termination benefits	298	529
Other long-term benefits	60	82

Included in the short-term employee benefits are director's emoluments of GBP 195,000 (2021: GBP 195,000). Five directors received remuneration in respect of their services to the Company during the year (2021: five). The highest paid director was Sigurd Thorvildsen - please refer to the Directors' remuneration report on page 29 for further details.

Company

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

	2022	2021
	US\$000	US\$000
<i>Transactions:</i>		
Amounts invoiced to Awilco Drilling Offshore (UK) Limited in respect of services provided to the company	11,782	32,804
Amounts invoiced on behalf of Awilco Drilling Offshore (UK) Limited	(20,025)	(36,384)
Invoiced to Awilco Drilling Pte. Ltd.	541	127
Transfer of funds to Awilco Drilling Pte. Ltd.	604	299
Amounts invoiced to Awilco Rig 1 Pte. Ltd. in respect of services provided to the company	21,138	-
Amounts invoiced to Awilco Rig 2 Pte. Ltd. in respect of services provided to the company	5,391	-
Amounts invoiced to Awilco Drilling Norge AS in respect of services provided to the company	18	3,431
Settlement of balance due from Awilco Drilling Norge AS	(13,412)	-
Taxation paid on behalf of subsidiaries	98	68
Transfer of share capital funds due to WilHunter (UK) Limited	100	

Notes to the financial statements

At 31 December 2022

26. Related party transactions (continued)

	2022	2021
	US\$000	US\$000
<i>Balances:</i>		
Amounts receivable from Awilco Drilling Offshore (UK) Limited	78,431	86,674
Amounts payable to WilHunter (UK) Limited	-	(100)
Amounts receivable from Awilco Drilling Pte. Ltd.	7,716	6,473
Amounts receivable from Awilco Rig 1 Pte. Ltd.	78,481	57,343
Amounts receivable from Awilco Rig 2 Pte. Ltd.	49,689	44,298
Amounts receivable from Awilco Drilling Norge AS	-	13,394
	214,317	208,082
Allowance for expected credit loss	(214,317)	(192,837)
	-	15,245

The balances receivable from the subsidiary companies are considered long term. There are long term loan agreements in place with Awilco Drilling Pte. Ltd, Awilco Rig 1 Pte. Ltd. and Awilco Rig 2 Pte. Ltd.

Set out below is the movement in the allowance for expected credit losses of intercompany receivables:

	2022	2021
	US\$000	US\$000
As at 1 January	(192,837)	(115,010)
Provision for expected credit loss	(21,480)	(71,199)
As at 31 December	(214,317)	(192,837)

Expected credit loss is due to making a full provision for amounts due from Awilco Drilling Offshore (UK) Limited, Awilco Drilling Pte. Ltd, Awilco Rig 1 Pte. Ltd. and Awilco Rig 2 Pte. Ltd.

Entity with significant influence over the Group

Awilhelmsen Offshore AS, owns 50.5% of the ordinary shares in Awilco Drilling PLC.

27. Capital management, financial risk management objectives and policies

The Group's and the Company's principal financial liabilities comprise 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 cash equivalents that are derived directly from its operations. Management has assessed the fair values of the financial instruments are approximates to their carrying values.

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

Market risk

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

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 activities (when expenses are denominated in a different currency from the Company's functional currency).

Notes to the financial statements

At 31 December 2022

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

Foreign currency risk (continued)

At the balance sheet date, the Group held GBP 0.7 million in trade and other payables (2021: GBP 0.9 million). A 5% strengthening or weakening of US\$ to GBP would have an effect of US\$ 0.1 million on the Group 2021 result (2021: US\$0.1 million). The Group has no other material currency exposures.

Credit risk

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

Management would assess the credit rating of new and existing clients and determine if any action was 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 also has the prospect of issuing new equity or entering into new borrowing arrangements.

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

<i>Group</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1-5 years</i>	<i>Total</i>
Trade and other payables	6,231	113,291	2	119,524
Lease liabilities	-	368	153	521
31 December 2022	6,231	113,659	155	120,045
Trade and other payables	5,335	-	2	5,337
Lease liabilities	-	368	522	890
31 December 2021	5,335	368	524	6,227

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

<i>Company</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1-5 years</i>	<i>Total</i>
Trade and other payables	2,530	-	2	2,532
Lease liabilities	-	368	153	521
31 December 2022	2,530	368	155	3,053
Trade and other payables	2,120	-	2	2,122
Lease liabilities	-	368	522	890
31 December 2021	2,120	368	524	3,012

Notes to the financial statements

At 31 December 2022

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

Capital management

Capital includes called up share capital, share premium and retained earnings / (deficit).

