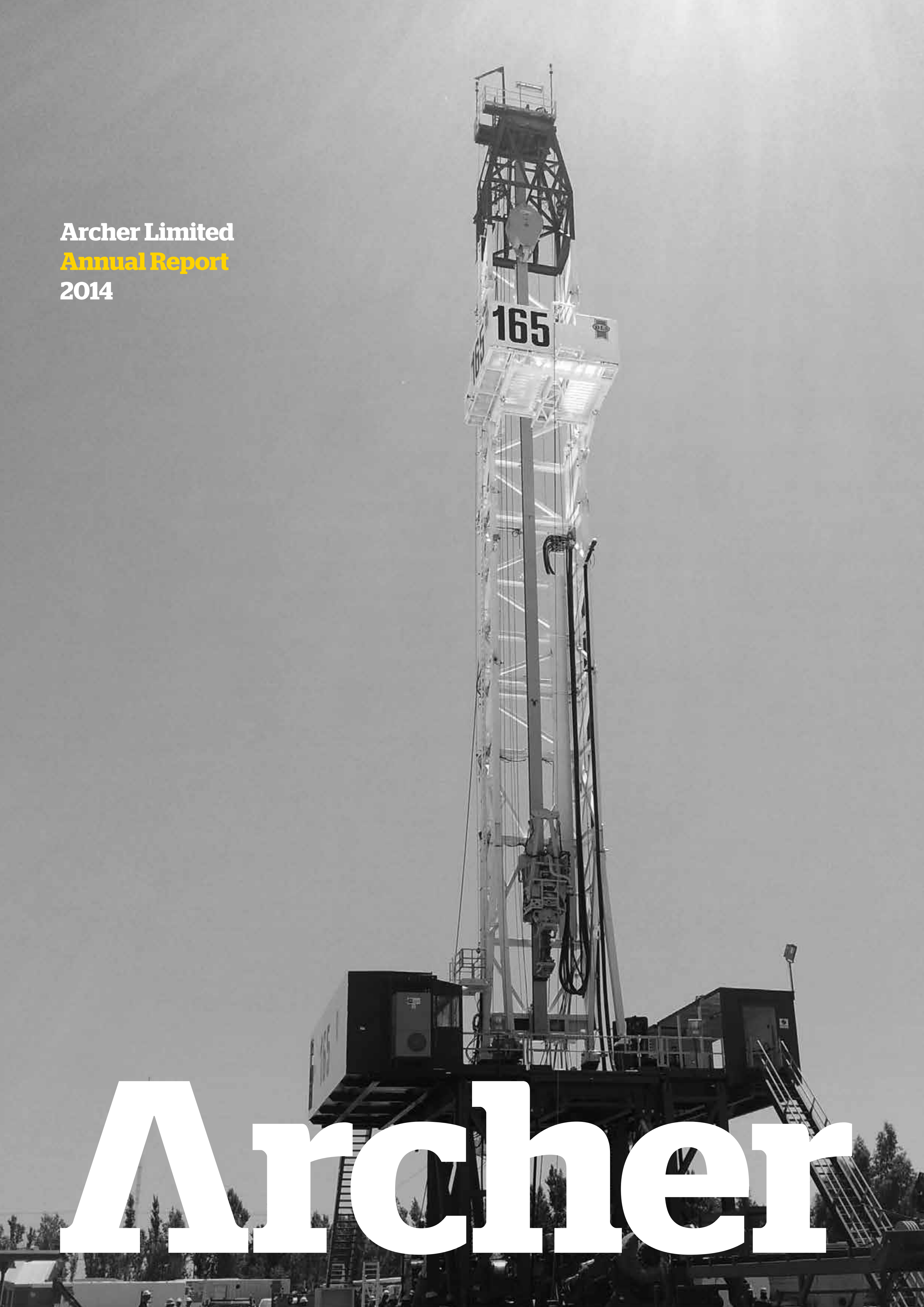
Archer Limited
Annual Report
2014



Archer

Contents

Letter to Shareholders

I believe the results that have been accomplished in 2014 have demonstrated that Archer has been on a path to generate significantly improved performance. All operating areas have shown improvements in financial performance culminating in record company revenues in the fourth quarter of 2014. By the numbers, revenue in 2014 increased by 10.4% as compared to 2013 while sequential EBIDTA increased 57.5%. I am proud of the ingenuity and effort that Archer employees across the globe have demonstrated to produce these results.

In North America, we made the changes at the end of 2013 that put us in a position to significantly improve throughout 2014. The changes in executive leadership and the resulting focus on business fundamentals laid the ground work of improvements in all business segments. While we were certainly helped by an increasing market over the course of the year, it is a credit to our North America team that we were able to compete effectively in this competitive arena.

In Latin America, we were able to capitalise on the activity in our conventional markets and take significant steps to grow our market share in the growing unconventional sector. We were successful in securing contracts for multiple new build rigs over the course of the year that will positively impact our future financial performance significantly. While increasing our operational headcount in preparation for this future activity, our Latin American Organisation was still able to grow both revenues and disproportionately EBITDA performance as compared to 2013. We look forward to continuing this focus into 2015 in what will be a comparatively stable activity environment.

Our North Sea operation showed a substantial improvement in revenue compared to last year based on increased activity levels in the UK and strong operational performance throughout Platform Drilling, improvements in performance in our Engineering Services and in our Modular Rig business, with operations of the Emerald modular rig, offshore New Zealand, as well the completion of the new build modular rig Topaz and it's deployment on the Heimdal platform in the Norwegian Continental Shelf in the fourth quarter. Financials were positively impacted by numerous performance bonuses over the course of the year, awarded for improving the drilling efficiency and continuing our reputation for superior performance in the very challenging work environment.

Our Emerging Markets and Technologies segment, continued to deliver strong EBITDA growth, although revenue was slightly down year over year due to the weakness in key market segments at the end of the year, offset by an increase in revenue in West Africa building off a position that started at the end of 2013. We continue to focus on expanding both our product offering and the geographic locations we operate in, in order to build the foundation for future growth.

As I said, I am very proud of the work that was done and the results that were posted in 2014 as Archer employees embraced the changes that were made to improve performance. As we now see the magnitude of the drop in oil price and the corresponding impact to the land rig count, the lessons that we have learned in 2014 will be critical in helping Archer to manage the business, in what has quickly become a significantly over supplied market at the beginning of 2015. Our leadership team has taken the steps necessary in regards to personnel, equipment and locations to bring operations in line with the new market realities, and will continue to monitor our success and take corrective actions as necessary. The year 2015 looks to be a difficult year for our industry, but we will look to position our Company for future success. The breadth of our offering provides some buffer as compared to those who are tied to a single market and we will continue to focus our efforts to guide each of our operating areas to their optimum performance.

David King
Chief Executive Officer

Board of Directors' Report
Company overview and history

Archer is a global oilfield service company with more than 40 years' experience, over 8,700 employees, and operations in more than 100 locations worldwide. From drilling services, production optimisation, well integrity and intervention, to decommissioning, Archer is focused on safely delivering the highest quality services and products to the drilling and well service markets.

We service the entire lifecycle of our customers' wells. Our comprehensive drilling and workover services include platform drilling, land drilling, directional drilling, modular rigs, drilling fluids, solids control, engineering services, equipment rentals, survey and inspection services, as well as a select range of well delivery support services and products.

Our well services capabilities include coiled tubing, pressure control and pressure pumping, production monitoring, snubbing, well imaging, well integrity products and services, and wireline well intervention services, all aimed at improving well performance and extending well life.

We are expanding our existing capabilities to better support our customers in critical processes such as well construction, well completion and production as well as well abandonment and platform decommissioning. Our differentiated technologies in well bore imaging, well construction and well integrity as well as our modular rig technology are an important and integral part of this strategy.

Employing over 8,700 people in over 100 global locations, we primarily operate in the North Sea, major basins in the United States and in Argentina. In recent years we have expanded our operations into the Asia Pacific region, the Middle East and into West Africa. While we will continue our international expansion in the medium and longer term we will focus on consolidating our presence in key markets in the short term.

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The company conducted operations as Seawell Limited until May 16, 2011, when shareholders approved a resolution to change the name to Archer Limited. Archer was incorporated in Bermuda on August 31, 2007, with registration number 40612, as an exempted, limited company and is organised and exists under the Laws of Bermuda.

Archer Limited's registered office is at Par la Ville Place, 14 Par la Ville Road, Hamilton HM 08, Bermuda and the office of Archer Management Limited (UK) is in 556 Chiswick High Road, Chiswick Park, Building 11, 2nd Floor, London W45YA, telephone +44 208 811 4900. Archer Limited is listed on the Oslo Stock Exchange under the ticker symbol ARCHER.NO and our web site is www.archerwell.com.


Archer

Board of Directors' Report
Business overview

Principal markets
Archer operates in Angola, Argentina, Australia, Bolivia, Brazil, Congo, Denmark, Malaysia, Nigeria, Norway, Qatar, Saudi Arabia, Singapore, United Arab Emirates, United Kingdom and the United States.

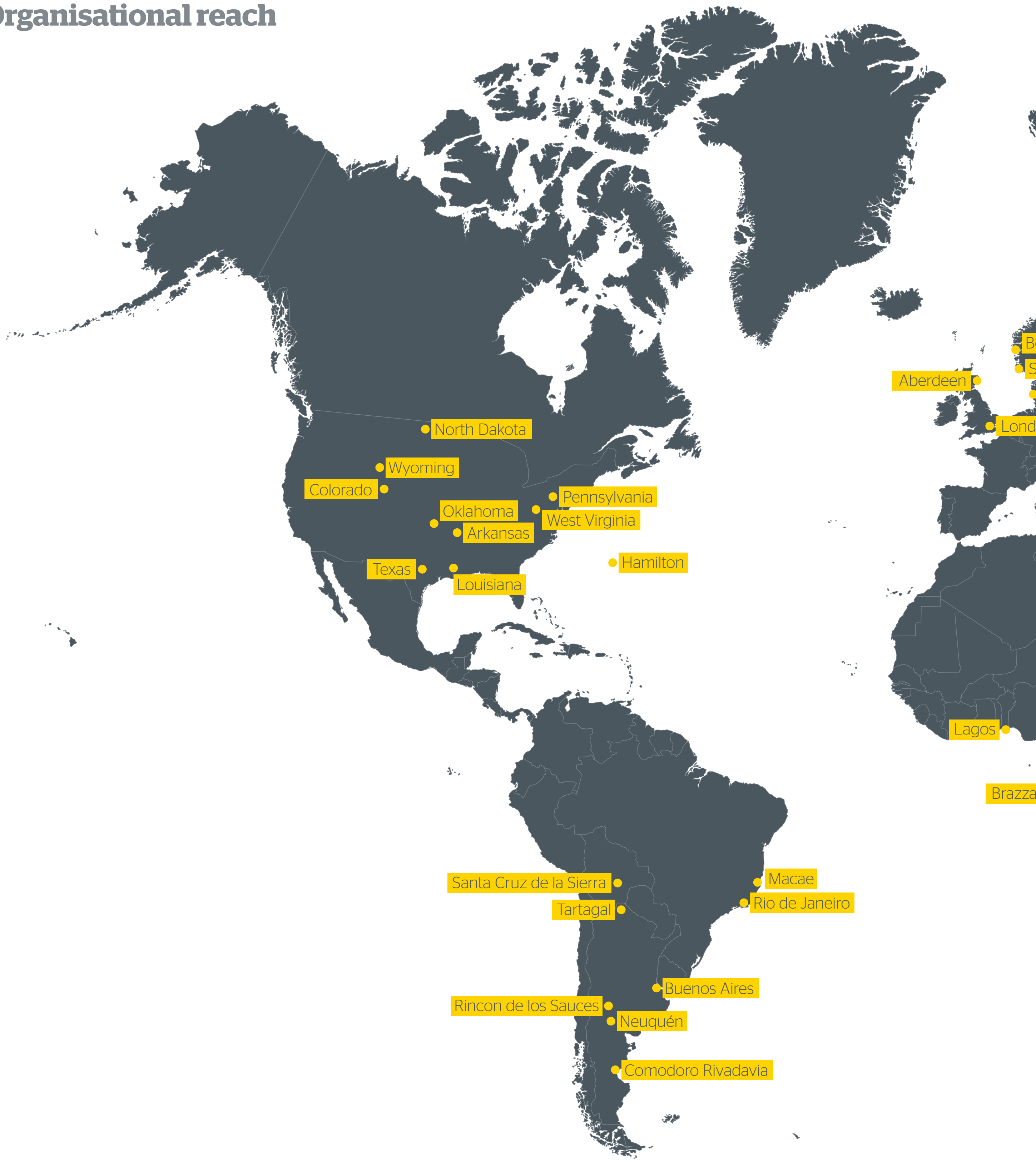
We have facilities and offices in Angola, Argentina, Australia, Bolivia, Brazil, Indonesia, Malaysia, Nigeria, Norway, Qatar, the United Arab Emirates, the United Kingdom and the United States.

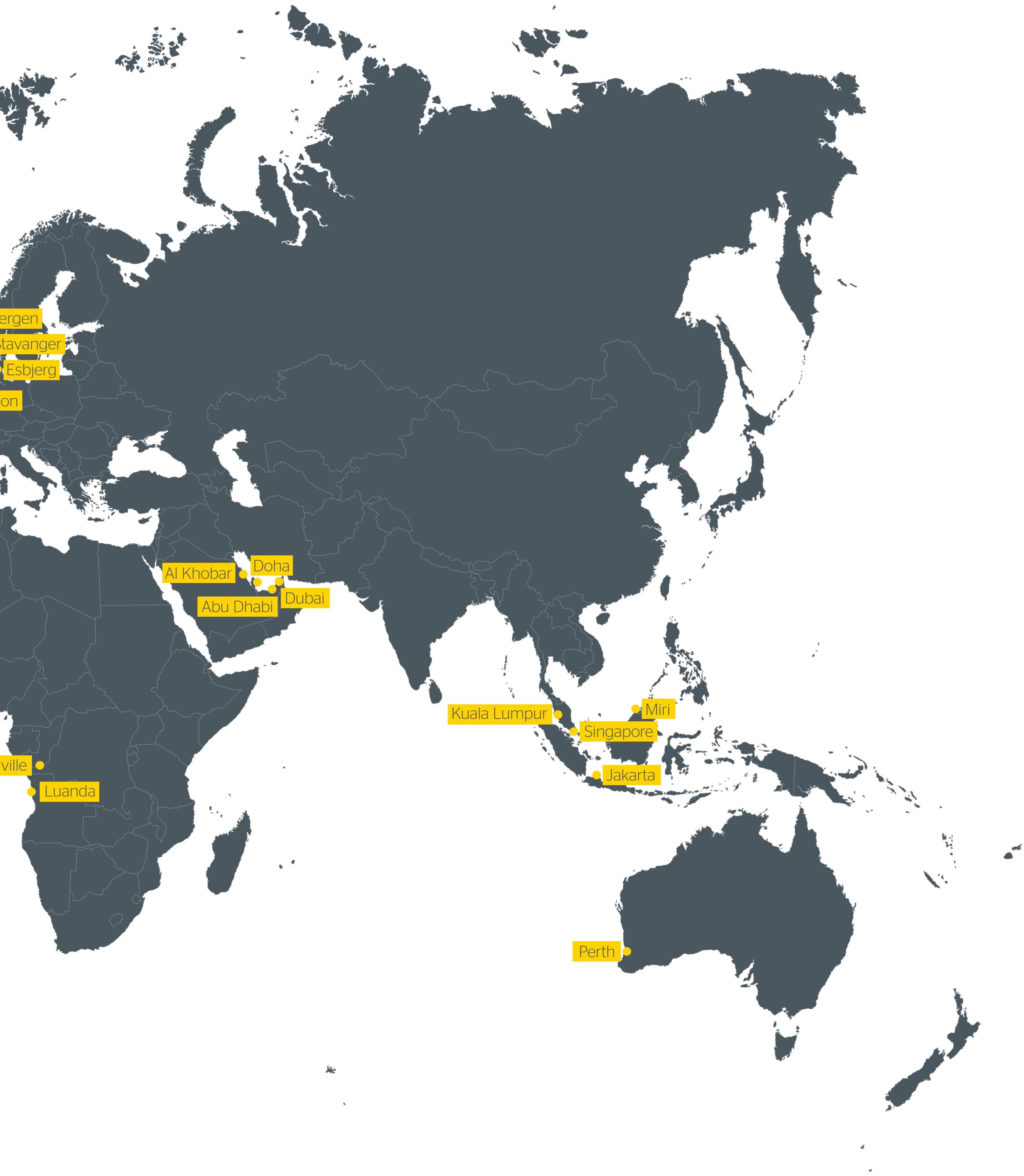
The demand for our products and services is driven by the price for hydrocarbons in the countries we operate in. The rapid decline in the price of oil in late 2014 and the beginning of 2015 has led to a significant reduction in demand for our services and to some extent an oversupply of oilfield services mainly in the United States, as well as many other areas in the world. This challenging environment has a significant negative impact on the demand and the pricing for our services in the short and medium term. However, we believe that the long-term fundamentals for most of the markets we serve are sound and allow the company to continue to grow.

Strategy
Our primary focus is to develop our capabilities in order to secure the position as "supplier of choice" across our entire product and service offering recognised for people who demonstrate our values and deliver excellence. This position will enable us to expand our reach both geographically and technically and it will be the foundation to secure longer term profitable growth. We will pursue opportunities to benefit from economies of scale and selectively strengthen our geographical footprint and develop technologies.

Our primary focus is to develop our capabilities in order to secure the position as "supplier of choice" across our entire product and service offering recognised for people who demonstrate our values and deliver excellence.

Board of Directors' Report
Organisational reach

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Board of Directors' Report
Financial review

2014 Operating results

The following discussions are based on a continuing operations basis, after restating amounts to take account of discontinued operations of our Tubular, Rental and Underbalanced service businesses, which were disposed of during 2013.

Revenue for the year ended December 31, 2014, was $2,253.6 million or 10.4% higher compared to the revenue for 2013 with increases recorded in all the areas except Emerging Markets & Technology. North America revenue increased with strong growth in Pressure Pumping, Pressure Control and Frac Valves businesses. Latin American revenue growth was driven by strong drilling activity in Argentina and Bolivia, partially offset by the weakening of the Argentinean Peso, as well as lower activity in Brazil following a significant down-sizing of our operations. North Sea increased following higher number of operating rigs in UK, a full year of activity on an Engineering project in the US and growth in Modular rig Division, following the start-up of our second rig Archer Topaz. This was partly offset by a slowdown in Norway during fourth quarter combined with adverse currency movements of the Norwegian Krone and to a lesser extent the Brazilian Real and the British Pound. Emerging Markets and Technologies reported lower revenue in 2014, mainly in our International Wireline Division, as a result of reduced logging activity in Norway and the UK, combined with an adverse exchange rate effect in the fourth quarter. This was partly offset by increased revenue in our Oiltools Division, with the addition of new product offerings and continued geographical expansion, as well as higher Survey and Inspection activity in Australia, Brazil and the UK.

Our total operating expenses, excluding impairment charges for the year ended December 31, 2014, amounted to $2,167.3 million, an increase of 5.4% compared to $2,055.5 million for the year ended December 31, 2013. This increase is primarily a result of the higher activity in most areas. The absence of a credit for proceeds from a settlement of a legal case during 2013 was partly offset by lower restructuring and other one-time costs combined with the reversal of an accrual related to health care insurance in our Pressure Control business and the proceeds of legal settlement in our Wireline US operations.

Our depreciation and amortisation expenses for the year ended December 31, 2014, amounted to $145.9 million, a decrease of 9.6% compared to $161.4 million for the year ended December 31, 2013. This decrease is due to a lower asset base due to impairments accounted in fourth quarter of 2013, as well as the shut-down of our Brazil operations partly offset by higher depreciation for our Modular Rig division following the start-up of our second rig Archer Topaz.

Impairments resulted in a noncash charge of $60.4 million in the year ended December 31, 2014, compared to $423.7 million in the year ended December 31, 2013. During the fourth quarter of 2014, the following were considered to be circumstances which, more likely than not, would reduce the fair value of a reporting unit to below its carrying amount;

- reduced pricing and low utilisation of equipment as a result of oversupply of land based oilfield services in the United States and reduced demand for our services in all the areas following rapid decline in oil prices, and
- significant decline in our 2015 forecasted results compared to 2014 actual results which more likely than not, would reduce the fair value of a reporting unit below its carrying amount.

As a consequence, we prepared a comprehensive impairment test for long-lived assets, including fixed assets, intangibles and goodwill, which resulted in the following impairments: An impairment of goodwill of $41.8 million and an impairment of fixed assets of $18.6 million. The annual impairment testing of goodwill and intangibles in 2013 resulted in an impairment of goodwill of $378.6 million, an impairment of fixed assets of $18.7 million, and an impairment of intangibles of $33.5 million.

Net Income was negatively impacted by the noncash charge for impairments of $60.4 million.

Our general and administrative expense for the year ended December 31, 2014, amounted to $80.9 million, an increase of 32% compared to $61.3 million for the year ended December 31, 2013. The increase is driven by increased stock based compensation due to grants having to be accounted for using option pricing models and absence of credits for proceeds from a settlement of a legal case during 2013. General and administrative expenses as a percentage of total revenues was 3.6% for the year ended December 31, 2014, and 3% for the year ended December 31, 2013.

Our interest expense for the year ended December 31, 2014, amounted to $46.1 million, a decrease of 9.5% compared to $51.8 million for the year ended December 31, 2013. Interest-bearing debt was $811.4 million at December 31, 2014, compared to $764.8 million at December 31, 2013.

Our other financial items for the year ended December 31, 2014, amounted to $54.8 million of expenses, compared to $21.6 million for the year ended December 31, 2013. Other financial items consist mainly of foreign exchange gains/ (losses) arising on settlement of transaction loans denominated in currencies other than the functional currency. The expenses recognised in 2014 have resulted in the weakening of currencies against the US dollar, especially the Norwegian Krone in which Archer transacts a significant portion of the business of its North Sea segment.

Our total income tax charges for 2014 amounted to a charge of $17.5 million as compared to a net credit of $2.6 million for the year ending 2013. This increase is attributed to expensed withholding taxes of $4.0 million and tax costs on increased profitability in both Norway and in the UK.

Our net loss for the year ended December 31, 2014, amounted to $99.7 million, compared to a net loss of $518.6 million for the year ended December 31, 2013.

We have proposed no dividends for the year ending December 31, 2014.

Balance sheet
Our total current assets were $634.6 million at December 31, 2014, and consisted primarily of trade accounts receivables.

Our total noncurrent assets were $1.2 billion at December 31, 2014, and consisted primarily of fixed assets used in our operations, goodwill and other intangibles.

As of December 31, 2014, our total assets amounted to $1.8 billion, remaining flat as compared to December 31, 2013. Capital spending on fixed assets during 2014 and increased investment in inventories were fully offset by operational depreciation and impairments costs accounted during 2014.

Our total current liabilities were $445.3 million at December 31, 2014, and consisted primarily of current portion of interest-bearing debt, accounts payable and accrued expenses.

Our total noncurrent liabilities were $812.5 million at December 31, 2014, and consisted primarily of long-term interest-bearing debt.

Our total equity has decreased to $542.8 million at December 31, 2014, compared to $634.6 million at December 31, 2013. The decrease in equity is primarily attributable to the net loss for 2014.

Cash flow
Our cash and cash equivalents, excluding restricted cash, amounted to $28.9 million as of December 31, 2014, compared to $49.5 million as of December 31, 2013.

Our cash outlays on capital expenditures amounted to $256.3 million for 2014, predominantly representing milestone payments made for purchase of new land rigs in Argentina to be deployed on a new long-term contract with a major customer as well as investments in the modular rig, maintenance spending on Land Rigs, Wireline tools, as well as Pressure Pumping, Pressure Control and Oiltools equipment.

On October 24, 2014, we signed a subordinated loan agreement with Metrogas Holdings Inc., a related party, for a loan of up to $50.0 million. The loan was drawn in full as at December 31, 2014, and is repayable in full at the maturity date. Interest is 7.5% per year, and is accumulated on the loan balance and payable on the maturity date. The loan matures on June 30, 2018.

On November 12, 2014, we signed a fourth amendment and re-statement multicurrency revolving facility agreement, and extended the term of the facility, which now matures in May 2018. The total amount available under the multicurrency revolving facility is $750 million. No instalments are due until May 2017, when quarterly instalments of $25 million commence. The interest payable on the facility is the aggregate of 1, 3 or 6 month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 3.95% per annum, depending on the ratio of the net interest bearing debt to EBITDA.

Parent company results 2014
Net loss for the year was $99.7 million, corresponding to a net loss per share of $0.17.

Going concern
Our Board of Directors confirms their assumption of the Company as a going concern. The Board believes the annual report provides a correct outline of the Company's assets and debt, financial position and financial performance.

Key figures

	2014	2013
Revenue *In millions of $*	2,254	2,041
EBITDA[1] *In millions of $*	232	147
Net loss *In millions of $*	(100)	(519)
Net interest bearing debt *In millions of $*	782.5	715.3
Employees at December 31	8,756	8,100

[1]EBITDA, as defined by management, is earnings before interest, taxes, depreciation, amortisation and impairments.

Board of Directors' Report
Health, safety and environment

Our Health, Safety and Environmental, or HSE, philosophy is to establish and maintain an incident free work place where accidents, injuries or losses are always seen as preventable. Our primary responsibility is to ensure our employees are sufficiently trained and competent to identify, eliminate or mitigate risks while planning and undertaking their work activities.

Our expectations are that all employees will remain committed to maintaining a safe working environment while recognising that they have an individual and collective responsibility to support the company in achieving our goal of establishing an incident free work place.

In 2014, we continued to reinforce our expectations that individuals will conduct themselves responsibly and commit to support our HSE philosophy.

All our areas of operation continued with their targeted employee development programs including leadership seminars, e-learning programs, on-the-job training, focused initiatives and adoption of best practice.

We also continued our efforts to increase participation among our employees and contractors in our near miss and proactive reporting programs. This resulted in an 11% increase in participation levels based on 2013 numbers for collected and analysed proactive reports.

Throughout the year we have realised a number of positive developments in our safety performance, we achieved a 60% reduction in our company lost time incident rate, our Latin American operations worked the entire year without incurring a lost time incident, our North Sea Region platform drilling group were, for the second consecutive year, recognised as best in class by IADC for their safety performance and our Emerald Modular Rig completed its contract term, for Shell in New Zealand, without incurring a lost time incident.

It is encouraging to report on these positive developments, however, we still recognise that too many of our employees are being injured and as such the removal of work place risks and incidents remain our primary concern and area of focus.

Sadly, during the year, two of our employees lost their lives, one as a result of a non-work related medical condition and the other after receiving a fatal injury while supporting pipe handling operations. Despite our best efforts we did experienced 24 lost time incidents for the year during a total of 21.2 million man-hours. Our safety statistics by geographic area are as follows:

	2014		2013	
Area	**Injuries**	**Medical Treatment Cases**	**Injuries**	**Medical Treatment Cases**
North Sea	5	10	6	9
North America	17	50	48	42
Latin America	0	44	7	27
Emerging Markets & Technologies	2	1	1	3
Archer Total	**24**	**105**	**62**	**81**

We have seen an overall improvement in safety within our North American operations which has historically carried a higher exposure to incident and injury for the industry. This is due in part to the introduction of the National Safety Council's Defensive Driving and Professional Driving programs for our employees. To date 1,790 employees have completed the programs and we have seen a reduction in motor vehicle related incidents by 20% year on year.

In relation to the environment, despite our efforts, we unfortunately recorded three minor environmental spills in the North American area, two related to our Wireline operations and the third within our Pressure Pumping operations. These were responded to at the time and resolved immediately. We take any incident, no matter how minor, very seriously and we actively work to prevent damage to the environment as a result of our operations. This includes the systematic registration of emissions and discharges and pre-emptive action in selecting chemicals that cause minimal harm to the environment.

In the North Sea, our management system remains certified in accordance with ISO 9001:2008, for Quality Management, and ISO 14001:2006, for Environmental Management Standards.

Similarly, our North American frac valve manufacturing operation is also certified in accordance with the ISO standard.

Our Drilling and Workover operations in Argentina remain certified in accordance with ISO 9001:2008. In 2013, we were recognised by the Argentinean Institute of Oil and Gas and received the annual award for safety in service companies.

Local authorities such as the Petroleum Safety Authority in Norway and the UK Health & Safety Executive have accepted Archer's North Sea management system through the Acknowledgement of Compliance and the Safety Case certification, respectively.

Board of Directors' Report
Employees and diversity

During the first three quarters of 2014, the focus for Archer was on ramping up the organisation in response to contract wins and generally higher activity in the markets we operate in.

To staff the incoming rigs and new operating contracts in Argentina, 400 field and operations support positions were added during 2014. The increase in Argentina was partially offset by lower headcount in Brazil in response to reducing activity in the country.

In North America, a number of senior and mid-management changes were performed early in the year. North America headcount steadily increased for the first three quarters, driven by additions in American Well Control and Pressure Pumping divisions.

Within Archer's North Sea operations, headcount was generally stable through the first three quarters of the year and in Emerging Markets & Technologies hiring was ramped up in the Middle East and Asia Pacific to support increased Wireline and Oiltools opportunities in the regions.

With the rapid reduction in oil price in the fourth quarter 2014 and resulting lower demand for our services, Archer initiated an aggressive headcount reduction exercise late in the quarter to align costs to the lower activity level with the largest effect being in Archer's North America and North Sea Operations.

At December 31, 2014, the Archer global headcount totalled 8,756 employees, a net increase of 650 employees from year end 2013.

Being a service company means Archer relies on the quality of our employees and the work they perform for our customers. It is primarily our employees who differentiate us from our competition and, as such, having a trained, motivated and diverse workforce means we will be more competitive.

In Archer, there are equal employment opportunities and fair treatment to all individuals regardless of race, colour, religion, gender, national origin, age, disability or any other status protected by law. This commitment applies to all employment decisions in all the countries we operate in.

In terms of gender diversity, approximately 6% of Archer's employees are female, which increases to 12% female when considering the Archer management population. Two out of the four Archer Board members are female.

With the rapid reduction in oil price in the fourth quarter 2014 and resulting lower demand for our services, Archer initiated an aggressive headcount reduction exercise late in the quarter to adjust its cost base to the lower activity level .

Board of Directors' Report
Risk factors

Our business is substantially dependent on the levels of expenditures by the oil and gas industry and oil and gas prices.
Demand for our business is substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. The significant decline in oil and natural gas prices during the fourth quarter of 2014 is expected to cause a reduction in many of our customers' drilling, completion and other production activities and related spending on our products and services in 2015. We believe our customers' capital expenditures will decline in 2015 and beyond if the current depressed oil and natural gas price environment continues or worsens. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us. These effects could have a material adverse effect on our financial condition, results of operations and cash flows.

Oil and natural gas prices have historically been volatile and are affected by numerous factors, including the following:

- the demand for oil and natural gas;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- uncertainty in capital and commodities markets;
- global weather conditions and natural disasters;
- advances in exploration, development and production technology;
- the ability of the Organisation of Petroleum Exporting Countries, commonly called OPEC, to set and maintain oil production levels and pricing;
- the level of production in non-OPEC countries;
- tax policies and governmental regulations where we operate;
- the development and exploitation of alternative fuels and the competitive, social and political position of natural gas as a source of energy compared with other energy sources;
- the policies of various governments regarding exploration and development of their oil and natural gas reserves;
- the worldwide military and political environment and uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, West Africa and other significant oil and natural gas-producing regions; and
- acts of terrorism or piracy that affect oil and natural gas producing regions, especially in Nigeria, Libya and Iraq, where armed conflict, civil unrest and acts of terrorism have recently increased.

Legal requirements, conservation measures and technological advances could reduce demand for oil and natural gas, which may adversely affect our business.
Environmental and energy matters have been the focus of increased scientific and political scrutiny and are subject to various legal requirements. International agreements, national laws, state laws and various regulatory schemes limit or otherwise regulate energy-related activities, such as emissions of greenhouse gasses, and additional restrictions are under consideration by governmental entities. These legal requirements, as well as fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices, could reduce demand for oil and natural gas. We cannot predict the impact of the changing demand for oil and natural gas services and products and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Global political, economic and market conditions could negatively impact our business.
Our financial results depend on demand for our services and products in the markets in which we operate. Declining economic conditions, or negative perceptions about economic conditions, could result in a substantial decrease in demand for our services and products. World political events could also result in further military actions, terrorist attacks, and related unrest that may impact our ability to operate in some countries.

Uncertain economic conditions and instability make it particularly difficult for us to forecast demand trends. The timing and extent of any changes to currently prevailing market conditions is uncertain, and may affect demand for many of our services and products. Consequently, we may not be able to accurately predict future economic conditions or the effect of such conditions on demand for our services and products and resulting results of operations or financial condition.

Our operations and revenue are affected by political, economic and other uncertainties worldwide.
We conduct the majority of our operations in Norway, the United Kingdom, the United States, Argentina, Brazil, and the Middle East, but also operate in parts of Asia and Africa. Risks associated with our operations in some of these areas include, but are not limited to:

- political, social and economic instability, war and armed conflict;
- potential seizure, expropriation or nationalisation of assets;
- inflation;
- increased operating costs;
- complications associated with repairing and replacing equipment in remote locations;
- repudiation, modification or renegotiation of contracts, disputes and legal proceedings in international jurisdictions;
- limitations on insurance coverage, such as war-risk coverage in certain areas;
- import-export quotas or restrictions;
- confiscatory taxation;
- work stoppages or strikes;
- unexpected changes in regulatory requirements;
- wage and price controls;
- imposition of trade barriers;
- imposition or changes in enforcement of local content laws;
- the inability to collect or repatriate currency, income, capital or assets;
- foreign currency fluctuations and devaluation;
- challenges in staffing and managing international operations;
- increased governmental ownership and regulation of the economy in the markets we operate; and
- potential submission of disputes to the jurisdiction of a court or arbitration panel in one of our local operating countries.

Governments in some countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions regarding the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so.

In some jurisdictions we are subject to governmental regulations favouring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, the local jurisdiction.

These and the other risks outlined above could cause us to curtail or terminate operations, result in the loss of personnel or assets, disrupt financial and commercial markets and generate greater political and economic instability in some of the geographic areas in which we operate.

Our industry is highly competitive with intense price competition. Our inability to compete successfully may reduce our profitability.
The markets in which we operate are highly competitive. Our contracts are traditionally awarded on a competitive-bid basis, with pricing often being the primary factor in determining which qualified contractor is awarded a job. Other competitive factors include technical capability, product and service quality and availability, responsiveness, experience, safety performance record and reputation for quality.

Board of Directors' Report
Risk factors

Several other oilfield service companies are larger than us and have resources that are significantly greater than our own. These large national and multi-national companies have longer operating histories, greater financial, technical and other resources and greater name recognition than we do. Several of our competitors provide a broader array of services and have a stronger presence in more geographic markets. Furthermore, we compete with several smaller companies capable of competing more effectively on a regional or local basis. Our competitors may be able to better withstand industry downturns, may be better suited to compete on the basis of price and may acquire new equipment and technologies quicker, all of which could affect our revenues and profitability. These competitors also compete with us for acquisitions of other businesses. As a result of competition, we may lose market share or be unable to maintain or increase prices for our present services or to acquire additional business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our business is conducted in the North Sea. The mature nature of this region could result in less drilling activity in the area, thereby reducing demand for our services.

The North Sea is a mature oil and natural gas production region that has experienced substantial seismic survey and exploration activity for many years. Because a large number of oil and natural gas prospects in this region have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify. Oil and natural gas companies may be unable to obtain financing necessary to drill prospects in this region. The decrease in the size of oil and natural gas prospects, the decrease in production or the failure to obtain such financing may result in reduced drilling activity in the North Sea and reduced demand for our services.

The macroeconomic and political situation in Argentina and changes to regulations affecting our Argentinian business could have a material adverse effect on our business, financial condition and results of operations.

In April 2012, the Argentinian government took control over Yacimientos Petroliferos Fiscales, or YPF, Argentina's largest oil company, and previously a subsidiary of Madrid-based Spanish energy company Repsol YPF S.A., by seizing a 51% stake of the company. The Argentinian government stated the seizure was effected as YPF did not invest enough in Argentina and thus let oil production and exploration in the country decline. On February 25th, 2014, Argentina and Repsol reached an agreement on the compensation for assets seized, which has been ratified by the Repsol's shareholders and the Argentinean Parliament. Failure by us to "adequately" assist in the production of oil and gas in Argentina, failure to reinvest enough profit into operations and breach of contracts with various Argentine provinces could lead to the Argentinian state seizing our assets in Argentina.

Furthermore, we cannot predict whether the Argentinian state will implement new legislation affecting the possibilities of operating in Argentina as a foreign company, which could have a material adverse effect on our business, financial condition and results of operations.

Argentina has implemented a strict currency control regulation, which makes it difficult to have access to foreign currency. This imposes difficulties in settling invoices from foreign suppliers, whether third party or intercompany or to pay dividends to its shareholder outside the country.

The oilfield service industry is highly cyclical and lower demand and pricing could result in further declines in our profitability.

Historically, the oilfield service industry has been highly cyclical with periods of high demand and favourable pricing often followed by periods of low demand and sharp reduction in pricing power. Periods of decreased demand or increased supply intensify the competition in the industry. As a result of the cyclicality of the industry in which we operate, management expects our results of operations to be volatile and to decrease during market declines.

Increased regulation of or limiting or banning hydraulic fracturing could reduce or eliminate demand for our pressure pumping services.

We provide hydraulic fracturing and fluid handling services to our customers. Hydraulic fracturing is a commonly used process that involves injection of water, sand, and certain chemicals to fracture the hydrocarbon-bearing rock formation to allow flow of hydrocarbons into the wellbore. Our hydraulic fracturing services are subject to a range of applicable federal, state and local laws.

The practice of hydraulically fracturing formations to stimulate the production of natural gas and oil continues to remain under increased scrutiny from federal, state and local governmental authorities. Various federal legislative and regulatory initiatives have been undertaken which could result in additional requirements or restrictions being imposed on hydraulic fracturing operations. For example, the US Department of Interior has issued proposed regulations that would apply to hydraulic fracturing wells subject to federal oil and gas leases that would impose requirements to disclose chemicals used in the fracturing process as well as certain prior approvals to conduct hydraulic fracturing. In addition, a few states and municipalities have banned fracturing operations in their jurisdictions, and others are contemplating similar actions. Moreover, certain other states have adopted laws and regulations requiring additional disclosure regarding chemicals used in the fracturing process, and other states are evaluating the adoption of legislation or regulations governing hydraulic fracturing. Possible legislation or regulation could impose further requirements or limitations, such as restrictions on the use of certain chemicals or prohibitions on hydraulic fracturing in certain areas, which could affect our operations.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, incurred by our customers or could make it more difficult to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of regulations or ordinances restricting or increasing the costs of hydraulic fracturing could potentially increase our costs of operations and cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our well servicing activities, any or all of which could adversely affect our financial position, results of operations and cash flows.

We are subject to environmental laws and regulations that may expose us to significant liabilities for penalties, damages or compliance.

We are subject to various local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. We incur, and expect to continue to incur, capital and operating costs to comply with these laws and regulations. It also is possible that existing and proposed governmental conventions, laws, regulations and standards, including those related to climate and emissions of "greenhouse gases" may, in the future, add significantly to our operating costs or limit our activities or the activities and levels of capital spending by our customers.

In addition, many aspects of our operations are subject to laws and regulations that relate, directly or indirectly, to the oilfield services industry, including laws requiring us to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and even criminal penalties, the imposition of remedial obligations and the issuance of injunctions that may limit or prohibit our operations. Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these requirements, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploration and production activity could materially limit our future contract opportunities or materially increase our costs, or both. Environmental laws and regulations are subject to change in the future, possibly resulting in more stringent legal requirements. If existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures.

Board of Directors' Report
Risk factors

Our business depends upon our ability to obtain specialised equipment and parts from third-party suppliers and we may be vulnerable to delayed deliveries and future price increases.
We purchase specialised equipment and parts from third-party suppliers and affiliates. There are a limited number of suppliers that manufacture the equipment we use. Should our current suppliers be unable or unwilling to provide the necessary equipment and parts or otherwise fail to deliver the products timely and in the quantities required, any resulting delays in the provision of our services could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, future price increases for this type of equipment and parts could negatively impact our ability to purchase new equipment to update or expand the existing fleet or to timely repair equipment in the existing fleet.

We can provide no assurance that our current backlog will be ultimately realised.
As of December 31, 2014, our total backlog was approximately $2.5 billion. The amount of our backlog does not necessarily indicate actual future revenue or earnings related to the performance of that work. Management calculates its contract revenue backlog, or future contracted revenue, as the contract day rate multiplied by the number of days remaining on the contract, assuming full utilisation and excluding revenues for contract preparation and customer reimbursements. We may not be able to perform under our contracts due to various operational factors, including unscheduled repairs, maintenance, operational delays, health, safety and environmental incidents, weather events in the North Sea and elsewhere and other factors (some of which are beyond our control), and our customers may seek to cancel or renegotiate our contracts for various reasons, including a financial downturn or falling commodity prices. In some of the contracts, our customer has the right to terminate the contract without penalty and, in certain instances, with little or no notice. Our inability or the inability of our customers to perform their respective contractual obligations may have a material adverse effect on our financial position, results of operations and cash flows.

We will experience reduced profitability if our customers reduce activity levels or terminate or seek to renegotiate their contracts or if we experience downtime, operational difficulties, or safety-related issues.
Currently, our service contracts with major customers are both day-rate contracts, pursuant to which we charge a fixed charge per day regardless of the number of days needed to drill the well, and footage-based contracts, where a fixed rate per foot drilled is charged regardless of the time it takes to drill. During depressed market conditions, a customer may no longer need services that are currently under contract or may be able to obtain comparable services at a lower daily rate. As a result, customers may seek to renegotiate the terms of their existing contracts or avoid their obligations under those contracts. In addition, our customers may have the right to terminate or may seek to renegotiate existing contracts if we experience downtime, operational problems above the contractual limit or safety-related issues or in other specified circumstances, which include events beyond the control of either party.

Some of our contracts with our customers include terms allowing the customer to terminate the contracts without cause, with little or no prior notice and without penalty or early termination payments. In addition, under some of our existing contracts, we could be required to pay penalties if such contracts are terminated due to downtime, operational problems or failure to perform. Some of our other contracts with customers may be cancellable at the option of the customer upon payment of a penalty, which may not fully compensate us for the loss of the contract. Early termination of a contract may result in our employees being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. If our customers cancel or require us to renegotiate some of our significant contracts and we are unable to secure new contracts on substantially similar terms or if contracts are suspended for an extended period of time, our revenues and profitability would be materially reduced.

If we are unable to renew or obtain new and favourable contracts for rigs or services whose contracts are expiring or are terminated, our revenues and profitability could be materially reduced.
In the ordinary course of our business, we have a number of contracts that will expire each year. Our ability to renew these contracts or obtain new contracts and the terms of any such contracts will depend on market conditions. We may be unable to renew our expiring contracts or obtain new contracts, and the day rates under any new contracts may be substantially below the existing day rates, which could materially reduce our revenues and profitability.

An oversupply of comparable rigs in the geographic markets in which we compete could depress the utilisation rates and day rates for our rigs and materially reduce our revenues and profitability.
Utilisation rates, which are the number of days a rig actually works divided by the number of days the rig is available for work, and day rates, which are the contract prices customers pay for rigs per day, also are affected by the total supply of comparable rigs available for service in the geographic markets in which we compete. Improvements in demand in a geographic market may cause our competitors to respond by moving competing rigs into the market, thus intensifying price competition. Significant new rig construction could also intensify price competition. In the past, there have been prolonged periods of rig oversupply with correspondingly depressed utilisation rates and day rates largely due to earlier, speculative construction of new rigs. Improvements in day rates and expectations of longer-term, sustained improvements in utilisation rates and day rates for drilling rigs may lead to construction of new rigs. These increases in the supply of rigs could depress the utilisation rates and day rates for the rigs and materially reduce our revenues and profitability.

Loss of key members of our management could hurt our operations.
We are dependent upon the efforts and skills of key members of our management to run our business, identify and consummate additional acquisitions and to provide an environment where we can attract and retain customers. If any of our key managers resign or become unable to continue in their present roles and are not adequately replaced, our business operations could be materially adversely affected.

Our industry has experienced a high rate of employee turnover. Any difficulty we experience replacing or adding personnel could adversely affect our business.
We are dependent upon the available labour pool of skilled employees. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience required to provide our customers with the highest quality service. We may have problems finding enough skilled and unskilled labourers in the future if demand for our services increases. If we are unable to increase our service rates sufficiently to compensate for increases in wage rates our operating results could suffer. As a result of our industry volatility and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with ours. We believe that our success is dependent upon our ability to continue to employ and retain skilled technical personnel. Our inability to employ or retain skilled technical personnel generally could have a material adverse effect on our operations.

Severe weather could have a material adverse impact on our business.
Our business could be materially and adversely affected by severe weather in areas where we operate, most notably the North Sea, Brazil and certain regions of the United States. Adverse weather conditions in the North Sea can result in lower levels of offshore activity. Further, optimal weather conditions offshore Brazil normally exist only from October to April and most offshore operations in this region are scheduled for that period. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment resulting in suspension of operations;
- inability to deliver materials to job sites in accordance with contract schedules; and
- loss of productivity.