As the Company is currently no longer performing operational activities relating to rigs, there will be no dividends distributed arising from operational activity.

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

	<i>Group</i> 2022 <i>US\$000</i>	<i>Group</i> 2021 <i>US\$000</i>
Cash and cash equivalents (note 19)	8,880	9,685
Net debt / (funds)	7,380	9,685
Capital	(126,955)	10,899
Capital less net debt	(134,335)	(1,214)
Gearing ratio	n/a	n/a

28. Share-based payments

Long Term Incentive Plan

A long term incentive plan for key management personnel, with a total limit of up to 4,000,000 shares was approved at the general meeting on 11 November 2019.

The 2020 plan "vests" in 25% tranches. The vesting dates for the plan are linked to the contract that was signed with Keppel FELS shipyard in Singapore to build up to four semi-submersible drilling rigs with each contract option being independent of each other. Each 25% tranche "vests" on the date each of the four rig option contract commence, and day rate revenue is earned. In the event that the rig building contract is terminated, as is the case for Rig 1 and Rig 2, the shares will lapse. In the event that the build option is not exercised, as is the case for Rig 3 and Rig 4 specific vesting dates in 2023 and 2024 are stipulated.

The awards are options and, following the share consolidation during December 2022, they have a revised strike price of NOK 3,000 (2021 : NOK 30).

As the shares were consolidated on a basis of 1:100, this resulted in an adjustment to the strike price in accordance with the plan documentation. As a result of this increase, there has been no movement in the provision during the year, based on the current trading price of the shares.

All share options and share awards are synthetic based and are cash settled.

The estimated fair value of the granted share options and awards are reached on the basis of the "Black-Scholes option pricing model". The model is applied utilising a risk-free discount rate and also taking into account the terms and conditions upon which the options and awards are granted as well as the performance conditions that are required to be satisfied before vesting. The weighted average remaining contractual life at 31 December 2022 is 1.24 years. There was no movement in the Group total share option and award during the year (2021: US\$ 0.1 million credit). The carrying amount of the liability relating to the cash-settled options at 31 December 2022 is unchanged at US\$ 2k (2021: US\$2k).

Notes to the financial statements

At 31 December 2022

28. Share-based payments (continued)

The following table list the inputs to the model used for the annual revaluation of the 2020 Plan (share prices are in NOK).

<i>Group and Company</i>	<i>2022</i>	<i>2021</i>
	<i>2020 Plan</i>	<i>2020 Plan</i>
Exercise price	3,000.0	30.0
Year-end Share price	1.16	3.20
Expected life	1.24 years	0.56 years
Volatility	0.00	0.18
Risk free interest rate	3.13%	0.34%
Model used	Black Scholes	

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

<i>Group and Company</i>	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>No.</i>	<i>WAEP (NOK)</i>	<i>No.</i>	<i>WAEP (NOK)</i>
Outstanding as at 1 January	475,000	30.0	1,247,284	25.86
Granted during the year	-	-	-	-
Exercised during the year	-	-	(172,284)	-
Forfeited during the year	(100,00)	30.0	(600,000)	30.0
Adjusted during the year	-	-	-	-
Outstanding at 31 December	375,000	3,000.0	475,000	30.0
Exercisable at 31 December	-	-	-	-

The table below summaries the carrying amount of the liability at 31 December 2021 and 2022

<i>Group and Company</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 – 5 years</i>	<i>Total</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Share options / awards	-	-	2	2

Notes to the financial statements

At 31 December 2022

29. Subsequent events

During January, following successful recycling of the WilHunter rig in Turkey, the counter security of GBP 2 million that was held in escrow in connection with the SEPA guarantee was returned in full.

Also, during January, the short-term shareholder loan and associated interest was repaid in full.

During February, a sublet opportunity was identified for the top floor of the Westhill office. The Company signed a revised lease with the landlord for the remaining bottom floor area of the office.

During April, the subsidiary company, Awilco Rig 1 Pte Ltd received the arbitration tribunal's ruling which awarded in favour of Keppel FELS. This is considered as an adjusting post balance sheet event and the financial statements have been amended accordingly.

During May, the Company signed a further short-term shareholder loan with Awilhelmsen Offshore AS. The loan is for a total of up to USD four million, structured as a draw-down facility, with interest rate of 10 percent per annum on the aggregated outstanding principal amount. In addition, there is an arrangement fee of 2 percent on the total amount. Maturity date for the loan is 30 June 2023. The loan shall be used to support the ongoing arbitration process.