Board of Directors' Report
Risk factors

We could be adversely affected if we fail to keep pace with technological changes and changes in technology could have a negative result on our market share.
We provide services in increasingly challenging onshore and offshore environments. To meet our clients' needs, we must continually develop new and update existing technology for the services we provide. In addition, rapid and frequent technology and market demand changes can render existing technologies obsolete, requiring substantial new capital expenditures and could have a negative impact on our market share. Any failure by us to anticipate or to respond adequately to changing technology, market demands and client requirements could adversely affect our business and financial results.

We may not be fully indemnified against losses due to personal injury, property damage, and catastrophic events. These risks may be self-insured or may not be fully covered under our insurance policies.
Substantially all of our operations are subject to hazards that are customary for exploration and production activity including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution, and mechanical failure. These hazards could result in personal injury and loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. As is customary in our industry, our contracts generally provide that we will indemnify and hold harmless our customers from any claims arising from personal injury or death of our employees, damage to or loss of our equipment, and pollution emanating from our equipment and services. Similarly, our customers generally agree to indemnify and hold us harmless from any claims arising from personal injury or death of their employees, damage to or loss of their equipment, and pollution caused from their equipment or the well reservoir (including uncontained oil flow from a reservoir). Our indemnification arrangements may not protect us in every case. For example, from time to time we may enter into contracts with less favourable indemnities or perform work without a contract that protects us. In addition, our indemnification rights may not fully protect us if we cannot prove that we are entitled to be indemnified or if the customer is bankrupt or insolvent, does not maintain adequate insurance or otherwise does not possess sufficient resources to indemnify us. In addition, our indemnification rights may be held unenforceable in some jurisdictions. Our customers' changing views on risk allocation could cause us to accept greater risk to win new business or could result in us losing business if we are not prepared to take such risks.

Although we maintain insurance coverage of types and amounts that we believe to be customary in the industry, we are not fully insured against all risks, either because insurance is not available or because of the high premium costs. In addition, we have a significant amount of self-insured retention or deductible for certain losses relating to general liability and property damage. There can be no assurance, however, that any insurance obtained by us will be adequate to cover any losses or liabilities, or that this insurance will continue to be available or available on terms which are acceptable to us. Liabilities for which we are not insured, or which exceed the policy limits of our applicable insurance, could have a material adverse effect on us.

Our ability to do business may be impaired by corrupt behaviour by our employees or agents or those of our affiliates.
We operate in countries known to experience governmental corruption. While we are committed to conducting business in a legal and ethical manner, there is a risk that our employees or agents or those of our affiliates may take actions that violate legislation promulgated by a number of countries pursuant to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption regulations which generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Any failure to comply with the anti-bribery laws could subject us to fines, sanctions and other penalties against us which could have a material adverse impact on our business, financial condition and results of operations.

Cyber attacks could affect our business.
If our systems for protecting against cybersecurity risks are circumvented or breached, this could result in the loss of our intellectual property or other proprietary information, including customer data, and disruption of our business operations.

A small number of customers account for a significant portion of our operating revenues and the loss of, or a decline in the creditworthiness of, one or more of these customers could adversely affect our financial condition and results of operations.

During the year ended December 31, 2014, contracts from Pan American Energy, Statoil, and ConocoPhillips accounted for 15%, 12% and 6% of our total operating revenues, respectively. In the year ended, December 31, 2013, Pan American, Statoil and ConocoPhillips accounted for approximately 14%, 10% and 6% of our total operating revenues, respectively. Our financial condition and results of operations will be materially adversely affected if these customers interrupt or curtail their activities, terminate their contracts with us, fail to renew their existing contracts or refuse to award new contracts to us, and we are unable to enter into contracts with new customers at comparable day rates. The loss of any significant customer could adversely affect our financial condition and results of operations.

Additionally, this concentration of customers may increase our overall exposure to credit risk.

Many of our customers' activity levels, spending for our services and payment patterns have been and may continue to be impacted by the credit markets.

Many of our customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. During 2008, there was a significant decline in the credit and equity markets, adversely impacting the availability of capital. We believe that since March 2009, the credit and equity markets have improved. However, the sudden decline in the price of oil has a profound impact on the ability of our customers' profitability and as such their ability to have access to financing. This deterioration has a material adverse impact on our customers' willingness and ability to require and pay for our services. A consequential reduction in demand has a material adverse effect on our operations.

In addition, while historically our customer base has not presented significant credit risks, the same factors that may lead to a reduction in our customers' spending also may increase our exposure to the risks of nonpayment and nonperformance by our customers. A significant reduction in our customers' liquidity may result in a decrease in their ability to pay or otherwise perform on their obligations to us. Any increase in the nonpayment of and nonperformance by our counterparties, either as a result of recent changes in financial and economic conditions or otherwise, could have an adverse impact on our operating results and could adversely affect our liquidity.

We have recorded substantial goodwill as the result of acquisitions and a severe prolonged downturn could negatively affect the value of our goodwill.

We perform purchase price allocations to intangible assets when accounting for a business combination. The excess of the purchase price after allocation of fair values to tangible assets is allocated to identifiable intangibles and, thereafter, to goodwill. Periodic reviews of goodwill for impairment in value are conducted at least annually. Any impairment would result in a noncash charge against earnings in the period reviewed, which may or may not create a tax benefit, and would have a corresponding decrease in stockholders' equity.

We reviewed goodwill in 2014 and in 2013 and recorded impairments of $41.8 million and $378.6 million, respectively. The testing of the valuation of goodwill involves significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations. In the event that market conditions deteriorate or other circumstances arise which result in changes to these estimates and assumptions, we may be required to record an additional impairment of goodwill and such impairment could be material.

Board of Directors' Report
Risk factors

Our results of operations may be adversely affected by currency fluctuations.
Due to our international operations, we may experience currency exchange losses when revenues are received and expenses are paid in nonconvertible currencies or when we do not hedge an exposure to a foreign currency. We also may incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts providing for payment of a percentage of the contract indexed to the US Dollar exchange rate. To the extent possible, we seek to limit its exposure to local currencies by matching the acceptance of local currencies to our local expense requirements in those currencies. We may not be able to take these actions in the future, thereby, exposing us to foreign currency fluctuations that could cause our results of operations, financial condition and cash flows to deteriorate materially.

This risk is in particular present in Argentina, where at the end of 2013 and in January 2014, the Argentinean Peso devalued by approximately 25% against the US Dollar, negatively impacting the financial results of the Company. While the official exchange rate has stabilised since then, it is still approximately 25%-30% above the unofficial rate.

We may not be able to grow successfully through future acquisitions or successfully manage future growth, and we may not be able to effectively integrate the businesses we do acquire.
Our business strategy includes growth through the acquisitions of other businesses. We may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets. In addition, we may not be successful in integrating our current or future acquisitions into our existing operations, which may result in unforeseen operational difficulties or diminished financial performance or require a disproportionate amount of our management's attention. Even if we are successful in integrating our current or future acquisitions into our existing operations, we may not derive the benefits, such as operational or administrative synergies, that we expected from such acquisitions, which may result in the commitment of our capital resources without the expected returns on such capital. Furthermore, competition for acquisition opportunities may escalate, increasing our cost of making further acquisitions or causing us to refrain from making additional acquisitions.

Whether we realise the anticipated benefits from an acquisition depends, in part, upon our ability to integrate the operations of the acquired business, the performance of the underlying product and service portfolio, and the performance of the management team and other personnel of the acquired operations. Accordingly, our financial results could be adversely affected from unanticipated performance issues, legacy liabilities, transaction-related charges, amortisation of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance and indemnifications.

We have operated at a loss in the past, and there is no assurance of our profitability in the future.
Historically, we have experienced periods of low demand for our services and have incurred operating losses. In the future, we may not be able to reduce our costs, increase our revenues, or reduce our debt service obligations sufficient to achieve or maintain profitability and generate positive operating income. Under such circumstances, we may incur further operating losses and experience negative operating cash flow.

We have a significant level of debt and could incur additional debt in the future, which could have significant consequences for our business and future prospects.
As of December 31, 2014, we had total outstanding interest-bearing debt of $811.4 million. This debt represented 45% of our total assets. Our debt and the limitations imposed on us by our existing or future debt agreements could have significant consequences for our business and future prospects, including the following:

- we may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- we will be required to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our debt;
- we could be more vulnerable during downturns in our business and be less able to take advantage of significant business opportunities and to react to changes in our business and in market or industry conditions; and
- we may have a competitive disadvantage relative to our competitors that have less debt.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our earnings and cash flow may vary significantly from year to year due to the cyclical nature of the oilfield services industry. As a result, our future cash flows may be insufficient to meet all of our debt obligations and other commitments and any insufficiency could negatively impact our business. To the extent we are unable to repay our indebtedness as it becomes due or at maturity with cash on hand, we will need to refinance our debt, sell assets or repay the debt with the proceeds from equity offerings. Additional indebtedness or equity financing may not be available to us in the future for the refinancing or repayment of existing indebtedness, and we may not be able to complete asset sales in a timely manner sufficient to make such repayments.

We will need to make quarterly instalment payments of $25.0 million starting in May 2017 on our syndicated facility and will further need to refinance the remaining debt from our syndicated facility as well as the subordinated debt facility before May 2018.

As per our current financing obligations, we will need to make quarterly instalment payments of $25.0 million starting in May 2017 on our syndicated facility and will further need to refinance the remaining debt from our syndicated facility as well as the subordinated debt facility before May 2018, if not otherwise refinanced.

The amounts referred to above have currently not been refinanced and we are at risk not of being able to secure funding, which could adversely affect our business.

Our credit facility imposes restrictions on us that may limit the discretion of management in operating our business and that, in turn, could impair our ability to meet our obligations.

Our credit facility contains various restrictive covenants that limit management's discretion in operating its business. In particular, these covenants limit our ability to, among other things:

- make certain types of loans and investments;
- incur or guarantee additional indebtedness;
- pay dividends, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into our business;
- place restrictions on our subsidiaries' ability to make dividends or other payments;
- invest in joint ventures;
- create or incur liens;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- enter into new lines of business.

The credit facility also imposes additional covenants and restrictions, including the imposition of a requirement to maintain a minimum equity ratio at all times. Our ability to comply with these financial covenants and restrictions may be affected by events beyond our control. Our credit facility requires that we meet certain financial ratios and tests, and given the difficult macro environment there can be no assurance that we will be able to comply with the financial covenants. Reduced activity levels in the exploration and production industry could adversely impact our ability to comply with such covenants in the future.

These covenants could materially and adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand, to pursue our business strategies and otherwise to conduct our business. A breach of these covenants could result in a default under our credit facility. If there were to be an event of default under the credit facility, the affected creditors could cause all amounts borrowed under the facility to be due and payable immediately. Additionally, if we fail to repay indebtedness under our credit facility when it becomes due, the lender could proceed against our assets which we have pledged as security. Our assets and cash flow might not be sufficient to repay our outstanding debt in the event of a default.

Board of Directors' Report
Risk factors

Our tax liabilities could increase as a result of adverse tax audits, inquiries or settlements.
Our operations are, and may in the future become, subject to audit, inquiry and possible reassessment by different tax authorities. In accordance with applicable accounting rules relating to contingencies, management provides for taxes in the amounts that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. Management also separately considers if taxes payable in relation to filings not yet subject to audit may be higher than the amounts stated in our filed tax return and makes additional provisions for probable risks, if appropriate. As forecasting the ultimate outcome includes some uncertainty, the risk exists that adjustments will be recognised to our tax provisions in later years as and when these and other matters are finalised with the appropriate tax authorities.

Our operations are subject to a significant number of tax regimes, and changes in legislation or regulations in any one of the countries in which we operate could negatively and adversely affect our results of operations.
Our operations are carried out in several countries across the world and our tax filings are, therefore, subject to the jurisdiction of a significant number of tax authorities and tax regimes, as well as cross-border tax treaties between governments. Furthermore, the nature of our operations means that we routinely have to deal with complex tax issues (such as transfer pricing, permanent establishment or similar issues), as well as competing and developing tax systems where tax treaties may not exist or where the legislative framework is unclear. In addition, our international operations are taxed on different bases that vary from country to country, including net profit, deemed net profit (generally based on turnover) and revenue-based withholding taxes based on turnover.

Our management determines our tax provision based on our interpretation of enacted local tax laws and existing practices and uses assumptions regarding the tax deductibility of items and recognition of revenue. Changes in these assumptions and practices could impact the amount of income taxes that we provide for in any given year and could negatively and adversely affect the result of our operations.

Our common shares may trade at low volumes that could have an adverse effect on the resale price.
Our common stock is traded on Oslo Børs. An active trading market may not prevail on Oslo Børs. Active and liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an active trading market for our common shares does not prevail, the price of the shares may be more volatile and it may be more difficult to complete a buy or sell order for our common shares.

Even if an active public trading market prevails, there may be little or no market demand for our common shares, making it difficult or impossible to resell the shares, which would have an adverse effect on the resale price. We cannot predict the price at which our common shares will trade.

The price of our common shares has been, and may continue to be, volatile.
The trading price of our common shares has historically fluctuated and we expect it to continue to remain highly volatile given the cyclical nature of our industry. A reduced share price may result in a loss to investors and may adversely affect our ability to issue common shares to fund our activities.

Archer is a Bermuda company and being a shareholder of a Bermuda company involves different rights and privileges than being a stockholder of a corporation registered in Norway.
The laws of Bermuda, our memorandum of association and our amended and restated by-laws govern the rights of our shareholders. Bermuda law extends to shareholders rights and privileges that may not exist under Norwegian law and, conversely, does not extend rights and privileges extended by Norwegian law.

Because we are organised under the laws of Bermuda, investors may face difficulties in protecting their interests and their ability to protect their rights through courts may be limited.

It may be difficult to bring and enforce suits against us because we are organised under the laws of Bermuda. Some of our directors reside in various jurisdictions outside Norway. As a result, it may be difficult for investors to affect service of process within Norway upon our non-Norwegian directors or within other jurisdictions outside the relevant director's country of residence. Equally, it may be difficult for investors to enforce judgments obtained in the Norwegian courts or courts of other jurisdictions outside Bermuda or the relevant director's country of residence against us or our non-Norwegian directors. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognise or enforce judgments of foreign courts obtained against us or our directors or officers or would hear actions against us or those persons based on foreign laws. We have been advised by our legal advisors in Bermuda that Norway and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of Norway may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Therefore, a final judgment for the payment of money rendered by any federal or state court in Norway, based on civil liability, would not automatically be enforceable in Bermuda.

We may not have sufficient capital in the future to meet our needs. Future financings to provide this capital may dilute our shareholders' ownership.

We may raise additional capital in the future through public or private debt or equity financings by issuing additional common shares of our common stock or other preferred financing shares, debt or equity securities convertible into common or preferred shares, or rights to acquire these securities.

Our board may issue additional equity securities to fund the potential acquisition of additional businesses and pursuant to employee benefit plans. We also may issue additional equity securities for other purposes. These securities may have the same rights as our common shares or, alternatively, may have dividend, liquidation, or other preferences. The issuance of additional equity securities will dilute the holdings of existing shareholders and may reduce the price of our common shares.

Seadrill Limited and Lime Rock Partners V L.P. currently control a substantial ownership stake in us and such interests could conflict with those of our other shareholders.

Seadrill Limited, or Seadrill, currently holds 231,053,240 shares of our issued and outstanding common stock, representing approximately 39.9% as of December 31, 2014. Lime Rock Partners V L.P., or Lime Rock, currently holds 65,935,200 shares of our issued and outstanding common stock, representing approximately 11.4% as of December 31, 2014.

As a result of these substantial ownership interests in us, Seadrill and Lime Rock have the ability to exert significant influence over certain actions requiring shareholder approval including, but not limited to, increasing or decreasing the authorised share capital of our common stock (and disapplying preemptive rights), the election of directors, declaration of dividends, the appointment of management and other policy decisions. While transactions with a controlling shareholder could benefit us, the interests of these significant shareholders could, at times, conflict with the interests of other holders of our common shares. Although we have in the past sought and continue to seek to conclude all related party transactions on an arm's-length basis, and we have adopted procedures for entering into transactions with related parties, conflicts of interest may arise between us and our principal shareholders or their respective affiliates, resulting in the conclusion of transactions on terms not determined by market forces. Any such conflicts of interest could adversely affect our business, financial condition and results of operations and, therefore, the value of our shares.

Board of Directors' Report

Share capital issues

At December 31, 2014, our authorised share capital is $1,200,000,000, divided into 1,200,000,000 shares each with a par value of $1.00. All of our shares are of the same class.

At December 31,2014, the number of shares issued is 579,159,787 corresponding to a share capital of $579,159,787. The issued shares are fully paid. There are no shares not representing the capital in the Company. The shares are equal in all respects and each share carries one vote at our General Meeting. None of our shareholders have different voting rights. The board is not aware of any other shareholders agreements or any take-over bids during the year.

All of our issued shares are listed on the Oslo Stock Exchange and the split of the shareholders was as per the table below:

Shareholder overview as of December 31, 2014

Seadrill	39.9%
Lime Rock	11.4%
Hemen Holdings	7.6%
Others	41.1%

Corporate governance

The Board has reviewed our compliance with various rules and regulations, such as Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance, as well as the respective Bermuda law. A detailed discussion of each item can be found in the compliance section of this annual report in Appendix A. The Board believes that we are in compliance with the rules and regulations except for certain sections where the reasons for this noncompliance are provided.

Board of Directors' Report
Board of Directors

Composition of the Board
Overall responsibility for the management of the Company and its subsidiaries rests with the Board. Our by-laws provide that the Board shall consist of a minimum of two and a maximum of nine directors.

Our business address at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda, serves as c/o addresses for the members of the Board in relation to their directorships of the Company.

Mr. Tor Olav Trøim served as a Director since our incorporation in August 2007 up until his resignation on September 19, 2014.

John Reynolds
Chairman
John Reynolds has served as a Director since February 2011, and was appointed Chairman of the Board in July 2013. Mr. Reynolds cofounded Lime Rock Partners in 1998 and currently is a managing director of Lime Rock Partners. Mr. Reynolds remains an active member of the Lime Rock Partners investment team, investigating and executing primarily energy service investment opportunities worldwide. Prior to cofounding Lime Rock Partners, Mr. Reynolds worked at Goldman Sachs where he spent six years in the investment research department and had senior analyst responsibility for global oil service sector research and was one of the top-rated analysts in the sector. He currently serves on the board of directors of Tesco Corporation, EnerMech Ltd., Revelation Energy Holdings LLC, Tercel Oilfield Products, and VETCO Holdings Inc. Previously, he served on the board of directors of Hercules Offshore Inc., Eastern Drilling ASA, IPEC Ltd., Noble Rochford Drilling Ltd., Patriot Drilling, Roxar ASA, Sensa Ltd., and Torch Offshore Inc. Mr. Reynolds is a US citizen, resident in the United States.

Kate Blankenship
Director
Kate Blankenship has served as a Director since our incorporation in August 2007. Mrs. Blankenship also has served as a director of Seadrill since 2005, Seadrill Partners LLC since 2012, Frontline Ltd. since 2003, Ship Finance International Limited since October 2003, Independent Tankers Corporation Limited since February 2008, Golar LNG Limited since July 2003, Golar LNG Partners LLC since September 2007, Golden Ocean Group Limited since November 2004 and North Atlantic Drilling Ltd since 2011. Mrs. Blankenship also has served as chief accounting officer and secretary of Frontline Limited between 1994 and 2005, as chief financial officer of Knightsbridge Tankers Limited from April 2000 until September 2007 and was secretary of Knightsbridge Tankers Limited from December 2000 until March 2007. Mrs. Blankenship is a member of the Institute of Chartered Accountants in England and Wales. Mrs. Blankenship is a British citizen, resident in France.

Cecilie Fredriksen
Director
Cecilie Fredriksen has served as a Director since September 2008. Ms. Fredriksen has been employed by Frontline Corporate Services Limited in London since 2007 where she has served as an investment director. Ms. Fredriksen has been a director of Ship Finance International Limited since November 2008, Frontline 2012 Ltd. since 2013 and North Atlantic Drilling Ltd. since 2011. Ms. Fredriksen also serves as a director of Marine Harvest ASA and Marine Harvest Ireland and has been a director of Northern Offshore Ltd. since February 2010. She received a BA in Business and Spanish from the London Metropolitan University in 2006. Ms. Fredriksen is a Norwegian citizen, resident in the UK.

Giovanni Dell' Orto
Director
Giovanni Dell' Orto was appointed as a Director in February 2011. Mr. Dell' Orto was president and chief executive officer of DLS Drilling, Logistics and Services from 1994 to August 2006. He is a member of the board of Energy Developments and Investments Corporation (EDIC), supervising EDIC's gas marketing activities in Europe and other upstream projects in North Africa. He also is a nonexecutive member of the board of directors of Gas Plus S.p.a., an Italian company listed on the Milan Stock Exchange. Mr. Dell' Orto also has served as chairman and chief executive officer of Saipem and was a board member of Agip and Snam. Mr. Dell' Orto is an Argentinean citizen, resident in Argentina.

Board independence
All directors are independent from the executive management team, all the directors are independent from the company's material business relations and two of the four directors (Cecilie Fredriksen and Giovanni Dell' Orto) are independent from shareholders holding 10% or more of our shares. Thus, as a whole, the Board complies with the independency requirements of Oslo Børs listing rules and the Norwegian corporate governance code.

Board of Directors' Report
Senior management

David King
Chief Executive Officer
Mr. King was appointed as Chief Executive Officer for Archer in July 2013.

Mr. King has more than 30 years' experience in the oil & gas services industry. He joined Halliburton in 1978 where he held numerous executive and leadership roles. As a member of the Executive Committee, he served as Chief Health, Safety and Environmental Officer. He was also President of the Completion and Production division and Senior Vice President of Production Optimisation. In 2010, Mr. King joined Kenda Capital as a Senior Business Advisor.

Mr. King graduated from the University of Alabama with a BSc in Civil Engineering where in 2007 he was recognised as a Distinguished Fellow of the College of Engineering, and completed the Advanced Management Program, an executive education program of Harvard Business School.

He is a US citizen residing in Houston, Texas.

John Lechner
President North Sea and Executive Vice President
Mr. Lechner was appointed to the position of President, North Sea Region and Executive Vice President in August 2013. He previously held the position of Senior Business Development Manager for Asia Pacific at Archer. Mr. Lechner has over 28 years of oilfield experience having worked in the European, Asian, Russian, North American, Middle Eastern and Far Eastern markets within various senior roles at Schlumberger, Parker Drilling and OilSERV.

Mr. Lechner is a graduate of the University of Notre Dame and the University of Houston. He is a US citizen and resides in Norway.

Ted Wooten
President North America and Executive Vice President
Mr. Wooten was appointed as President, North America and Executive Vice President in December 2013. Prior to joining Archer, Mr. Wooten served as Vice President Operations for Bluegrass Energy in Tulsa Oklahoma, and he also has in-house consulting experience with other US based operators.

Mr. Wooten held the position of Assistant Director of the Department of Petroleum Geology at the University of Oklahoma and holds a degree in Petroleum Engineering from the University of Missouri-Rolla.

Mr. Wooten is a US citizen and resides in Houston, Texas.

Carlos Etcheverry
President Latin America,
Corporate Marketing and Executive Vice President
Mr. Etcheverry has held the position as President Latin America since April 2013. Prior to this, Mr. Etcheverry was the President of Archer's land drilling division, and joined Archer via the Allis-Chalmers merger in February 2011.

Prior to joining Allis-Chalmers, Mr. Etcheverry was employed by the group Pride International & San Antonio for eight years where he held a number of line management positions, including President and CEO. Previous to that, Mr. Etcheverry worked for Halliburton Energy Services for 14 years in various technical, business development and line management positions throughout Latin America.

Mr. Etcheverry holds degrees in Civil, Construction and Hydraulic Engineering from University de la Plata, Argentina and three MBAs in Marketing, Administration and Finance.
Mr. Etcheverry holds Argentinean and Italian citizenships and resides in Buenos Aires, Argentina.

Christoph Bausch

Chief Financial Officer and Executive Vice President

Mr. Bausch has been our Executive Vice President and Chief Financial Officer since May 2011. Before joining Archer, Mr. Bausch was Global Director Finance at Transocean. Prior to this, he had a 20-year career in Schlumberger, where he held various financial positions around the world. After several financial positions in Germany, he started his international career in 1996 as region controller for Sedco Forex Contract Drilling Services in South America. From 1998 until 2000, Mr. Bausch was responsible for the financial integration of Camco International Inc. into Schlumberger. Mr. Bausch also worked as financial controller responsible for Mexico & Central America and Middle East & Asia. From 2006 to 2010, he was based in Houston as the worldwide controller for research, engineering and manufacturing activities in Schlumberger.

Mr. Bausch studied at the University of Mannheim, where he obtained a degree in Masters of Business Administration. Mr. Bausch is a German citizen based in the UK.

Max L. Bouthillette

General Counsel and Executive Vice President

Mr. Bouthillette has been our Executive Vice President and General Counsel since August 2010. Mr. Bouthillette was previously employed for 16 years with BJ Services, Schlumberger Limited and the US law firm of Baker Hostetler LLP. His professional experience includes serving as chief compliance officer and associate general counsel for BJ Services from 2006 to 2010, as a partner with Baker Hostetler LLP from January 2004 to 2006, and in several positions with Schlumberger in North America, Asia, and Europe from 1998 to December 2003.

Mr. Bouthillette holds a degree in accounting from Texas A&M University and a Juris Doctorate from the University of Houston Law Center. Mr. Bouthillette is a US citizen and resides in Houston, Texas.

Board of Directors' Report
Responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors are required to prepare financial statements for each financial year. The directors have prepared the group and parent company financial statements in accordance with accounting principles generally accepted in the United States of America. 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 loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting principles generally accepted in the United States of America have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1981 (Bermuda). They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

April 2015
The Board of Archer Limited

John Reynolds
(Chairman)

Kate Blankenship
(Director)

Cecilie Fredriksen
(Director)

Giovanni Dell' Orto
(Director)

Financial Statements 2014

Independent auditors' report to the members of Archer Limited

Report on the group financial statements

Our opinion

In our opinion, Archer Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

What we have audited

Archer Limited's financial statements comprise:

- the Consolidated statement of operations, Consolidated statement of comprehensive loss for the year then ended and the Consolidated statement of Accumulated Other Comprehensive (loss)/income as at 31 December 2014;
- the Consolidated balance sheet as at 31 December 2014;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law in Bermuda and accounting principles generally accepted in the United States of America.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Responsibility Statement in the Board of Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law in Bermuda and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members as a body for in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

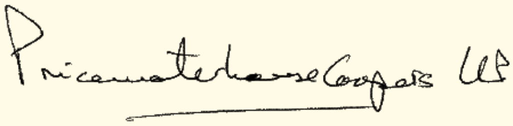
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters

We have reported separately on the company financial statements of Archer Limited for the year ended 31 December 2014.



PricewaterhouseCoopers LLP
Chartered Accountants
London, United Kingdom
April 27, 2015

Archer Limited and Subsidiaries
Consolidated statement of operations

	YEAR ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Revenues		
Operating revenues	2,134.0	1,944.3
Reimbursable revenues	119.6	97.0
Total revenues	**2,253.6**	**2,041.3**
Expenses		
Operating expenses	1,826.0	1,739.1
Reimbursable expenses	114.5	93.7
Depreciation and amortisation	145.9	161.4
Impairment of goodwill and noncurrent assets	60.4	423.7
General and administrative expenses	80.9	61.3
Total expenses	**2,227.7**	**2,479.2**
Operating income/(loss)	**25.9**	**(437.9)**
Financial items		
Interest income	3.0	1.3
Interest expenses	(46.1)	(51.8)
Share of results in associated company	(7.6)	(1.6)
Other financial items	(54.8)	(21.6)
Total financial items	**(105.5)**	**(73.7)**
Loss from continuing operations before income taxes	**(79.6)**	**(511.6)**
Income tax (expense)/benefit	(17.5)	2.6
Loss from continuing operations	**(97.1)**	**(509.0)**
Loss from discontinued operations, net of tax	(2.6)	(9.6)
Net loss	**(99.7)**	**(518.6)**
Basic loss per share ($) – from continuing operations	(0.17)	(0.92)
– from discontinued operations	–	(0.02)
Diluted loss per share ($) – from continuing operations	(0.17)	(0.92)
– from discontinued operations	–	(0.02)
Weighted average number of shares outstanding *(In thousands)*		
Basic	579,160	549,468
Diluted	579,160	549,468

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and Subsidiaries
Consolidated statement of comprehensive loss

	YEAR ENDED DECEMBER 31	
(In millions of $)	2014	2013
Net loss	**(99.7)**	**(518.6)**
Other comprehensive (loss)/income net of tax		
Change in unrealised loss related to pension	(3.2)	(15.5)
Change in unrealised foreign exchange differences	6.1	(6.5)
Other comprehensive income/(loss)	**2.9**	**(22.0)**
Total comprehensive loss (net of tax)	**(96.8)**	**(540.6)**

Archer Limited and Subsidiaries
Statement of consolidated accumulated other comprehensive income/(loss)

(In millions of $)	PENSION – UNRECOGNISED GAIN/(LOSS)	CHANGE IN UNREALISED FOREIGN EXCHANGE DIFFERENCES	TOTAL
Balance at December 31, 2012	**(7.2)**	**9.2**	**2.0**
Net change in gains and losses and prior service cost	(15.5)	–	(15.5)
Foreign currency translation differences	–	(6.5)	(6.5)
Balance at December 31, 2013	**(22.7)**	**2.7**	**(20.0)**
Net change in gains and losses and prior service cost	–	6.1	6.1
Foreign currency translation differences	(3.2)	–	(3.2)
Balance at December 31, 2014	**(25.9)**	**8.8**	**(17.1)**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and Subsidiaries
Consolidated balance sheet

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
ASSETS		
Current assets		
Cash and cash equivalents	28.9	49.5
Restricted cash	15.8	16.5
Accounts receivables, net of allowance for doubtful accounts of 6.2 and 3.4, respectively	386.2	386.1
Inventories	97.5	65.2
Deferred tax	9.2	5.6
Other current assets	97.0	76.9
Total current assets	**634.6**	**599.8**
Noncurrent assets		
Investments in associates	0.2	0.6
Loans to associates	6.1	9.3
Property plant and equipment	870.3	800.0
Deferred tax	12.6	16.2
Goodwill	207.8	294.1
Other intangible assets	53.9	65.5
Other noncurrent assets	15.1	9.4
Total noncurrent assets	**1,166.0**	**1,195.1**
Total assets	**1,800.6**	**1,794.9**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of interest-bearing debt	64.2	150.9
Other current liabilities	381.1	325.0
Total current liabilities	**445.3**	**475.9**
Long-term interest-bearing debt	697.2	613.9
Subordinated related party loan	50.0	-
Deferred tax	11.4	11.6
Other noncurrent liabilities	53.9	58.9
Total noncurrent liabilities	**812.5**	**684.4**
Shareholders' equity		
Common shares of par value $1.00 per share; 1.2 billion shares authorised, 579,159,787 outstanding shares at December 31, 2014 (December 31, 2013: par value $2.00 per share: 600,000,000 shares authorised: 366,659,120 outstanding)	579.2	579.2
Additional paid-in capital	821.1	816.1
Accumulated deficit	(1,001.9)	(902.2)
Accumulated other comprehensive loss	(17.1)	(20.0)
Contributed surplus	161.5	161.5
Total shareholders' equity	**542.8**	**634.6**
Total liabilities and shareholders' equity	**1,800.6**	**1,794.9**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and Subsidiaries
Consolidated statement of cash flows

	YEAR ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Cash Flows from Operating Activities		
Net loss	**(99.7)**	**(518.6)**
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortisation	149.3	159.1
Depreciation – reported in discontinued operations	—	23.0
Share-based compensation expenses	5.0	1.1
(Gain)/loss on property, plant and equipment disposals	(3.5)	3.0
Gain on disposal of assets in discontinued operations, net	—	(9.7)
Impairment charges	60.4	423.7
Impairment charges – reported in discontinued operations	—	7.2
Equity in loss of unconsolidated affiliates	7.6	1.6
Amortisation of loan fees and senior note premium	5.9	9.4
Deferred income taxes	(6.9)	(11.0)
Unrealised foreign currency gain	57.4	20.6
(Increase)/decrease in trade accounts receivable and other short-term receivables	(53.2)	1.3
Increase in inventories	(34.9)	(0.2)
Increase/(decrease) in trade accounts payable and other short-term liabilities	75.9	(36.0)
Change in other operating assets and liabilities, net	(25.9)	(2.9)
Net cash provided by operating activities	**137.4**	**71.6**
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(256.3)	(117.5)
Additions to property, plant and equipment for discontinued operations	-	(2.1)
Proceeds from sale of property, plant and equipment	19.1	9.0
Proceeds from sale of discontinued operations, net	-	253.9
Loans to associates	(7.3)	(9.3)
Net change in restricted cash	(1.4)	(5.5)
Net cash (used in)/provided by investing activities	**(245.9)**	**128.5**

Continued next page.

Archer Limited and Subsidiaries
Consolidated statement of cash flows

	YEAR ENDED DECEMBER 31	
Cash Flows from Financing Activities	**2014**	**2013**
Net borrowings under revolving facilities	(4.9)	26.3
Proceeds from related party debt	50.0	10.0
Repayment on related party debt	–	(65.0)
Proceeds from debt	58.4	43.7
Repayment of debt	(21.5)	(463.0)
Debt issuance costs	(6.2)	(6.6)
Proceeds from issuance of equity, net	–	247.9
Net cash provided by/ (used in) financing activities	**75.8**	**(206.7)**
Effect of exchange rate changes on cash and cash equivalents	12.1	(2.1)
Net decrease in cash and cash equivalents	**(20.6)**	**(8.7)**
Cash and cash equivalents at beginning of the year	49.5	58.2
Cash and cash equivalents at the end of the year	**28.9**	**49.5**
Interest paid	(35.0)	(47.0)
Taxes paid	(9.3)	(13.6)

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and Subsidiaries
Consolidated statement of changes in shareholders' equity

(In millions of $)	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	(ACCUMULATED DEFICIT) RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	CONTRIBUTED (DEFICIT)/ SURPLUS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2012	**733.3**	**779.6**	**(383.6)**	**2.0**	**(205.1)**	**926.2**
Recapitalisation	(366.6)	–	–	–	366.6	–
Private placement	212.5	35.4	–	–	–	247.9
Foreign currency translation differences	–	–	–	(6.5)	–	(6.5)
Pension – unrecognised gain	–	–	–	(15.5)	–	(15.5)
Share-based compensation	–	1.1	–	–	–	1.1
Net loss	–	–	(518.6)	–	–	(518.6)
Balance at December 31, 2013	**579.2**	**816.1**	**(902.2)**	**(20.0)**	**161.5**	**634.6**
Foreign currency translation differences	–	–	–	6.1	–	6.1
Pension – unrecognised gain	–	–	–	(3.2)	–	(3.2)
Share-based compensation	–	5.0	–	-–	–	5.0
Net loss	–	–	(99.7)	–	–	(99.7)
Balance at December 31, 2014	**579.2**	**821.1**	**(1,001.9)**	**(17.1)**	**161.5**	**542.8**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Archer Limited and Subsidiaries
Notes to consolidated financial statements

Note 1 — General Information
Archer is an international oilfield service company providing a variety of oilfield products and services through its area organisations. Services include platform drilling, land drilling, directional drilling, modular rigs, engineering services, equipment rentals, wireline services, pressure control, pressure pumping, production monitoring, well imaging and integrity management tools.

As used herein, unless otherwise required by the context, the term "Archer" refers to Archer Limited and the terms "Company," "we," "Group," "our" and words of similar import refer to Archer and its consolidated subsidiaries. The use herein of such terms as group, organisation, we, us, our and its, are references to specific entities, is not intended to be a precise description of corporate relationships.

Archer was incorporated on August 31, 2007, and conducted operations as Seawell Ltd., or Seawell, until May 16, 2011, when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation
The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, or USD, or $ rounded to the nearest million, unless otherwise stated.

Until December 31, 2010, we historically presented our consolidated financial statements in Norwegian krone or "NOK." In February 2011 we closed on our previously announced merger with Allis-Chalmers Energy, Inc., or Allis-Chalmers. The merger significantly increased the scale of our operations with the main expansion being in the United States. As a result of the significant increase in the proportion of our business being conducted in USD in 2011, our reporting currency was changed from the NOK to USD with effect from January 1, 2011.

In accordance with US GAAP, our merger with Allis-Chalmers in 2011 and our acquisition of the Great White Energy Services group of companies, or Great White, in 2011, have been accounted for as purchases in accordance with Accounting Standards Codification (ASC) Topic 805 "Business Combinations." The fair value of the assets acquired and liabilities assumed were included in our consolidated financial statements beginning on the date when control was achieved.

During 2013 we disposed of three of our business divisions, namely, Archer Tubular Services LLC, Archer Rental Services LLC and the assets and liabilities comprising the North American underbalanced services. We present our financial statements on a continuing business basis and we have restated comparative figures to exclude these discontinued operations.

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

Basis of consolidation
Investments in companies in which we directly or indirectly hold more than 50% of the voting control are consolidated in our financial statements. In addition, we consolidated the financial statements of Wellbore Solutions AS in which Archer owned 42.6% of the voting shares prior to the acquisition of the remaining shares in April 2012. This entity was consolidated prior to us owning 100%, due to the fact that we were considered to have control over the company through a shareholder agreement which gives us the power to vote for 50.1% of the shares. During 2014 we sold Wellbore Solutions AS to C6 Technologies AS, an associated company, and subsequently deconsolidated.

Entities in which we do not have a controlling interest but over which we have significant influence are accounted for under the equity method of accounting. Our share of after-tax earnings of equity method investees are reported under Share of results of associated companies.

A list of all significant consolidated subsidiaries is attached – see Appendix B.

Intercompany transactions and internal sales have been eliminated on consolidation.

Reclassifications
Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Note 2 — Accounting Policies
Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ materially from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets, goodwill and intangibles, useful lives used in depreciation and amortisation, income taxes and valuation allowances and purchase price allocations. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes.

Archer Limited and Subsidiaries
Notes to consolidated financial statements

Revenue recognition
We recognise revenue for services and products when purchase orders, contracts or other persuasive evidence of an arrangement with the customer exists, the price is fixed or determinable, collectability is reasonably assured and services have been performed or the product delivered. Contracts for equipment rental, drilling services or well services are provided to our customers at various contractual rates. Revenue from contract services performed on an hourly, daily or monthly rate basis is recognised as the service is performed based on the number of days completed at fixed rates stipulated by the contract. Revenues contracted on a per-job basis are recognised on a percentage completion basis, calculated with reference to time recorded against the project, budgeted total time for the project, and budgeted daily rates.

For certain contracts we receive lump-sum payments and other fees for equipment and mobilisation costs. Mobilisation fees and related costs are deferred and amortised over the contract term.

Reimbursements for the purchase of supplies, equipment, personnel services, and other services provided at the request of our customers in accordance with a contract or agreement are recorded as revenue when incurred. The related costs are recorded as reimbursable expenses when incurred.

Fees or compensation in respect of the termination of long-term contracts are recognised in full at the date that the contract is terminated and the fees become payable.

All known or anticipated losses on contracts are provided for when they become evident.

Foreign currencies
As of December 31, 2014, most of our subsidiaries have functional currency in USD. For subsidiaries that have functional currencies other than USD, we use the current method of translation whereby the statements of operations are translated using the average exchange rate for the month and the assets and liabilities are translated using the year-end exchange rate. Foreign currency translation gains or losses are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies during the year are translated into functional currency at the specific entity at the rates of exchange in effect on the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Current and noncurrent classification
Assets and liabilities are classified as current assets and liabilities, respectively, if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long term, unless the facts or circumstances indicate that current classification is otherwise appropriate.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with maturity of three months or less and exclude restricted cash.

Restricted cash
Restricted cash consists mainly of bank deposits arising from advance employee tax withholdings and cash deposits pledged as security.

Receivables
Accounts receivable are recorded in the balance sheet at their full amount less allowance for doubtful receivables. We establish reserves for doubtful receivables on a case-by-case basis. In establishing these reserves, we consider changes in the financial position of the customer, as well as customer payment history. Uncollectible trade accounts receivables are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when they are considered unrecoverable.

Bad debt expense for 2014 was $0.5 million (2013: $2.9 million).

Inventories
Inventories are valued at the lower of first-in, first-out cost or market. On a regular basis we evaluate our inventory balances for excess quantities and obsolescence by analysing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory balances are written down, if necessary.

Property, plant and equipment
Property, plant and equipment are recorded at historical cost less accumulated depreciation. The cost of these assets less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our fixed assets are in the following ranges:

– Land and buildings	3 – 40 years
– Drilling and well service equipment	2 – 20 years
– Office furniture and fixtures	3 – 10 years
– Motor vehicles	3 – 7 years

We evaluate the remaining useful life of our property, plant and equipment on a periodic basis to determine whether events and circumstances warrant a revision.

Expenditures for replacements or improvements are capitalised. Maintenance and repairs are charged to operating expenses as incurred.

Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation until disposal. Upon sale or retirement, the cost of property and equipment, related accumulated depreciation and write-downs are removed from the balance sheet and the net amount, less any proceeds from disposal, is charged or credited to the consolidated statement of operations.

Assets under construction
The carrying value of assets under construction represents the accumulated costs at the balance sheet date and is included in property, plant and equipment on the face of the balance sheet. Cost components include payments for instalments and variation orders, construction supervision, equipment, spare parts, capitalised interest, costs related to first-time mobilisation and commissioning costs. No charge for depreciation is made until commissioning of the new builds has been completed and it is ready for its intended use.

Capitalised interest
The amount of interest expense capitalised in an accounting period is determined by applying an interest rate or the capitalisation rate to the average amount of accumulated expenditures for the asset during the period. The capitalisation rates used in an accounting period is based on the rates applicable to our borrowings outstanding during the period. We do not capitalise amounts beyond the actual interest expense incurred in the period. We capitalised interest of $1.5 million in the year ended December 31, 2014 (2013: $1.1 million).

If our financing plans associate a specific new borrowing with a qualifying asset, we use the rate on that borrowing as the capitalisation rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalisation rate to be applied to such excess shall be a weighted average of the rates applicable to our other borrowings.

Capital leases
We lease office space and equipment at various locations. Our Oiltools division also leases operating equipment which is leased out to Archer customers. Where we have substantially all the risks and rewards of ownership, the lease is classified as a capital lease. Capital leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Each lease payment is allocated between the corresponding capital lease liability and finance charges so as to achieve a constant rate on the liability outstanding. The interest element of the capital cost is charged to the Consolidated Statement of Operations over the lease period.

Depreciation of assets held under capital leases is reported within “Depreciation and amortisation expense” in the Consolidated Statement of Operations. Capitalised leased assets are depreciated on a straight-line basis over the estimated useful economic lives of the assets or a straight-line basis over the lease term, whichever is shorter.

Intangible assets
Intangible assets are recorded at historical cost less accumulated amortisation. The cost of intangible assets is generally amortised on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our intangible assets range from 2 to 20 years. We evaluate the remaining useful life of our intangible assets on a periodic basis to determine whether events and circumstances warrant a revision of the remaining amortisation period. Once fully amortised, the intangible's cost and accumulated amortisation are eliminated.

Trade names under which we intend to trade for the foreseeable future are not amortised. In circumstances where management decides to phase out the use of a trade name, the relevant cost is amortised to zero over the remaining estimated useful life of the asset.

Acquired technology is not amortised until ready for marketing.

Goodwill
We allocate the cost of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalised as goodwill. Goodwill is not amortised but is tested for impairment at least annually. We test goodwill by reporting unit for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The reporting units have been identified in accordance with Accounting Standards Codification 350-20 “Intangible Assets–Goodwill,” as the business components one level below the reporting segments, each of which we identified as:

– constituting a business;

– for which discrete financial information is available; and

– whose operating results are reviewed regularly by segment management.

We aggregated certain components with similar economic characteristics.

The goodwill impairment test involves an initial qualitative analysis to determine whether it is more likely than not that the carrying value of our goodwill exceeds its fair value. If we conclude that our good will is more likely than not impaired, we continue with a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit's fair value is less than its carrying value, an impairment of goodwill may exist requiring a second step to measure the amount of impairment loss.

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We estimate the fair value of each reporting unit using the income approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value. Cash flow projections are based on management's estimates of economic and market conditions that drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate is based on our specific risk characteristics, its weighted average cost of capital and its underlying forecasts. There are inherent risks and uncertainties involved in the estimation process, such as determining growth and discount rates.

Impairment of long-lived assets and finite lived intangible assets
The carrying values of long-lived assets, including intangible assets that are held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Research and development
All research and development ("R&D") expenditures are expensed as incurred. Under the provisions of ASC 805, 'Business Combinations' acquired in-process R&D that meet the definition of an intangible asset are capitalised and amortised.

Defined benefit pension plans
We have one defined benefit plan that provides retirement, death and termination benefits. Our net obligation is calculated separately for the plan by estimating the amount of the future benefit that employees have earned in return for their cumulative service.

The projected future benefit obligation is discounted to its present value and the fair value of any plan's assets is deducted. The discount rate is the market yield at the balance sheet date on government bonds in the currency and based on terms consistent with the post-employment benefit obligations. The retirement benefits are generally a function of years of employment and amount of compensation. The plan is primarily funded through payments to insurance companies. We record our pension costs in the period during which the services are rendered by the employees. Actuarial gains and losses are recognised in the Consolidated Statement of Operations when the net cumulative unrecognised actuarial gains or losses for the plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognised over the expected remaining working lives of the employees participating in the plans. Otherwise, recognition of actuarial gains and losses is not recognised in the Consolidated Statement of Operations. We recognise the funded status of the plan in the Consolidated Balance Sheet with a corresponding adjustment to "Accumulated other comprehensive income/(loss)" and as net periodic pension cost. Further, actuarial gains and losses that arise in subsequent periods and are not recognised as net periodic pension cost in the same periods will be recognised as a component of other comprehensive income. Those amounts will be subsequently recognised as a component of net periodic pension cost on the same basis as the amounts recognised in "Accumulated other comprehensive income/(loss)."

Income taxes
Archer is a Bermuda company. Under current Bermuda law, Archer is not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, Archer will be exempted from taxation until year 2035.

Certain of our subsidiaries operate in other jurisdictions where taxes are imposed, mainly Norway, the United States, Argentina, Brazil and the United Kingdom. For legal entities operating in taxable jurisdictions, we compute tax on income in accordance with the tax rules and regulations of the taxing authority where the income is earned. The income tax rates imposed by these authorities vary. Taxable income may differ from pre-tax income for accounting purposes. To the extent that differences are due to revenues or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred taxes is made. A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised. When it is more likely than not that a portion or all of a deferred tax asset will not be realised in the future, we provide a valuation allowance against that deferred tax asset. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

The impact of changes to income tax rates or tax law is recognised in periods when the change is enacted.

Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. Our tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which we conduct our business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. We recognise the impact of a tax position in our financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The level of judgment involved in estimating such potential liabilities and the uncertain and complex application of tax regulations, may result in liabilities on the resolution of such audits, which are materially different from our original estimates. In such an event, any additional tax expense or tax benefit will be recognised in the year in which the resolution occurs.

Earnings per share or EPS
Basic earnings per share are calculated based on the income/(loss) for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period including vested restricted stock units. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments, for which we include share options and unvested restricted stock units.

Deferred charges
Loan-related costs, including debt arrangement fees, incurred on the initial arrangement are capitalised and amortised over the term of the related loan using the straight-line method, which approximates the interest method. Amortisation of loan-related costs is included in interest expense. Subsequent

loan costs in respect of existing loans, such as commitment fees, are recognised in the Consolidated Statement of Operations within "Interest expenses" in the period in which they are incurred.

Share-based compensation
We have established a stock option plan under which employees, directors and officers of the Group may be allocated options to subscribe for new shares in Archer.

The fair value of the share options issued under our employee share option plans is determined at grant date, taking into account the terms and conditions upon which the options are granted and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognised as personnel expenses with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options.

In 2014 the Board granted restricted stock units (RSUs) to members of Archer's management team. The RSUs vest, 25% on March 1, 2015 and 25% on March 1 for each of the subsequent three years. The total number of RSUs issued in 2014 were 6,385,000 of which 5,945,000 RSUs remain unvested as at December 31, 2014. The RSU's are accounted for using similar principles as applies to the share options, The Fair value, determined as the grant date quoted price of archer shares is recognised over the vesting periods.

Compensation cost in respect of share options and RSUs is initially recognised based upon grants expected to vest with appropriate subsequent adjustments to reflect actual forfeitures. National insurance contributions will arise from such incentive programs in some tax jurisdictions. We accrue for estimated contribution over the vesting periods of the relevant instruments.

Financial instruments
From time to time, we enter into interest rate swaps in order to manage floating interest rates on debt. Interest rate swap agreements are recorded at fair value in the balance sheet when applicable. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognised asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting we formally designate the swap instrument as a hedge of cash flows to be paid on the underlying loan, and in so far as the hedge is effective, the change in the fair value of the swap each period are recognised in the "Accumulated other comprehensive income/(loss)" line of the Consolidated Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the Consolidated Statement of Operations in "Other financial items." Changes in the fair value of interest rate swaps are otherwise recorded as a gain or loss under "Other financial items" in the Consolidated Statement of Operations where those hedges are not designated as cash flow hedges.

Segment reporting
A segment is a distinguishable component of the Company that is engaged in business activities from which it earns revenues and incurs expenses, whose operating results are regularly reviewed by the chief operating decision maker and which is subject to risks and rewards that are different from those of other segments.

We have determined that our operational performance aligned with the following four segments or areas:

- North America (NAM)
- Latin America (LAM)
- North Sea (NRS)
- Emerging Markets & Technologies (EMT)

The split of our organisation and aggregation of our business into four segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure. Segmental data is presented in Note 23.

Related party transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties also are related if they are subject to common control or common significant influence.

Recently issued accounting pronouncements
The Financial Accounting Standards Board (FASB) issued the following applicable Accounting Standards Updates (ASU):

ASU 2014-06 Technical Corrections and Improvements Related to Glossary Terms
The amendments in this update relate to glossary terms and cover a wide range of topics in the codification. However, as they serve to clarify existing GAAP rather than change existing or add new GAAP, it is not expected to have any material impact on Archer's financial statements. The ASU states that:

The amendments in this update represent changes to Clarify the Master Glossary of the Codification, consolidate multiple instances into a single definition, or make minor improvements to the Master Glossary that are not expected to result in substantive changes to the application of existing guidance.

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2014-08 Presentation of Financial Statements (Topic 205) and Property Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity
The amendments in this update change the requirements for reporting discontinued operations in subtopic 205-20 by adding the requirement that the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

If a disposal (or planned disposal) meets the criteria for reporting discontinued operations, the amendments in this update also require additional disclosures including;

1. The major classes of line items constituting the pre-tax profit/loss of the discontinued operation.
2. Either of the following:
   a. Total operating or investing cash-flows of the discontinued operations, or
   b. The depreciation, amortisation, capital expenditures and significant operating and investing non-cash items of the discontinued operations.
3. If the discontinued operation contains a non-controlling interest, the pre-tax profit/loss attributable to the parent.
4. A reconciliation of the major classes of assets and liabilities of the discontinued operation classified as held for sale that are disclosed in the Notes, to the total assets and total liabilities of the disposal group classified as held for sale in the balance sheet.
5. A reconciliation of the major classes of line items constituting the pre-tax profit/loss of the discontinued operation that are disclosed in the Notes, to the after tax profit/loss of the discontinued operation reported in the income statement.

These amendments are effective for annual periods beginning on or after December 15, 2014.

2014-09 Revenue from Contracts with Customers (Topic 606):
This update replaces virtually all the previous USGAAP guidance on revenue recognition, with a single model to be applied to all contracts with customers. It requires the identification of performance obligations in contracts, and allocation of the transaction price to those performance obligations, and then recognition of the revenue as and when each performance obligation is satisfied.

The new guidance removes the collectability criteria for the recognition of the revenue – requiring instead that recorded receivable amounts are impaired as and when their collectability becomes doubtful.

The performance obligation is satisfied, and therefore the revenue recognised over time, if the customer simultaneously receives and consumes the benefits provided by the entities. The majority of Archer's revenue is earned on a day rate basis, the recognition of which would be unchanged by the new guidance.

The guidance is applicable to all public companies' financial statements beginning after December 15, 2016 and early adoption is not permitted. We are currently assessing the potential effect the adoption of the new guidance will have on our financial statements.

ASU 2014-14 Presentation of Financial Statements – Going Concern:
This update, issued August 2014, and effective for annual periods ending after December 15, 2016, provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Early application is permitted

Archer's management already performs an appropriate evaluation each reporting date, and relevant disclosures have been added to the financial statement when it is deemed necessary.

Note 3 — Impairments
A sudden and sharp decline in oil prices, has forced our customers to significantly reduce their expenditures in the exploration and development of their oil & gas assets, resulting in a reduction in demand for our services predominantly in North America, but also in the North Sea and to a lesser extent in other parts of the world, and has led to a rapid drop in our share price. In addition, the above underlying condition has also led to the downward revision of cash flow expectations underlying the valuation of our Company in particular the North American business. As a consequence, we prepared a comprehensive impairment test for long lived assets, including intangibles and goodwill, which resulted in the following impairments: An impairment of goodwill, amounting to $41.8 million (See Note 12) and an impairment of fixed assets amounting to $18.6 million (See Note 11).

An impairment of $1.5 million was recognised in the second quarter of 2014 in relation to assets which were being constructed for a specific contract which was cancelled.

During the fourth quarter of 2013, reduced pricing and low utilisation of equipment as a result of an oversupply of land based oilfield services in the United States, along with a decline in our 2013 forecasted results compared to forecasts prepared at the time of the 2012 goodwill impairment testing, were considered to be circumstances which, more likely than not, would reduce the fair value of a reporting unit below its carrying amount. As a consequence, we prepared a comprehensive impairment test for long lived assets, including intangibles and goodwill, which results in the following impairments:
An impairment of goodwill, amounting to $378.6 million (See Note 12), an impairment of fixed assets amounting to $18.7 million (See Note 11), an impairment of intangibles amounting to $33.5 million (See Note 13). Of the impairments of goodwill and intangible assets, $4.4 million and $2.8 million, respectively, are reported within the results of discontinued operations.

Please refer to Note 12 for further details on the calculation of goodwill impairment.

Note 4 – Other Financial Items

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Foreign exchange differences	(57.4)	(20.5)
Other items	2.6	(1.1)
Total other financial items	**(54.8)**	**(21.6)**

The other financial items consist mainly of foreign exchange gains and losses arising on transactions denominated in currencies other than an entity's functional currency, In 2014 net foreign exchange losses of $57.4 million result predominantly from an intercompany loan balance denominated in Norwegian Krone following the weakening of the Norwegian Krone against USD during 2014. The intercompany loan is held in a USD functional entity, while the corresponding intercompany debt is held in a Norwegian Krone functional entity. The financial impact of weakening Krone on the entity with Norwegian Krone functional currency is reported as translation differences and classified as other comprehensive income.

Note 5 – Income Taxes

Our income tax expense consists of the following:

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Current tax expense	24.4	8.5
Deferred tax benefit	(6.9)	(11.1)
Total income tax expense/(benefit)	**17.5**	**(2.6)**

Tax expense is impacted by recording a valuation allowance against some deferred tax assets as we do not expect to utilise these in the foreseeable future. We have booked valuation allowances against net operating losses and foreign tax credits in North America, Canada and Brazil. In addition, the 2014 tax expense has been impacted by prior years adjustments mainly for Europe, where there have been true ups on taxable income. In 2013, prior years' adjustments relating to true ups on taxable income impacted tax expense in the North America area.

Income tax expense/(benefit) can be split in the following geographical areas:

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
United States	0.4	(10.6)
South America	5.1	2.3
Europe	12.6	4.9
Others	(0.6)	0.8
Total	**17.5**	**(2.6)**

The following table shows a reconciliation of the expected tax expense (In millions of $) based on the expected blended tax rate, to the actual tax (benefit) /expense reported by the Archer Group:

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Expected blended tax value	(3.8)	(186.2)
Goodwill impairment	8.2	0.7
Other non-deductible expenses	5.2	(2.8)
Tax exempted income and credits	43.5	0.8
Foreign tax rate differences	-	1.1
Valuation allowances	(39.2)	180.4
Discontinued operations	-	(2.9)
Prior year adjustments	(3.5)	3.2
State and withholding taxes	7.1	3.1
Actual tax expense recognised	**17.5**	**(2.6)**

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Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognised for financial reporting purposes and such amounts recognised for tax purposes. The net deferred tax assets (liabilities) consist of the following:

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
Pension	15.1	13.8
Tax loss carry forward	234.4	274.5
Impairments of tangible and intangible assets	108.2	95.2
Property differences	(1.4)	1.9
Provisions	9.2	5.6
Other	10.4	4.5
Gross deferred tax asset	**375.9**	**395.5**
Deferred tax on excess values	3.8	18.6
Other	7.4	6.8
Gross deferred tax liability	**11.2**	**25.4**
Net deferred tax asset before valuation allowance	**364.7**	**370.1**
Valuation allowance	(354.3)	(361.2)
Net deferred tax asset	**10.4**	**8.9**

The deferred tax asset relating to tax losses results from gross tax losses of $413 million which originated in the United States, and expire over a period of 20 years and tax losses of $77 million which originate in Brazil. The Brazilian losses do not expire and can be carried forward indefinitely.

Overall, gross deferred tax assets increased in 2014 following a true-up of figures relating to assets in the United States and Canada. The change in deferred tax assets resulted in a corresponding further increase in valuation allowance. The true up therefore has no effect on the net deferred tax liability.

The valuation allowance relates to tax operating losses and foreign tax credits and excess tax values on drilling equipment, for which we do not, at the balance sheet date, have a sufficiently documented tax strategy for realisation.

Deferred taxes are classified as follows:

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
Short-term deferred tax asset	9.2	5.6
Long-term deferred tax asset	12.6	16.2
Short-term deferred tax liability	–	(1.3)
Long-term deferred tax liability	(11.4)	(11.6)
Net deferred tax asset	**10.4**	**8.9**

No provision has been made in respect of deferred tax on unremitted earnings from subsidiaries (2013 : Nil). No tax would be expected to be payable if unremitted earnings were repatriated to the ultimate parent.

The Archer Group operates in a number of jurisdictions and its tax and other similar filings are subject to regular audit by the tax authorities. The Group's principal operations are located in Norway, Brazil, Argentina, UK and Canada with the earliest periods under audit or open and subject to examination by the tax authorities being 2011, 2012, 2013, 2014, respectively. We have received a number of assessments, principally in Bolivia and Brazil, against which we have lodged appeals. We have assessed the likely outcomes in each case and made appropriate provisions.

All benefits in relation to uncertain tax positions have been recognised at the balance sheet (2013 : all benefits recognised).

The Group's accounting policy is to include interest and penalties in relation to uncertain tax positions within tax expense. Withholding taxes are expensed as they are withheld, and credited to the income statement, if and when recovered.

Note 6 – Discontinued Operations
On June 27, 2013, we completed the sale of our Rental business in North America, and our Tubular business in North America and Latin America. During the third quarter of 2013 we agreed to sell our Underbalanced business in North America which subsequently closed on October 17, 2013. We sold these operations as we determined that they were non-strategic assets and the proceeds from the sale would enable us to reduce our debt.

During 2014, we continued to incur legal costs in respect to litigation connected with the divested Underbalanced business. These costs have been reported under discontinued operations in 2014.

The summarised results of operations included in income from discontinued operations were as follows:

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Revenues	–	64.8
Operating and reimbursable expenses	(2.6)	(45.2)
Impairments	–	(11.0)
Depreciation and amortisation	–	(23.0)
Interest expense	–	(3.8)
Gain on sale of discontinued operations, net	–	9.1
Loss from discontinued operations before income tax expense	(2.6)	(9.1)
Income tax expense	–	(0.5)
Loss from discontinued operations, net of tax	**(2.6)**	**(9.6)**

Note 7 – Earnings Per Share, or EPS

The components for the calculation of basic EPS and diluted EPS and the resulting values are as follows:

	NET LOSS *(In millions of $)*	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE *(in $)*
2014			
Basic loss per share from continuing operations	(97.1)	579,159,787	(0.17)
Effect of dilutive options*	–	–	–
Diluted loss per share	(97.1)	579,159,787	(0.17)
Basic loss per share from discontinued operations	(2.6)	579,159,787	–
Effect of dilutive options*	–	–	–
Diluted loss per share	(2.6)	579,159,787	––

	NET LOSS *(In millions of $)*	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE *(in $)*
2013			
Basic loss per share from continuing operations	(509.0)	549,467,913	(0.92)
Effect of dilutive options and RSUs*	–	–	–
Diluted loss per share	(509.0)	549,467,913	(0.92)
Basic loss per share from discontinued operations	(9.6)	549,467,913	(0.02)
Effect of dilutive options and RSUs*	–	–	–
Diluted loss per share	(9.6)	549,467,913	(0.02)

**Loss per share not adjusted for dilutive in the money share options or unvested RSUs. Share based compensation of approximately 4,733,388 and 91,760 shares were excluded from the computation of diluted earnings per share for the years ended December 31, 2014 and 2013, respectively, as the effect would have been anti-dilutive due to the net loss for the period.*

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Note 8 – Inventories
Our inventories include the following:

	DECEMBER 31	
(In millions of $)	2014	2013
Manufactured:		
Finished goods	12.3	3.8
Work in progress	4.6	1.4
Raw materials	10.7	8.0
Total manufactured	27.6	13.2
Drilling supplies	28.6	25.0
Chemicals	13.8	11.6
Other items and spares	27.5	15.4
Total inventories	**97.5**	**65.2**

Note 9 — Other Current Assets
Our other current assets include:

	DECEMBER 31	
(In millions of $)	2014	2013
Prepaid expenses	39.6	33.7
Deferred financing fees	3.2	6.4
VAT and other taxes receivable	22.2	17.1
Other short term receivables & prepaid expenses (including deferred mobilisation costs)	32.0	19.7
Total other current assets	**97.0**	**76.9**

Note 10 — Investments in Associates
We have the following participation in investments that are recorded using the equity method:

	2014	2013
C6 Technologies AS	50.00%	50.00%
Rawabi Allis-Chalmers Company Ltd.	50.00%	50.00%

The carrying amounts of our investments in our equity method investment are as follows:

	DECEMBER 31	
(In millions of $)	2014	2013
C6 Technologies AS	0.2	0.6
Rawabi Allis-Chalmers Company Ltd.	–	–
Total investments in associates	**–**	**0.6**

The components of investments in associates are as follows:

	DECEMBER 31			
(In millions of $)	2014		2013	
	C6	RAWABI	C6	RAWABI
Net book balance at beginning of year	0.6	–	2.4	–
Additional capital investment (funded by conversion of loan balance)	4.0	–	–	–
Share in results of associates	(3.2)	–	(1.6)	–
Currency adjustment	(1.2)	–	(0.2)	–
Net book balance at end of year	**0.2**	**–**	**0.6**	**–**

Quoted market prices for C6 Technologies AS and Rawabi Allis-Chalmers Company Limited are not available because shares are not publicly traded.

In addition to our capital investment, we have also made additional investment in C6 by way of a loan which, at December 31, 2014, amounted to $6.1 million (2013 $9.3 million) and is repayable in 2021 when we expect the developed technology to have generated sufficient funds.

The share of C6 results in 2014 includes a cumulative adjustment in respect of R&D costs capitalised by C6, which, under USGAAP, would be expensed. An additional expense of $4.3 million was recognised as share of results of affiliate being the elimination of a NOK 32 million revenue contribution made by Archer AS to C6.

Rawabi Allis-Chalmers Company Limited

Rawabi Allis-Chalmers Limited or "Rawabi JV" is a joint venture with an unrelated Saudi company, Rawabi Holding Company Ltd. The joint venture was formed to provide oilfield services, including directional drilling, tubular services, underbalanced services and production services, and rental, drilling and completion services in Saudi Arabia. Currently, the joint venture is providing rental services in Saudi Arabia.

We have determined that Rawabi JV is a variable interest entity under the terms of the joint venture agreement that does not allow either shareholder, acting alone, to control the entity's operations. While we are not the primary beneficiary under the joint venture agreement, we are able to materially influence the operational and financial decisions of Rawabi JV and have accounted for our investment using the equity method.

In 2012, the carrying value of our investment in Rawabi was impaired to zero due to sustained historical losses and limited potential for prospective future earnings.

C6 Technologies AS

In November 2010 we closed an agreement with the IKM Group, pursuant to which IKM Group acquired 50% of the shares in C6 Technologies AS, or C6, through an equity issue, and C6 simultaneously purchased 100% of the shares in Viking Intervention Technology AS, or VIT. Previously, on April 30, 2010, we announced our acquisition of VIT. VIT is a company developing an integrated carbon cable intervention system and was acquired for its complimentary product portfolio. These transactions were completed under the same terms as the initial share purchase agreement.

Following the loss of control in VIT, deconsolidated VIT and have accounted for the investment in C6 as an investment in associates.

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Note 11 – Property Plant and Equipment

(In millions of $)	OPERATIONAL EQUIPMENT	OTHER FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
As of December 31, 2014				
Cost	1,443.6	40.9	59.5	1,544.0
Accumulated depreciation and impairments	(648.0)	(25.7)	–	(673.7)
Net book value	**795.6**	**15.2**	**59.5**	**870.3**
Depreciation and amortisation for 2014	132.5	6.6	–	139.1
As of December 31, 2013				
Cost	1,296.7	58.3	21.1	1,376.1
Accumulated depreciation and impairments	(546.6)	(29.5)	–	(576.1)
Net book value	**750.1**	**28.8**	**21.1**	**800.0**
Depreciation and amortisation for 2013	136.7	9.6	–	146.3

Operational equipment includes drilling rigs and equipment and well services equipment. Other fixed assets include land and buildings, office fixtures, furniture and equipment and motor vehicles. At December 31, 2014, $24.3 million of fixed assets have been pledged in respect of finance agreements for their acquisition (2013: $12.5 million)

We review our long-lived assets for impairment and for the year ended December 31, 2014, and we have recognised impairments totalling $18.6 million (2013: $18.7 million) in respect of property, plant and equipment.

Included in the cost of operational equipment is $38.9 million in respect of assets held under capital leases (2013: $25.0 million).

Note 12 – Goodwill

The goodwill, acquired during 2012 and 2011, represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired, which represents primarily intangible assets pertaining to the acquired workforce of X-IT, Wellbore, Great White, Allis-Chalmers and Universal Wireline and their expected future synergies.

(In millions of $)	ASSET VALUE	2014 IMPAIRMENT	NET VALUE	ASSET VALUE	2013 IMPAIRMENT	NET VALUE
Value at beginning of year	931.3	(637.2)	294.1	1,012.7	(306.6)	706.1
Impairments of goodwill	–	(41.8)	(41.8)	–	(378.6)	(378.6)
Goodwill disposed of in sale of discontinued operations	–	–	–	(61.3)	48.0	(13.3)
Currency adjustments	(44.5)	–	(44.5)	(20.1)	–	(20.1)
Net book balance at end of year	**886.8**	**(679.0)**	**207.8**	**931.3**	**(637.2)**	**294.1**

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The testing of the valuation of goodwill involves significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations.

During step one of our annual goodwill impairment testing in the fourth quarter of 2014, we considered the following qualitative indicators sufficient to trigger a quantitative test of the valuation of goodwill as we concluded that they amounted to circumstances which, more likely than not, would reduce the fair value of a reporting unit to below its carrying amount;

- a sudden and sharp decline in oil prices, during the fourth quarter of the year, which has forced our customers to significantly reduce their expenditures in the exploration and development of their oil & gas assets, resulting in a reduction in demand for our services and;

- the decline in our 2014 forecasted results compared to forecasts prepared at the time of the 2013 goodwill impairment testing.

We considered the key assumptions in our goodwill valuation model, including long-term market growth predictions, the discount rate to be applied and potential tax effects. As a consequence, we concluded at December 31, 2014, that our carrying value exceeded the fair value in certain of our reporting units. After further analysis and consideration, we recorded a goodwill impairment of $41.8 million. $21.1 million of which relates to our NAM segment and $20.7 million to our EMT segment. (See Note 3).

The fair value calculations are particularly sensitive to assumptions concerning revenue growth, EBITDA margin, investments for future growth, terminal value growth and the discount factor. With the majority of the remaining goodwill, relating to our North Sea and Emerging Market & Technologies Reporting Segments the sensitivity to market volatility has reduced, however, goodwill amounting to $26 million remained exposed to the higher volatility in the US land market. Following our testing and subsequent impairment charges, only $5.5 million goodwill remains in respect of our North America segment.

The fair value has been modelled under the assumptions of continuing existing contracts and incremental improvements in revenue for known new projects. We have assumed, in our model, that the current downturn in the gas and oilfield industry will continue throughout 2015, with a slow recovery in 2016. Terminal revenue growth rate was assumed at 2% with EBITDA margins being equal to the exit year. EBITDA margins were assumed to moderately improve from current low rates over the next few years. Should these revenue and margin improvements and growth rates not be obtained over the forecast period, additional levels of impairment could be required.

The impact of either an assumed 1% lower revenue growth or 1% lower than estimated margin in our model, would have an impact on our 2014 impairment calculations of approximately $12.8 million and $10.8 million additional impairment, respectively, on the remaining $90.5 million of goodwill in the Emerging Market & Technologies reporting segment, and would have no significant impact on any other of our segments.

The weighted average cost of capital, or WACC, used to discount estimated future cash flows, remained unchanged from previous years at 9.8%. We also performed a sensitivity analysis on this metric as input variables such as the risk free rate of return, the volatility index beta, the market risk and small stock premium or the equity ratio is subject to change over the time horizon in the cash flow model. For example an increase of the weighted average cost of capital from 9.8% to 10.8% would lead to an additional impairment of $10.8 million.

During our annual goodwill analysis in 2013, we concluded that the fair value was below carrying value for certain reporting units. The resulting impairment adjustments are disclosed in the table above, and comprise a $378.6 million impairment of goodwill, of which $305.37 million related to the North American segment and Latin America segment.

Note 13 — Other Intangible Assets

The following table discloses our intangible assets:

(In millions of $)	TECHNOLOGY	CUSTOMER RELATIONSHIPS	TRADE NAMES	PATENTS	OTHER	TOTAL
Estimated useful lives	8–10 years	4–11 years	Indefinite	9–20 years	Indefinite	–
Remaining average amortisation period, December 31, 2014	2–3 years	5–6 years	–	8–7 years	–	–
As of December 31, 2014						
Cost	9.6	96.1	2.4	3.1	0.2	111.4
Accumulated amortisation and impairments	(6.7)	(49.1)	(0.9)	(0.7)	(0.1)	(57.5)
Net book value	**2.9**	**47.0**	**1.5**	**2.4**	**0.1**	**53.9**
Amortisation and impairments for 2014	1.4	8.5	–	0.3	–	10.2
As of December 31, 2013						
Cost	11.8	98.8	2.5	3.3	0.1	116.5
Accumulated amortisation and impairments	(6.8)	(42.8)	(0.9)	(0.5)	–	(51.0)
Net book value	**5.0**	**56.0**	**1.6**	**2.8**	**0.1**	**65.5**
Amortisation and impairments for 2013	2.6	33.9	8.0	4.6	–	49.1

Future amortisation of intangible assets as of December 31, 2014 is as follows:

(In millions of $)	2015	2016	2017	2018	2019 AND THEREAFTER	ASSETS NOT CURRENTLY BEING AMORTISED	TOTAL
Intangible assets							
Customer relationships	8.4	8.3	8.3	7.3	14.7	–	47.0
Technology	1.1	0.7	0.7	0.4	–	–	2.9
Trade names	–	–	–	–	–	1.5	1.5
Patents	0.3	0.3	0.3	0.3	1.2	–	2.4
Other	–	–	–	–	–	0.1	0.1
Total intangible amortisations	**9.8**	**9.3**	**9.3**	**8.0**	**15.9**	**1.6**	**53.9**

We review all our intangible assets at least annually to ensure the carrying value remains justifiable.

Our 2014 review indicated that none of our intangible assets were impaired as at December 31, 2014.

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In 2013 we ceased using the trade name Gray Wireline and we impaired the $8 million value of the Gray Wireline trade name to zero. We are not currently amortising the trade name X-IT Energy as we intend to continue to trade under this brand for the foreseeable future.

During our annual review of our long lived assets in the fourth quarter of 2013, we impaired $10.5 million and $7.6 million of customer relationship value in our Pressure Pumping and Directional Drilling businesses respectively. We also impaired the total carrying value of customer relationships in our Underbalanced business, of $2.7 million, prior to the disposal of the assets of that business unit to reflect the valuation of the business based on the agreed sales price. The impairment of the Underbalanced customer relations is reported in the results of discontinued operations.

The 2013 annual review also resulted in the impairment of $3.6 million of patents held by the directional business as we are no longer using the patented technology, and $1.1 million of technology held by our 50% owned subsidiary Wellbore Solution AS, as we do not anticipate being able to market the technology in the foreseeable future.

Note 14 — Other Noncurrent Assets
Our other noncurrent assets are composed of the following:

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
Deferred financing fees	7.4	4.1
Deferred mobilisation costs	3.5	–
Other	4.2	5.3
Total other noncurrent assets	**15.1**	**9.4**

Note 15 — Interest-bearing Debt

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
Interest-bearing debt:		
Multicurrency term and revolving facility	629.6	669.2
Related party subordinated loan	50.0	–
Hermes covered term loan	69.9	41.6
Other loans and capital lease liability	61.9	54.0
Total loans and capital lease liability	**811.4**	**764.8**
Less: current portion	(64.2)	(150.9)
Long-term portion of interest bearing debt	**747.2**	**613.9**

Multicurrency term and revolving facility
On August 22, 2011, we, entered into the multicurrency term and revolving facility which was amended and restated in December 22, 2011, for the addition of two new banks to the syndicate and increased the facility to $1,121.9 million. In January 2012 another lender was added to the facility, bringing the total facility to $1,171.9 million. In February 2013 we reached an agreement with our lending banks to amend the existing facility agreement following a $250.0 million equity raising. The proceeds of this additional equity were used to pre-pay the $100.0 million instalment due in November 2013, pre-pay $95.0 million relating to the revolving debt facility under the multicurrency loan agreement and repay $55.0 million related to the subordinated debt with Seadrill.

On March 7, 2013, we entered into a third amendment and restatement agreement in relation to our multicurrency term and revolving facility agreement with a syndicate of banks, at which time $876.9 million was committed by the lenders. Under the terms of the agreement 75% of the net proceeds from the sale of certain assets need to be applied towards the facility. Therefore, we repaid $164.2 million as a result of the sale of our Rental and Tubular businesses in 2013 and an additional $14.4 million as a result of the sale of assets used in our Underbalanced business. Following this repayment, the total amount available on our main credit facility was reduced from $876.9 million to $698.2 million. The agreement was amended by Addendum No. 1 thereto dated July 31, 2013, to address the covenant requirements after the divesture.

On November 12, 2014, we signed a fourth amendment and re-statement multicurrency revolving facility agreement and extended the term of the facility, which now matures in May 2018. The total amount available under the multicurrency revolving facility is $750 million. No instalments are due until

May 2017, when quarterly instalments of $25 million commence. The interest payable on the facility is the aggregate of 1, 3 or 6 month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 3.95% per annum, depending on the ratio of the net interest bearing debt to EBITDA.

As of December 31, 2014, a total of $629.6 million was drawn under the revolving facility. The facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries. In addition, Seadrill Limited, a related party, has granted on-demand guarantees of $250 million in favour of the lenders under the revolving facility and the lenders of the overdraft facilities, securing our obligations under these facilities. Our entities that fall under the laws of the United States of America and are party to the revolving facility have executed general security agreements in respect to their assets as further security. The revolving facility contains certain financial covenants, including, among others:

- Our total consolidated net interest bearing debt shall not exceed 4.75x of the last twelve months EBITDA as of December 31, 2014. This leverage ratio has subsequent quarterly reductions of 0.25x until it reaches 3.0x.
- Our minimum ratio of equity including subordinated debt to total assets of at least 30.0%.
- We are to maintain the higher of $30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines).
- We shall ensure that the capital expenditures, on a consolidated basis, measured at the end of each financial year from 2014 and onwards, shall not exceed $200 million, plus any capital expenditure under specific carved out arrangements.

The revolving facility contains events of default which include payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation. In addition there are cross default clauses in the event of the obligor defaulting on other issued debt.

As of December 31, 2014, we are in compliance with all covenants under our debt facilities.

Related party subordinated loan

On October 24, 2014, we signed a subordinated loan agreement with Metrogas Holdings Inc, a related party, for a loan of up to $50.0 million. The loan was drawn in full as at December 31, 2014 and is repayable in full at the maturity date. Interest is 7.5% per year, and is accumulated on the loan balance and payable on the maturity date. The loan matures on June 30, 2018.

On March 27, 2013, Seadrill Limited, a related party, provided Archer Topaz Limited, a wholly owned subsidiary of Archer, with a $10.0 million subordinated term loan facility. The loan provided for interest at LIBOR + 5% and was repayable by April 2, 2013. In March 2013, the full $10.0 million was drawn and used to partly finance the first instalment on our second modular rig, Archer Topaz. This subordinated term loan was repaid in April 2013.

Hermes-covered term loan

On December 6, 2013, Archer Topaz Limited, a wholly owned subsidiary of Archer, signed a €48.4 million Hermes covered term loan agreement for the modular rig, Archer Topaz. The facility is repayable in 10 semi-annual instalments. The interest rate is 1.45% above EURIBOR. At December 31, 2014, the equivalent of $51.9 million was outstanding under this facility. Seadrill Limited, a related party, has granted an on-demand guarantee for the outstanding amount in favour of the lender securing our obligations under this facility.

On January 18, 2012, Archer Emerald (Bermuda) Limited, a wholly owned subsidiary of Archer, signed a €29.5 million Hermes covered term loan agreement for the modular rig, Archer Emerald. The facility is repayable in semi-annual instalments in March and September through March 2017. The interest rate is 1.3% above EURIBOR. At December 31, 2014, the equivalent of $17.9 million was outstanding under this facility.

Other loans and capital leases

We have two $50.0 million cash overdraft facilities and at December 31, 2014, net borrowings under these facilities were $30.4 million in aggregate (2013: $22.6 million). In addition we have borrowed $10.4 million under cash overdraft facilities in Argentina (2013: $16.0 million).

We also entered into capital leases covering both real property, and financing arrangements for insurance premiums. At December 31, 2014, the net balance due under these arrangements was $21.2 million (2013: $15.4 million).

We have capital leases for properties rented for our North America segment. The leases commenced in 2007 and 2008 and have lease terms of 20 years with options for two five-year extensions. The aggregate monthly lease payments are $54,922 and provide for annual lease escalation based on increases in the consumer price index. The outstanding balance under these leases was approximately $4.9 million at December 31, 2014 (2013: $5.3 million). We also lease certain equipment under capital leases. The lease terms are 60 months at an aggregate monthly payment of approximately $0.3 million. Ownership of the asset transfers at expiration of the lease but purchase of the assets, at a prescribed formula, can be accelerated at lessee's option at any time. The outstanding balance under this lease was approximately $15.8 million at December 31, 2014 (2013: $10.1million).

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Our outstanding interest bearing debt as of December 31, 2014, is repayable as follows:

(In millions of $)	CAPITAL LEASE	OTHER DEBT	TOTAL
Year ending December 31			
2015	4.3	59.9	64.2
2016	4.1	18.7	22.8
2017	4.0	90.0	94.0
2018	3.0	616.1	619.1
2019	2.0	6.0	8.0
Thereafter	3.2	-	3.2
Total debt	**20.6**	**790.7**	**811.3**

Note 16 — Other Current Liabilities
Our other current liabilities are comprised of the following:

	DECEMBER 31	
(In millions of $)	2014	2013
Accounts payable	137.5	110.7
Accrued expenses and prepaid revenues	165.8	145.2
Taxes payable	16.6	9.2
Employee withheld taxes, social security and vacation payment	52.1	40.3
Other current liabilities & deferred revenue (including deferred mobilisation revenue)	9.1	19.6
Total other current liabilities	**381.1**	**325.0**

Note 17 — Other Noncurrent Liabilities
Our other noncurrent liabilities are comprised of the following:

	DECEMBER 31	
(In millions of $)	2014	2013
Accrued pension and early retirement obligation	43.5	50.2
Deferred mobilisation revenue	2.5	-
Other noncurrent liabilities	7.9	8.7
Total other noncurrent liabilities	**53.9**	**58.9**

Note 18 — Commitments and Contingencies
Purchase commitments
As of December 31, 2014, we have committed to purchase obligations including capital expenditure amounting to $97.6 million (2013: $127.7 million), of which $97.4 million is payable in 2015, and $0.1 million is payable in 2016 and 2017. ($42.6 million of the commitment relates to the contract for new build land drilling rigs in Argentina, the remaining three of which are due for delivery in the first and second quarter of 2015.)

Guarantees
We have issued guarantees in favour of third parties as follows, which is the maximum potential future payment for each type of guarantee:

	DECEMBER 31	
(In millions of $)	2014	2013
Guarantees to customers of the Company's own performance	65.3	55.2
Guarantee in favour of banks	2.5	14.2
Other guarantees	11.9	1.7
	79.7	**71.1**

Legal Proceedings

From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of our business. We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss. As of December 31, 2014, we are not aware of any such expected loss which would be material to our financial position and results of operations. In addition, we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

A class action was filed in Corpus Christi, Texas, against one of our subsidiaries alleging violations of the Fair Labour Standards Act, or FLSA, relating to non-payment of overtime pay. The court has conditionally certified a class of potential class members and the opt-in period has expired. The plaintiffs have filed an amended petition adding additional subsidiaries as defendants. On April 5, 2013, the Court entered an order granting preliminary approval of the settlement agreement entered into between the parties. The class settlement was given final approval by the Court in November 2013 and the settlement was funded by December 31, 2013.

Three class actions have been filed against a number of our subsidiaries all alleging violations of the FLSA relating to non-payment of overtime pay. These cases are in various stages of the discovery process and, although litigation is inherently uncertain, management believes these cases are highly defensible.

Two of our wholly-owned subsidiaries are the plaintiffs in the case of Archer Drilling LLC and Rig Inspection Services (US) LLC vs. Buccaneer Energy Limited, et al., wherein we claim $8.0 million from the defendants for the defendants' failure to pay for services provided. We submitted our writ in December 2012. In response, the defendants raised counterclaims alleging that they are owed more than the amount we claimed in damages.
On May 31, 2014, all but one of the defendants filed for Chapter 11 bankruptcy and in August 2014, the Archer parties removed the case to US Bankruptcy Court where the claims are currently stayed pending further action by the Court. Litigation is inherently uncertain and while we cannot determine the amount of our ultimate recovery or loss, we believe in the merits of the claim and that the alleged counterclaims are highly defensible.

Other than the above, we are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Note 19 – Share Capital

	DECEMBER 31			
(In millions of $)	2014		2013	
	All shares are common shares of $1.00 par value each		All shares are common shares of $1.00 par value each	
	SHARES	$ MILLION	SHARES	$ MILLION
Authorised share capital	1,200,000,000	1,200.0	1,200,000,000	1,200.0
Issued, outstanding and fully paid share capital	579,159,787	579.2	579,159,787	579.2

Archer shares are traded on the Oslo Börs under the symbol "ARCHER.OL." Dividends, when declared, will be denominated in NOK.

Archer was incorporated in 2007 and 50 ordinary shares were issued. In October 2007 Archer also issued of 100,000,000 shares. In April 2008 there was an equity issue of 10,000,000 shares. There were no new shares issued in 2009. In August 2010, Archer completed a private placement of 115.4 million shares. At December 31, 2010, there were 225,400,050 shares issued and outstanding.

On March 4, 2011, Archer issued a total of 97,071,710 common shares in connection with the merger with Allis-Chalmers.

On August 31, 2011, Archer issued 12.7 million new shares, following a Private Placement directed towards its two largest shareholders, Seadrill Limited, or Seadrill, and Lime Rock Partners V. L.P., or Lime Rock. Seadrill was allocated 10.8 million of the new shares while Lime Rock was allocated the remaining 1.9 million shares. The proceeds were used to partly finance the acquisition of Great White.

In August 2011 Archer completed a private placement of 30.0 million shares. The proceeds were used to partly finance the acquisition of Great White.

A total of 997,242 shares were issued during 2011 in relation to exercise of options, and a further 228,620 shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

A total of 249,998 shares were issued during 2012 in relation to exercise of options and 11,500 shares were issued as a result of ministerial error related to the exchange of shares as consideration for the Allis-Chalmers merger.

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In February 2013 we issued 208,334,000 new shares of Archer stock in a private placement resulting in net proceeds of $250.0 million. Those proceeds were used to repay the $100.0 million instalment due in November 2013 under our multi-currency facility, prepay $95.0 million under that same facility and repay a $55.0 million subordinated loan from a related party. The private placement was underwritten by Archer's five largest shareholders who in aggregate own 68% of Archer's issued and outstanding share capital. The underwriters received an underwriting commission of $5.0 million which was settled through the issuance of 4,166,667 new shares of Archer stock. In order to facilitate the immediate settlement and delivery of freely tradable shares to the subscribers, shares were made available through a share loan arrangement with Seadrill. At a special general meeting on February 13, 2013, we reduced the par value of Archer common stock from $2.00 to $1.00 and increased the number of authorised shares from 600 million to 1.2 billion. Following the par value reduction and the issuance of new shares, Archer has 579,159,787 fully paid shares of par value of $1.00 each.

Note 20 — Share Option Plans

Options on Archer shares:

We have granted options to our senior management and directors that provide the employee with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the Board of Directors. The options granted under the plan to date vest over a period of one to five years.

As of December 31, 2014, Archer has two active option programs, in addition to two programs which were acquired and have been continued following the merger with Allis-Chalmers.

Accounting for share-based compensation

The fair value of the share options granted is recognised as personnel expenses. During 2014, $2.6 million has been expensed in our Statement of Operations (2013: $1.1 million).

The following summarises share option transactions related to the Archer programs in 2014 and 2013:

(In millions of $)	2014		2013	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK
Outstanding at beginning of year	12,557,606	12.36	10,033,905	18.18
Granted	10,550,000	7.09	5,680,000	4.33
Exercised	—	—	—	—
Forfeited/expired	(1,428,749) 0	15.79	(3,156,299)	16.40
Outstanding at end of year	**21,678,857**	**9.57**	**12,557,606**	**12.36**
Exercisable at end of year	5,638,857	16.51	4,892,606	19.04

No income was received in 2014 as a result of share options being exercised (2013: nil).

Options issued under the Allis-Chalmers 2003 Program may be exercised up to March 5, 2019. The exercise price is between NOK 6.03 and NOK 72.26. At December 31, 2014, all 710,020 outstanding options under the Allis-Chalmers 2003 Program were exercisable.

Options issued under the Allis-Chalmers 2006 Program may be exercised up to April 21, 2020. The exercise price is between NOK 18.48 and NOK 19.22. At December 31, 2014, all 1,152,837 options outstanding under the Allis-Chalmers 2006 Program were exercisable.

Options issued under the 2009 & 2010 Program may be exercised up to December 31, 2015. The exercise price is between NOK 10.00 and NOK 22.00 per share, and may be exercised one third each year beginning twelve months after they were granted. At December 31, 2014, all 670,000 options outstanding under the 2009 & 2010 Program were exercisable.

Options issued under the 2011, 2012 & 2013 Program may be exercised up to December 31, 2018. The exercise price is between NOK 3.79 and NOK 20.00 per share, and may be exercised one fifth each year beginning twelve months after they were granted. At December 31, 2014, a total of 9,046,000 options were outstanding under the 2011, 2012 & 2013 Program and 2,806,000 of these were exercisable. On January 7, 2012, a total of 5.6 million of the options granted in 2011, with an exercise price between NOK 21.91 and 40.30, which were re-priced to NOK 20.00.

The weighted average grant-date fair value of options granted during 2014 is NOK 2.46 per share (2013: NOK 1.90 per share).

As of December 31, 2014, total unrecognised compensation costs related to all unvested share-based awards totalled NOK 42.6 million, which is expected to be recognised as expenses in 2015, 2016, 2017 and 2018 by NOK 22.9 million, NOK 13.6 million, NOK 5.4 million and NOK 0.7 million, respectively.

The weighted average remaining contractual life of outstanding options is 49 months (2013: 45 months) and their weighted average fair value was NOK 3.41 per option (2013: NOK 4.70 per option).

We pay the Employers' National Insurance contributions related to the options, while the option holders will be charged for the individual income taxes.

When stock options are exercised we settle the obligation by issuing new shares.

Valuation:

We use the Black-Scholes pricing model to value stock options granted. The fair value of options granted is determined based on the expected term, risk-free interest rate, dividend yield and expected volatility. The expected term is based on historical information of past employee behaviour regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published Norwegian treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on history and expectation of dividend pay-outs.

We use a blended volatility for the volatility assumption, to reflect the expectation of how the share price will react to the future cyclicality of our industry. The blended volatility is calculated using two components. The first component is derived from volatility computed from historical data for a period of time approximately equal to the expected term of the stock option, starting from the date of grant. The second component is the implied volatility derived from our "at-the-money" long-term call options. The two components are equally weighted to create a blended volatility.

The parameters used in calculating these weighted fair values are as follows:

- average risk-free interest rate 1.7%% (2013: 1.7%);
- volatility 50% (2013: 50.0%);
- dividend yield 0% (2013: 0%);
- option holder retirement rate 10% (2013: 10%); and
- expected term 3.0 years (2013: 3.5 years)

Restricted Stock

On February 10, 2014, the Board granted restricted stock units (RSUs) to members of Archer's management team. The RSUs vest 25% on March 1, 2015, and 25% on March 1 for each of the subsequent three years. The total number of RSUs initially issued is 6,160,000.

Restricted stock awards do not pay dividends or allow voting rights during the performance period. Accordingly, the fair value of the restricted stock award is the quoted market price of Archer's stock on the date of grant less the present value of the expected dividends not received during the vesting period.

The following table summarizes information about all restricted stock transactions:

(In millions of $)	2014		2013	
	RSU's	WEIGHTED AVERAGE GRANT DATE FAIR VALUE NOK	RSU's	WEIGHTED AVERAGE GRANT DATE FAIR VALUE NOK
Unvested at beginning of year	–	–	–	–
Initial grant	6,160,000	7.12	–	–
Subsequent grants	295,000	7.12	–	–
Exercised	–	–	–	–
Forfeited	(510,000)	7.12	–	–
Outstanding at end of year	**5,945,000**	**7.12**	**–**	**–**

Archer Limited and Subsidiaries
Notes to consolidated financial statements

Note 21 — Pension Benefits

Defined benefits plan

We have a defined benefit pension plan covering all Norwegian offshore employees as of December 31, 2014. This plan is administered by a life insurance company. Offshore employees in Norway have retirement and long-term disability pension of approximately 60 percent of salary at retirement age of 67, with a preretirement pension arrangement from age of 62.

The defined benefit plan for onshore employees in Norway was terminated in July 2013 and all employees in that plan were transferred to a defined contribution plan. As part of the conversion, each employee was given a paid-up certificate and remaining assets in the plan were transferred to the new defined contribution plan.

Annual pension cost

(In millions of $)	2014	2013
Benefits earned during the year	8.5	9.2
Interest cost on prior years' benefit obligation	4.4	4.4
Gross pension cost for the year	**12.9**	**13.6**
Expected return on plan assets	(3.2)	(3.0)
Administration charges	0.7	0.5
Net pension cost for the year	**10.4**	**11.1**
Social security cost	1.5	1.6
Amortisation of actuarial (gains)/losses	(2.1)	0.3
Amortisation of prior service cost	–	–
Gains on curtailment	–	(3.8)
Total net pension cost	**9.8**	**9.2**

The funded status of the defined benefit plan

	DECEMBER 31	
(In millions of $)	2014	2013
Projected benefit obligations	106.7	118.6
Plan assets at market value	(68.6)	(73.3)
Accrued pension liability exclusive social security	**38.1**	**45.3**
Social security related to pension obligations	5.8	6.4
Accrued pension liabilities	**43.9**	**51.7**

Change in benefit obligations

(In millions of $)	2014	2013
Benefit obligations at beginning of year	118.6	111.0
Interest cost	4.4	4.4
Current service cost	8.5	9.3
Curtailments	–	(11.9)
Benefits paid	(1.1)	(1.1)
Change in unrecognised actuarial gain	3.8	12.1
Translation adjustments	(27.5)	(5.2)
Benefit obligations at end of year	**106.7**	**118.6**

Change in pension plan assets

(In millions of $)	2014	2013
Fair value of plan assets at beginning of year	73.3	78.5
Estimated return	3.2	3.0
Contribution by employer	12.9	12.8
Administration charges	(0.7)	(0.6)
Curtailments	-	(9.0)
Benefits paid	(0.7)	(0.6)
Change in unrecognised actuarial gain	(2.1)	(7.2)
Translation adjustments	(17.3)	(3.6)
Fair value of plan assets at end of year	**68.6**	**73.3**

Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases and employee turnover rates. We evaluate the assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions used in calculating our pension expense and liabilities are the expected rate of return on plan assets and the assumed discount rate. We evaluate assumptions regarding the estimated rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by a third party investment advisor utilising the asset allocation classes held by the plan's portfolios. In determining the discount rate we utilised the Norwegian Government 10-year bond effective yield plus 0.3-0.5 percent. Changes in these and other assumptions used in the actuarial computations could impact the projected benefit obligations, pension liabilities, pension expense and other comprehensive income.

Assumptions used in calculation of pension obligations

	2014	2013
Rate of compensation increase at the end of year	2.50%	3.75%
Discount rate at the end of year	2.30%	4.00%
Prescribed pension index factor	1.20%	1.60%
Expected long term rate of return on plan assets	3.20%	4.40%
Turnover	4.00%	4.00%
Expected increases in Social Security Base	2.50%	3.50%.

The asset allocation of funds related to our defined benefit plan was as follows:

Pension benefit plan assets

	DECEMBER 31	
	2014	2013
Equity securities	8.3%	6.3%
Debt securities	50.1%	48.7%
Real estate	14.9%	14.8%
Money market	24.3%	26.2%
Other	2.4%	4.0%
Total	**100.0%**	**100.0%**

The investment policies and strategies for the pension benefit plan funds do not use target allocations for the individual asset categories. The investment objectives are to maximise returns subject to specific risk management policies. We address diversification by the use of domestic and international fixed income securities and domestic and international equity securities. These investments are readily marketable and can be sold to fund benefit payment obligations as they become payable. The estimated yearly return on pension assets was 3.2% in 2014 (2013: 4.1%).

Archer Limited and Subsidiaries
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Cash flows — Benefits expected to be paid
The table below shows our expected annual pension plan payments under defined benefit plans for the years 2015–2024. The expected payments are based on the assumptions used to measure our obligations at December 31, 2014, and include estimated future employee services.

(In millions of $)	
2015	11.2
2016	11.5
2017	11.7
2018	12.0
2019	12.3
2020-2024	65.7
Total payments expected during the next 10 years	**124.3**

Defined Contributions Plans
We contribute to a private defined contribution pension plan for our UK onshore workforce in addition to our employees working offshore on the UK continental shelf. Eligible employees may contribute a minimum of 2% of their salary to the scheme, and we contribute between 5% and 7.5% to participants' plans. In 2014 we contributed $5.4 million (2013: $2.6 million) to the plan.

We also contribute to the 401(k) Profit Sharing Plan adopted for the US employees. The plan is a defined contribution savings plans designed to provide retirement income to eligible employees. It is funded by voluntary pre-tax contributions from employees up to statutory limits based on percentage of salary. We fund the plans with matching contributions. In 2014 we contributed $3.1 million to 401(k) plans for our employees (2013: $3.4 million).

Note 22 — Related Party Transactions
In the normal course of business we transact business with related parties conducted at arm's length.

Transactions with Seadrill;
We were established at the end of the third quarter of 2007, as a spin-off of Seadrill Limited's Well Service division. We acquired the shares in the Seadrill Well Service division entities on October 1, 2007 for $449.1 million. The acquisition has been accounted for as a common control transaction, with the assets and liabilities acquired, recorded by us at the historical carrying value of Seadrill Limited, or Seadrill. The excess consideration over the net assets and liabilities acquired has been recorded as adjustment to equity of $205.1 million. Seadrill currently owns 39.9% of our stock.

During the twelve months ended December 31, 2014, we supplied Seadrill Limited and affiliates with services amounting to $2.2 million, including reimbursable material. This amount has been included in operating revenues. At December 31, 2014, Seadrill owed us $0.1 million in respect of these services.

In March of 2013, Seadrill provided Archer with a $10.0 million subordinated term-loan facility which was repaid in April of 2013. In November 2012, Seadrill provided Archer with a $55.0 million subordinated term-loan facility to assist in the funding of a required $100 million principal payment on multi-currency term and revolving facility. This facility was repaid in February 2013 along with interest of $0.8 million.

Seadrill has provided a guarantee of €48.6 million to the lenders of our Hermes covered term loan agreement for the modular rig, Archer Topaz (See Note 15). Annual guarantee fees are charged at 1.25% of the guaranteed amount.

Seadrill has also provided a guarantee of $250.0 million to the lenders of our revolving facility (See Note 15). Annual guarantee fees are charged at 1.25% of the guaranteed amount.

As of December 31, 2014, we have accrued total guarantee fees of $3.1 million which are due at the end of the guarantee period. The guarantee fees are being accrued over the guarantee period, and the cost of the fees are reported within other financial items.

Transactions with C6 Technologies AS:
We own 50% of C6 Technologies AS, an oilfield technology company offering new solutions for well intervention and conveyance utilising composite materials. We do not control this entity and as a result, we have consolidated its financial results using the equity method of accounting since its creation in 2010. During 2014 we sold our fully owned subsidiary Wellbore Solutions AS for an amount of 25 million Norwegian Krone. The settlement of the purchase price was through a loan agreement amounting to 10 million Norwegian Krone, and the balance will be settled in the form of royalties contingent on the successful commercialisation of the of tools being developed by C6 Technologies AS.

As at December 31, 2014, we have a total outstanding loan balance equivalent to $6.1 million.

Transactions with other related parties
The following are related parties, being companies in which Archer's principal shareholders, Seadrill, Lime Rock Partners LLP and or Hemen Holding Ltd have a significant interest:

- Frontline Management (Bermuda) Limited, or Frontline
- North Atlantic Drilling Ltd, or NADL
- Metrogas Holdings Inc, or Metrogas
- Geodynamics

Frontline provides management support and administrative services to us, and we have recorded fees of $0.7 million for these services in the twelve months ended December 31, 2014. These amounts are included in general and administrative expenses in the consolidated statement of operations. At December 31, 2014, we paid Frontline all outstanding fees related to these services.

During the twelve months ended December 31, 2014, we supplied NADL with services amounting to $5.6 million, including reimbursable material. This amount has been included in operating revenues. At December 31, 2014, NADL owed us $0.2 million related to these services.

On October 24, 2014, we signed a subordinated loan agreement with Metrogas Holdings Inc. a related party, for a loan of up to $50 million. The loan was drawn in full as at December 31, 2014. Interest equal to three months LIBOR plus 7.5% is payable on the loan, and will be accumulated and paid on the maturity date. The loan matures on June 30, 2018.

Geodynamics provided products and services to the company totalling $0.7m for the twelve months ended December 31, 2014. These amounts were included in operating expenses.

Amounts due from related parties are included in accounts receivable in the consolidated balance sheet.

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Note 23 — Reporting and Geographical Segment Information
Following the significant expansion of the business in 2011, the management structure of the group was reorganised in 2012 with focus on four geographic and strategic areas: North America, Latin America, North Sea and Emerging Markets and Technologies. The new structure will increase our operational focus and consolidate activities by geographical areas. The new reorganisation took effect January 1, 2012.

The split of our organisation and aggregation of our business into four segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure. The accounting principles for the segments are the same as for our consolidated financial statements.

	YEARS ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Revenues from external customers		
North America	714.6	625.6
Latin America	587.9	561.6
North Sea	740.8	638.9
Emerging Markets & Technologies	210.3	215.2
Total	**2,253.6**	**2,041.3**
Depreciation and amortisation		
North America	79.2	94.7
Latin America	29.2	33.8
North Sea	18.2	14.7
Emerging Markets & Technologies	19.3	18.2
Total	**145.9**	**161.4**
Operating income/(loss) — net loss		
North America	(55.1)	(456.8)
Latin America	26.7	5.5
North Sea	57.8	27.6
Emerging Markets & Technologies	(1.8)	(13.1)
Stock compensation costs	(5.0)	(1.1)
Operating loss	**22.6**	**(437.9)**
Total financial items	(102.2)	(73.7)
Income taxes	(17.5)	2.6
Discontinued operations, net of tax	(2.6)	(9.6)
Net loss	**(99.7)**	**(518.6)**
Capital expenditures - fixed assets		
North America	46.0	31.6
Latin America	120.4	28.6
North Sea	61.3	37.6
Emerging Markets & Technologies	28.6	29.3
Total	**256.3**	**127.1**

	AS OF DECEMBER 31	
(In millions of $)	2014	2013
Total assets		
North America	487.6	501.0
Latin America	594.3	457.9
North Sea	449.3	498.7
Emerging Markets & Technologies	269.4	386.7
Total	**1,800.6**	**1794.9**

Goodwill

(In millions of $)	NAM	LAM	NRS	EMT	TOTAL
Balance at December 31, 2012	**324.5**	**–**	**141.4**	**240.2**	**706.1**
Acquisitions	–	–	–	–	–
Disposals	(13.3)	–	–	–	(13.3)
Impairment	(305.7)	–	–	(72.9)	(378.6)
Exchange rate fluctuations on goodwill measured in foreign currency	–	–	(8.6)	(11.5)	(20.1)
Balance at December 31, 2013	**5.5**	**–**	**132.8**	**155.8**	**294.1**
Transfer of Wireline International US	21.1	–	–	(21.1)	–
Impairment	(21.1)	–	–	(20.7)	(41.8)
Exchange rate fluctuations on goodwill measured in foreign currency	–	–	(21.0)	(23.5)	(44.5)
Balance at December 31, 2014	**5.5**	**–**	**111.8**	**90.5**	**207.8**

Geographic information by country

	YEARS ENDED DECEMBER 31	
(In millions of $)	2014	2013
Revenue		
Norway	503.3	491.8
United States	736.3	707.5
Argentina	533.5	486.6
United Kingdom	250.0	201.2
Other	230.5	154.2
Total	**2,253.6**	**2,041.3**

	AS OF DECEMBER 31	
(In millions of $)	2014	2013
Property plant and equipment		
United States	282.7	335.0
Argentina	340.5	242.1
New Zealand (modular rig, Emerald)	–	78.5
In transit (modular rig en route to UK)	73.1	–
Norway	143.5	68.9
Brazil	7.5	33.9
Other	23.0	41.6
Total	**870.3**	**800.0**

Archer Limited and Subsidiaries
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Note 24 — Risk Management and Financial Instruments
Our reporting currency is US Dollars. We have operations and assets in a number of countries worldwide, and receive revenues and incur expenditures in other currencies, causing our results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the Norwegian Krone and British Pounds. We are also exposed to changes in interest rates on variable interest rate debt, and to the impact of changes in currency exchange rates on debt denominated in Norwegian Krone, Euros and British Pounds. There is thus a risk currency and interest rate fluctuations will have a negative effect on our cash flows.

Interest rate risk management
Our exposure to interest rate risk relates mainly to our variable interest rate debt and balances of surplus funds placed with financial institutions, and this is managed through the use of interest rate swaps and other derivative arrangements. Our policy is to obtain the most favourable interest rate borrowings available without increasing our foreign currency exposure. Surplus funds are generally placed in fixed deposits with reputable financial institutions, yielding higher returns than are available on cash at bank. Such deposits generally have short-term maturities, in order to provide us with the flexibility to meet requirements for working capital and capital investments.

The extent to which we utilise interest rate swaps and other derivatives to manage our interest rate risk is determined by reference to our net debt exposure and our views regarding future interest rates. At December 31, 2014, we have interest swap agreements which fix our variable interest payable covering NOK 800 million of our NOK interest bearing loan (2013: NOK 500 million), and $300 million of our USD interest bearing loan (2013: 300 million), effectively fixing the interest rate on approximately 65% of the debt (2013: 46%). We have not elected to hedge account for our current interest rate swaps, accordingly any changes in the fair values of the swap agreements are reported within our income statement. The total fair value loss relating to interest rate swaps in 2014 amounted to $3.6 million (2013: $0.4 million).

Foreign currency risk management
We are exposed to foreign currency exchange movements in both transactions that are denominated in currency other than USD, and in translating consolidated subsidiaries who do not have a functional currency of USD, which is our reporting currency. Transaction losses are recognised in “other financial items” on our Consolidated Statement of Operations in the period to which they relate. Translation differences are recognised as a component of equity. The total transaction loss relating to foreign exchange movements recognised in the Consolidated Statement of Operations in 2014 amounted to $57.4 million (2013: loss of $20.5 million).

Credit risk management
We have financial assets, including cash and cash equivalents, trade receivables and other receivables. These assets expose us to credit risk arising from possible default by the counterparty. We consider the counterparties to be creditworthy financial institutions and do not expect any significant loss to result from non-performance by such counterparties. We, in the normal course of business, do not demand collateral.

Fair values
The carrying value and estimated fair value of our financial instruments are as follows:

	DECEMBER 31			
(In millions of $)	2014		2013	
Assets/(Liabilities)	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Nonderivatives				
Cash and cash equivalents	28.9	28.9	49.5	49.5
Restricted cash	15.8	15.8	16.5	16.5
Current portion of interest bearing debt	(64.2)	(64.2)	(150.9)	(150.9)
Long term interest bearing debt	(697.2)	(697.2)	(613.9)	(613.9)
Subordinated related party loan	(50.0)	(50.0)	–	–
Interest rate swap agreement	(4.0)	(4.0)	(0.4)	(0.4)

The above financial assets and liabilities are measured at fair value on a recurring basis as follows:

(In millions of $)		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	DECEMBER 31, 2014	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets:				
Cash and cash equivalents	28.9	28.9	–	–
Restricted cash	15.8	15.8	–	–
Interest rate swap agreements	(4.0)	–	(4.0)	–
Liabilities:				
Multicurrency revolving facility, excluding current portion	629.6	–	629.6	–
Other loans and capital leases, excluding current portion	67.6	–	67.6	–
Subordinated related party loan	50.0	–	50.0	–

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

We used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments as of December 31, 2014, and 2013. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair value of the current portion of long-term debt is estimated to be equal to the carrying value, since it is repayable within twelve months.

The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable and cannot be purchased by us at prices other than the outstanding balance plus accrued interest.

The fair value of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and relevant interest rates.

The fair value of the subordinated related party debt is considered not to be materially different from its carrying value as the fixed interest rate payable on the loan is considered a fair market rate as at December 31, 2014.

Retained risk

We retain the risk, through self-insurance, for the deductibles relating to physical damage insurance on our capital equipment, currently a maximum of $1.0 million per occurrence. In the opinion of management, adequate provisions have been made in relation to such exposures, based on known and estimated losses.

Concentration of risk

The following table summarises revenues from our major customers as a percentage of total revenues (revenues in excess of 10 percent for the period):

CUSTOMER	2014	2013
Pan American Energy	15%	14%
StatoilHydro	12%	10%
Customer <10%	73%	76%
Total	**100%**	**100%**

Note 25 — Lease Obligations
In addition to capital leases (See Note 15), we have significant operating leases for certain premises, office equipment and operating equipment. The most significant lease agreements are related to offices in the United States, Norway and United Kingdom. Rental expenses amounted to $22.2 million in 2014 (2013: $17.4 million).

Estimated future minimum rental payments are as follows:

(In millions of $)	OPERATING LEASES	CAPITAL LEASES	TOTAL
YEAR			
2015	21.6	5.8	27.4
2016	18.2	5.5	23.7
2017	12.7	5.2	17.9
2018	8.7	3.9	12.6
2019	7.1	2.6	9.7
Thereafter	33.7	4.9	38.6
Total	**102.0**	**27.9**	**129.9**

Note 26 — Subsequent Events
Subsequent events have been incorporated to related notes where appropriate. Other subsequent events are disclosed in this Note.

In January 2015 one of our subsidiaries received a thirty-day notice of early termination from Talisman Sinopec Energy UK Limited of its modular rig contract for the Archer Emerald. The effective date of termination is January 29, 2015. The original two-year contract was valued at approximately $96 million and was scheduled to commence during the first quarter of 2016. The early termination fee due to Archer under the contract will range between $34 million and $43 million.

In order to be able to meet the Company's obligations under the employee's incentive programs, the Board has authorised a share buyback program under which the Company may repurchase up to 10 million of the outstanding shares over the next 12 months for this purpose. The Company intends to repurchase shares from time to time in open market transactions or private transactions, in accordance with applicable securities laws, and will not repurchase any shares above the prevailing market price at the time of the repurchase. The timing and amount of any repurchases will be determined by Management of the Company based on its evaluation of market conditions, capital allocation opportunities, and other factors. The new buyback program does not require the Company to repurchase any specific number of shares and may be modified, suspended, extended or terminated by the Company at any time without prior notice.

On March 6, 2015 Metrogas Holdings Inc, transferred the $ 50 million subordinated term loan facility to Seadrill Limited. All terms and conditions under this facility remain unchanged.

On April 20, 2015, the Company announced that it has received consent from its lenders under the multicurrency revolving facility to amend certain covenants, including an increase in the net interest bearing debt to 12 months rolling EBITDA covenant as well as adjustments to the calculation of the equity ratio covenant.

Appendices

Appendix A
Corporate governance

As used herein, unless otherwise required by the context, the terms "Archer", "Company", "we", "our" and words of similar import refer to Archer Limited. The Norwegian Code of Practice for Corporate Governance (the "Code") applies to us to the extent that the provisions of this Code do not conflict with the legislation of our national jurisdiction. The Code is a "comply or explain" guideline and we generally aim at complying with the recommendations of the Code. However, we will, to some extent, deviate from certain recommendations of the Code, partly due to different practice and principles under which Bermuda companies operate. The status of noncompliance and the explanations therefore is set out below.

The Code is available in its entirety at the Oslo Stock Exchange website (www.ose.no) and the website of The Norwegian Corporate Governance Board (www.nues.no).

Section 1
Archer Limited is a limited liability company registered in Bermuda-registered and listed on the Oslo Stock Exchange (Oslo Børs). The foundation for Archer's governance structure are Bermuda law as well as regulations for foreign companies listed on the Oslo stock exchange. In line with the directions given by the Board of Directors, Archer conducts its business on the basis of three fundamental values:

• Safety: The Company is committed, individually and as a team, to protect the health and safety of its employees, customers and communities.

• Integrity: Archer is committed to maintaining an environment of trust, built upon honesty, ethical behaviour, respect and candour.

• Performance: We are committed to efficiently and effectively perform to all Archer standards and those of our customers.

Archer's Board of Directors reviews the actual performance for all the values mentioned above and, where applicable, compares the key performance indicators against the plan on a quarterly basis. With regard to integrity, Archer has implemented a Code of Conduct and a Compliance and Business Ethics Manual in 2012, which is available on its website. It is Archer's policy that an employee who becomes aware of a possible violation of the Company's policies regarding legal or ethical business conduct must report the violation. This includes possible violations of policies set forth in this Manual, or other policies, manuals, or guides distributed by the Company. On a quarterly basis, the Audit Committee reviews reported potential violations of the Company's Code of Conduct and discusses required actions, if any.

The Board has reviewed the overall performance of the Company compared to its values and its corporate governance for the financial year 2013 in line with the Norwegian Code of Practice for Corporate Governance and confirms it is in compliance with the Code.

Section 2
In accordance with normal practice for Bermuda companies, our by-laws do not include a specific description of our business. According to the memorandum of association, no restrictions apply as to the purpose of the company and the reasons for its incorporation. As a Bermuda incorporated company, we have chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from Section 2 of the Code.

Section 3
Our equity capital is at a level appropriate to our objectives, strategy, and risk profile. In accordance with Bermuda law, the Board is authorised to repurchase treasury shares, and to issue any unissued shares within the limits of the authorised share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in Section 3 of the Code. While we aim at providing competitive long-term return on the investments for our shareholders, we do not currently have a formal dividend policy.

Section 4
The company has one class of shares, and all shares carry equal rights. In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorised capital within which the Board may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time-limited or purpose-limited authorisations to increase the share capital. The Board will propose to the shareholders that they consider and, if necessary, resolve to increase the authorised capital of the Company that will allow the Board some flexibility to increase the number of issued shares without further shareholder approval. As such, we may deviate from the Code's recommendation in Section 4 to limit such authorisation to 10% of the issued share capital. Any increase of the authorised capital is, however, subject to approval by the shareholders by 2/3 majority of the votes cast. Neither our by-laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. Our by-laws provide for the Board in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. We are subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Acts section 5-14. The Board will in connection, with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified. The Board will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Code Section 5. The Board may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

Other than related party transactions disclosed in Note 23, the Company did not enter into any transactions with its shareholders or closely associated entities.

Section 5
The shares are listed on Oslo Bors and are freely transferable. No transferability restrictions are incorporated into the Articles of Association.

Section 6
As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on Oslo Børs. We comply in all other respects with the recommendations for general meetings as set out in the Code.

Section 7
We have not established a nomination committee as recommended by the Code Section 7. In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become Board members and recommending directors for appointment to board committees.

Section 8
As recommended by the code and in accordance with the Company's Bye Laws, Directors are elected for a one year term until the next annual general meeting or until a successor is elected and are encouraged to own shares in the company. The Chairman of our four-member Board has been elected by the Board and not by the shareholders as recommended in the Code. This is in compliance with normal procedures under Bermuda law. We are not fully in compliance with Section 8 with respect to independence of board members. The Code recommends that the board should not include executive personnel and the majority of the shareholder-elected board members should be independent of the company's executive personnel and material business contacts. The Code also recommends that at least two of the members of the board should be independent of the company's main shareholders. Two of our five directors, Cecilie Fredriksen and Giovanni Dell' Orto, are independent of our two largest shareholders, Lime Rock Partners and Seadrill. One of our directors, Kate Blankenship, may be deemed affiliated, under the Code, with our largest shareholder, Seadrill. Our chairman John Reynolds is affiliated with our second largest shareholder, Lime Rock Partners. We accordingly deviate from the Code Section 8.

Section 9
The Board sets an annual plan for its work in December for the following year which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of our current year financial performance. The Board meets at least four times a year, with further meetings being held as required to react to operational or strategic changes in the market and company circumstances. The Board receives frequent and relevant information to carry out its duties. It has delegated authority to the Management by the means of a delegation of authority guideline. The Board evaluates its performance and expertise on an annual basis.

The Company has established a compensation committee which is independent of the Company's executive management. The Compensation Committee formulates and oversees the execution of Archer's compensation strategies, including making recommendations to our Board of Directors with respect to compensation arrangements for senior management, directors and other key employees. The compensation committee also administers the Company's stock compensation plans.

The Board has established an HSE committee, which reviews our performance related to health, safety and environment..

Section 10
Archer's Board of Directors ensures that the Company follows guidelines to minimise the overall risk to the company and its shareholders and implements and complies with an adequate internal control framework. Archer's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

We have implemented clear lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of expenditures. The senior management team meets with its geographic and divisional leadership on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics and legal and financial matters. We have also implemented a process to assess the Company's projected financing needs and compliance with covenants under its financing arrangements. The result is being presented and discussed with the Board of Directors on a regular basis so adequate corrective measures can be taken if and when necessary.

Integrity is part of our core values and high ethical standards are paramount to achieve our business objectives. Our Code of Conduct describes Archer's commitment related to ethics for both personal and business matters. Archer will comply with applicable laws and regulations and acts in an ethical and socially responsible manner. Our Code of Conduct applies to everyone working for Archer, including the members of the Board of Directors. The Code of Conduct is available at www.archerwell.com. Archer has implemented a dedicated ethics helpline that can be used by employees who wish to express concerns or seek advice regarding the legal and ethical conduct of our business.

We comply with the Code related to this section.

Section 11
There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. We will provide information to our shareholders regarding remuneration of the Board in compliance with US GAAP but will not implement procedures that are not generally applied under Bermuda law. We therefore deviate from this part of Section 11 of the Code. There are no service contracts between the Company and any of our directors providing for benefits upon termination of their service.

Appendix A
Corporate governance

Section 12
There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. We provide information to our shareholders regarding remuneration of the executive management in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure that the information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. We therefore deviate from this part of Section 12 of the Code.

Section 13
The Board of Directors has established guidelines requiring us to report interim financial information on a quarterly basis according to a financial calendar that is publically available. It has also asked us to hold a quarterly financial results conference call, which is accessible to all participants in the securities market. Timing and venue for such events are announced through public press releases. For specific events the Board of Directors requests us to hold investor meetings allowing for more detailed information. The information shared in such meetings is published on our website.

Section 14
The Board of Directors has adopted all recommendation related to takeovers, which requires that all shareholders are given sufficient information and time to form an independent view of a potential takeover offer.

Section 15
The board's audit committee is responsible for ensuring that the group is subject to an independent and effective audit. Our independent registered public accounting firm (independent auditor) is independent in relation to Archer and is appointed by the general meeting of shareholders. The independent auditor's fee must be approved by the general meeting of shareholders.

The audit committee approved by the Board of Directors, the audit committee is responsible for ensuring that the company is subject to an independent and effective external and internal audit. On an annual basis the independent auditor presents a plan for the audit committee for the execution of the independent auditor's work.

The independent auditor participates in all meetings of the audit committee and participates in reviewing the company's internal control procedures, including identified weaknesses and proposals for improvement.

When evaluating the independent auditor, emphasis is placed on the firm's competence, capacity, local and international availability, and the size of its fee. The audit committee evaluates and makes a recommendation to the Board of Directors, the corporate assembly and the general meeting of shareholders regarding the choice of independent auditor, and it is responsible for ensuring that the independent auditor meets the requirements in Norway.

The audit committee considers all reports from the independent auditor before they are considered by the board of directors. The audit committee holds regular meetings with the independent auditor without the company's management being present.

We comply with the Code related to this section.

Norwegian Accounting Act Section 3-3 b
In addition to the Norwegian Code of Practice for Corporate Governance, the Norwegian Accounting Act has set out additional requirements for corporate governance. We have established a set of guidelines related to internal control and corporate governance.

Risk Oversight
It is Management's responsibility to manage risk and bring our most material risks to the attention of the Board of Directors. The Board of Directors has delegated to the Audit Committee the responsibility to discuss with management our major financial risk exposures and the steps management has taken to monitor and control those exposures, including our risk assessment and risk management policies. The Audit Committee reports as appropriate to the full Board. Each operational division head is responsible to report risks related to each segment to the chief executive officer, who in turn reports to the Board.

Internal control
Our Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with United States generally accepted accounting principles. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Business Ethics and Conduct for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, which sets the tone of our company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorisations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Audit committee
The Audit Committee currently consists of our chairman John Reynolds and director Kate Blankenship. The Audit Committee assists our Board of Directors in fulfilling its oversight responsibility by overseeing and evaluating: (i) the conduct of our accounting and financial reporting process and the integrity of our financial statements; (ii) the functioning of our systems of internal accounting and financial controls; (iii) the performance and independence of our internal audit function; and (iv) the engagement, compensation, performance, qualifications and independence of our independent auditors.

The independent auditors have unrestricted access and report directly to the Audit Committee. The Audit Committee meets privately with, and has unrestricted access to, the independent auditors and all of our personnel.

Compensation committee
The Compensation Committee currently consists of our chairman John Reynolds. The Compensation Committee formulates and oversees the execution of our compensation strategies, including making recommendations to our Board of Directors with respect to compensation arrangements for senior management, directors and other key employees. The Compensation Committee also administers our stock compensation plans.

Health, Safety and Environment Committee
The Health, Safety and Environment Committee currently consist of one director, Giovanni Dell' Orto. The Health, Safety and Environmental Committee direct management to conduct our business with no accidents, injuries or losses in an environmental sustainable manner. The committee reviews material incidents and discusses appropriate actions to mitigate future occurrences.

Communications with the Board of Directors
Stockholders and other interested parties wishing to communicate with the Board of Directors or any individual director, including the chairman, should send any communication to the Corporate Secretary, Archer Limited, Par-la-Ville Place 14 Par-la-Ville Road, Hamilton HM 08, Bermuda. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. The Corporate Secretary will forward such communication to the director or directors to whom the communication is directed, unless the Corporate Secretary determines that the communication does not relate to the business or affairs of the Company or the functioning or constitution of the Board of Directors or any of its committees, relates to routine or insignificant matters that do not warrant the attention of the Board of Directors, is an advertisement or other commercial solicitation or communication, is frivolous or offensive, or is otherwise not appropriate for delivery to directors.

Communication from the Company
Information of relevance to our share price is communicated through our website, and includes information relating to results and economic development. Our policy is to comply with all applicable standards aimed at securing a good information flow.

Archer Limited publishes annual and quarterly reports at its website. We acknowledge the importance of providing shareholders, and the equity market in general, with correct and relevant information about us and our activities.

Related party transaction approval policy
Our Board of Directors has adopted a written policy relating to the approval of transactions with related parties. For purposes of this policy, a related party transaction is one in which we were, are or will be a participant and the amount involved exceeds $120,000, and in which any related party had, has or will have a direct or indirect material interest. Pursuant to the policy, all related party transactions must be reviewed and approved by the Audit Committee of our Board of Directors.

Other than the ones mentioned above, we have not established any further guidelines regulating the work of the Board and its committees.

Appendix B
List of significant subsidiaries

Company Name	Percent holding	Nature of Company
Archer (UK) Limited	100%	Drilling and well service operations
Archer AS	100%	Drilling and well service operations
Archer Assets UK Limited	100%	Holding company
Archer BCH (Canada) Ltd.	100%	Holding company
Archer Consulting Resources Limited	100%	Provides crew services
Archer Directional Drilling Services LLC	100%	Directional drilling services
Archer DLS Corporation	100%	Land drilling operations
Archer do Brasil Servicos de Petroleo Ltda.	100%	Drilling service operations
Archer Drilling LLC	100%	Platform drilling and engineering
Archer Emerald (Bermuda) Ltd.	100%	Owns and operates modular rig
Archer Leasing and Procurement LLC	100%	Acquires equipment for lease
Archer Management Limited (UK)	100%	Provides management services
Archer Norge AS	100%	Drilling and well service operations and management services
Archer Offshore Denmark AS	100%	Well service operations
Archer Oil Tools AS	100%	Provides oil tools
Archer Oil Tools LLC	100%	Provides oil tools
Archer Overseas Contracting Limited	100%	Provides crew services
Archer Pressure Pumping LLC	100%	Provides pressure pumping services
Archer Services Limited	100%	Provides crew services
Archer Survey and Inspection LLC	100%	Performs rig inspections
Archer Topaz Limited	100%	Acquiring a modular rig
Archer Well Company (Australia) Pty Ltd.	100%	Well service operations
Archer Well Company (M) SDN. BHD.	100%	Well service operations
Archer Well Company (Singapore) Pte. Ltd.	100%	Well service operations
Archer Well Company Inc.	100%	Holding and management company
Archer Well Company International Limited	100%	Well service operations
Archer Well Services Nigeria Limited	100%	Dormant
Archer Wireline LLC (previously Gray Wireline Service, Inc.)	100%	Provides wireline services
AWC Frac Valves Inc.	100%	Sells and services frac valves
BCH Energy do Brasil Servicos de Petroleo Ltda.	100%	Drilling service operations
Bergen Technology Center AS	100%	Manufacturing and engineering
C6 Technologies AS	50%	Research and development
DLS Argentina Limited	100%	Land drilling operations
Great White Pressure Control LLC	100%	Provides pressure control services
Limay Drilling Rigs Limited	100%	Asset owning and leasing
PT Archer	100%	Well service operations
Tanus Argentina S.A.	100%	Provides drilling mud services
TAQA Archer Services LLC	51%	Well service operations

Independent auditors' report to the members of Archer Limited

Report on the company financial statements

Our opinion

In our opinion, Archer Limited's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

What we have audited

Archer Limited's financial statements comprise:

- the Statement of operations, the Statement of comprehensive loss for the year then ended and the Statement of accumulated other comprehensive (loss)/income as at 31 December 2014;
- the Balance sheet as at 31 December 2014;
- the Statement of cash flows for the year then ended;
- the Statement of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law in Bermuda and accounting principles generally accepted in the United States of America.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Responsibility Statement in the Board of Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law in Bermuda and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members as a body for in accordance with Section 90 of the Companies Act 1981 (Bermuda) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

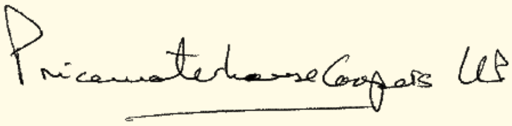
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters

We have reported separately on the group financial statements of Archer Limited for the year ended 31 December 2014.



PricewaterhouseCoopers LLP
Chartered Accountants
London, United Kingdom
April 27, 2015

Appendix C
Supplemental parent company only information

Archer Limited
Statement of Operations

	YEAR ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Revenues		
Operating revenues	6.1	2.1
Total revenues	**6.1**	**2.1**
Expenses		
General and administrative expenses	1.8	1.4
Total expenses	**1.8**	**1.4**
Operating income	**4.3**	**0.7**
Financial items		
Interest income	–	0.1
Interest expenses	(9.6)	(15.7)
Interest/dividends from subsidiaries	33.5	37.8
Share of loss from subsidiaries	(59.9)	(520.8)
Other financial items	(68.0)	(20.7)
Total financial items	**(104.0)**	**(519.3)**
Loss before income taxes	**(99.7)**	**(518.6)**
Income taxes	–	–
Net loss	**(99.7)**	**(518.6)**
Basic loss per share ($)	**(0.17)**	**(0.94)**
Diluted loss per share ($)	**(0.17)**	**(0.94)**
Weighted average number of shares outstanding (in thousands)		
Basic	579.160	549,468
Diluted	579,160	549,468

See accompanying notes that are an integral part of these Financial Statements.

Archer Limited
Statement of Comprehensive Loss

	YEAR ENDED DECEMBER 31	
	2014	2013
Net loss	**(99.7)**	**(518.6)**
Other comprehensive (loss)/income		
Change in unrealised (loss)/gain relating to subsidiary pension plans	(3.2)	(15.5)
Change in unrealised foreign exchange differences	6.1	(6.5)
Interest swap gain	–	–
Other comprehensive (loss)/income	**2.9**	**(22.0)**
Total comprehensive loss	**(96.8)**	**(540.6)**

Archer Limited
Statement of accumulated Other Comprehensive (loss)/income

	SUBSIDIARY PENSION PLANS-UNRECOGNISED (LOSS)/GAIN	CHANGE IN UNREALISED FOREIGN EXCHANGE DIFFERENCES	TOTAL
Balance at December 31, 2012	**(7.2)**	**9.2**	**2.0**
Net changes in gains and losses and prior service costs	(15.5)	–	(15.5)
Foreign exchange differences	–	(6.5)	(6.5)
Balance at December 31, 2013	**(22.7)**	**2.7**	**(20.0)**
Net changes in gains and losses and prior service costs	–	6.1	6.1
Foreign exchange differences	(3.2)	–	(3.2)
Balance at December 31, 2014	**(25.9)**	**8.8**	**(17.1)**

See accompanying notes that are an integral part of these Financial Statements.

Appendix C
Supplemental parent company only information

Archer Limited
Balance Sheet

	DECEMBER 31	
(In millions of $)	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	–	0.5
Amounts due from subsidiaries	70.7	21.3
Other current assets	–	2.1
Total current assets	**70.7**	**23.9**
Noncurrent assets		
Capitalised debt fees	–	3.8
Amounts due from subsidiaries, long term	416.4	740.7
Investments in subsidiaries	111.9	32.6
Total noncurrent assets	**528.3**	**777.1**
Total assets	**599.0**	**801.0**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts due to subsidiaries	–	–
Other current liabilities	5.7	1.0
Total current liabilities	**5.7**	**1.0**
Noncurrent liabilities		
Long-term interest bearing debt	–	164.4
Related party subordinated loan	50.0	–
Other long-term liabilities	0.5	1.0
Total noncurrent liabilities	**50.5**	**165.4**
Shareholders' equity		
Common shares of par value $1.00 per share: 1,200,000,000 shares authorised: 579,159,787 outstanding shares at December 31, 2014 and December 31 2013	579.2	579.2
Additional paid in capital	821.1	816.1
Accumulated deficit	(1,001.9)	(902.2)
Accumulated other comprehensive (loss)/income	(17.1)	(20.0)
Contributed surplus/(deficit)	161.5	161.5
Total shareholders' equity	**542.8**	**634.6**
Total liabilities and shareholders' equity	**599.0**	**801.0**

See accompanying notes that are an integral part of these Financial Statements.

Archer Limited
Statements of Cash Flows

	YEAR ENDED DECEMBER 31	
(In millions of $)	**2014**	**2013**
Cash Flows from Operating Activities		
Net loss	**(99.7)**	**(518.6)**
Adjustment to reconcile net loss to net cash used in operating activities:		
Share of results of subsidiaries	59.9	520.8
Share-based compensation expenses	–	1.1
Amortisation of loan fees	2.7	5.2
Interest income applied to loan balances	(33.5)	(37.8)
Unrealised foreign currency gains	65.4	20.7
Changes in operating assets and liabilities, net of acquisitions		
Increase in amounts owed by subsidiaries	(56.9)	(27.5)
Change in other operating assets and liabilities, net	16.5	35.4
Net cash used in operating activities	**(45.6)**	**(0.7)**
Cash Flows from Investing Activities		
Net cash invested in subsidiaries	(4.9)	(142.8)
Net cash used in investing activities	**(4.9)**	**(142.8)**
Cash Flows from Financing Activities		
Proceeds from long-term debt	–	20.0
Repayment of long-term debt	–	(50.0)
Proceeds from related party debt	50.0	–
Repayment of related party debt	–	(55.0)
Debt issuance costs	–	(1.6)
Proceeds from issuance of equity, net	–	208.3
Net cash provided by financing activities	**50.0**	**121.7**
Net (decrease)/increase in cash and cash equivalents	**(0.5)**	**(21.8)**
Cash and cash equivalents at beginning of the year	0.5	22.3
Cash and cash equivalents at the end of the year	**–**	**0.5**
Interest paid	(6.9)	(10.8)
Taxes paid	–	–

See accompanying notes that are an integral part of these Financial Statements.

Appendix C
Supplemental parent company only information

Archer Limited
Statement of changes in shareholders' equity

(In millions of $)	SHARE CAPITAL	ADDITIONAL PAID IN CAPITAL	(ACCUMULATED DEFICIT) RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	CONTRIBUTED (DEFICIT)/SURPLUS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2012	**733.3**	**779.6**	**(383.6)**	**2.0**	**(205.1)**	**926.2**
Recapitalisation	(366.6)	–	–	–	366.6	–
Private placement	212.5	35.4	–	–	–	247.9
Foreign currency translation differences	–	–	–	(6.5)	–	(6.5)
Pension – unrecognised gain	–	–	–	(15.5)	–	(15.5)
Share based compensation	–	1.1	–	–	–	1.1
Net loss	–	–	(518.6)	–	–	(518.6)
Balance at December 31, 2013	**579.2**	**816.1**	**(902.2)**	**(20.0)**	**161.5**	**634.6**
Foreign currency translation differences	–	–	–	6.1	–	6.1
Pension – unrecognised loss	–	–	–	(3.2)	–	(3.2)
Share based compensation	–	5.0	–	–	–	5.0
Net loss	–	–	(99.7)	–	–	(99.7)
Balance at December 31, 2014	**579.2**	**821.1**	**(1,001.9)**	**(17.1)**	**161.5**	**542.8**

See accompanying notes that are an integral part of these Financial Statements

Archer Limited
Notes to the supplemental parent only financial information

Note 1 — General Information

Archer Limited is a holding company. As used herein, unless otherwise required by the context, the terms "Archer," "Company," "we," "our" and words of similar import refer to Archer Limited. The use herein of such terms as group, organisation, we, us, our and its, or references to specific entities, is not intended to be a precise description of corporate relationships.

We were incorporated on August 31, 2007.

Our shares are traded on the Oslo Börs under the symbol "ARCHER.OL." Dividends, when declared, will be denominated in NOK.

Basis of presentation

We are a limited company that conducts substantially all of our business through our subsidiaries. This supplemental information has been presented on a "parent company only" basis to comply with Norwegian regulations.

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, or USD, or $ rounded to the nearest million, unless otherwise stated.

The accounting policies set out below has been applied consistently to all periods in these financial statements.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Note 2 — Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty. Actual results could differ from those estimates.

Foreign currencies

With effect from October 1, 2011, our functional currency was changed from the NOK to USD. This followed the acquisition of Great White, by one of our subsidiaries after which the majority of revenues generated by our subsidiaries, and thus ultimately remitted to us by way of dividend, are received in USD.

Current and noncurrent classification

Assets and liabilities are classified as current assets and current liabilities respectively, if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long term.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with maturity of three months or less, and exclude restricted cash.

Capitalised debt fees

Loan related costs, including debt arrangement fees, incurred on the initial arrangement of loan finance and any subsequent amendments, are capitalised and amortised over the term of the related loan using the straight-line method, which approximates the interest method. Amortisation of loan related costs are included in interest expense. Recurring loan costs, such as commitment fees, are recognised in the income statement within other financial items in the period in which they are incurred.

Investments in subsidiaries

Our investments in subsidiaries are presented under the equity method of accounting. Under the equity method of accounting, the investment is initially recorded at cost and is subsequently adjusted to reflect our share of the net profit or loss of the associate. Distributions received from the investee reduce the carrying amount of the investment.

Impairment of long-lived assets

The carrying values of long-lived assets that are held and used by us are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Income taxes

We are a Bermuda company. Under current Bermuda law, we are not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, we will be exempted from taxation until year 2035.

The impact of changes to income tax rates or tax law is recognised in periods when the change is enacted.

Appendix C
Supplemental parent company only information

Earnings per share, or EPS
Basic earnings per share are calculated based on the income for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments, which includes share options.

Financial Instruments
From time to time, we enter into interest rate swaps in order to manage floating interest rates on debt. Interest rate swap agreements are recorded at fair value in the balance sheet when applicable. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognised asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting, we formally designate the swap instrument as a hedge of cash flows to be paid on the underlying loan, and insofar as the hedge is effective, the change in the fair value of the swap each period are recognised in the "Accumulated other comprehensive income/(loss)" line of the Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the Statement of Operations in "Other financial items." Changes in the fair value of interest rate swaps are otherwise recorded as a gain or loss under "Other financial items" in the Statement of Operations where those hedges are not designated as cash flow hedges.

Related party transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Recently issued accounting pronouncements
The Financial Accounting Standards Board (FASB) issued the following applicable Accounting Standards Updates (ASU):
ASU 2014-06 Technical Corrections and Improvements Related to Glossary Terms. The amendments in this update relate to glossary terms and cover a wide range of topics in the codification. However, as they serve to clarify existing GAAP rather than change existing or add new GAAP, it is not expected to have any material impact on Archer's financial statements. The ASU states that:

The amendments in this update represent changes to clarify the Master Glossary of the Codification, consolidate multiple instances into a single definition, or make minor improvements to the Master Glossary that are not expected to result in substantive changes to the application of existing guidance.

2014-08 Presentation of Financial Statements (Topic 205) and Property Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update change the requirements for reporting discontinued operations in subtopic 205-20 by adding the requirement that the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

If a disposal (or planned disposal) meets the criteria for reporting discontinued operations, the amendments in this Update also require additional disclosures including:

1. The major classes of line items constituting the pre-tax profit/loss of the discontinued operation.
2. Either of the following:
   a. Total operating or investing cash-flows of the discontinued operations, or
   b. The depreciation, amortisation, capital expenditures and significant operating and investing non-cash items of the discontinued operations.
3. If the discontinued operation contains a non-controlling interest, the pre-tax profit/loss attributable to the parent.
4. A reconciliation of the major classes of assets and liabilities of the discontinued operation classified as held for sale that are disclosed in the Notes, to the total assets and total liabilities of the disposal group classified as held for sale in the balance sheet.
5. A reconciliation of the major classes of line items constituting the pre-tax profit/loss of the discontinued operation that are disclosed in the Notes, to the after tax profit/loss of the discontinued operation reported in the income statement.

These amendments are effective for annual periods beginning on or after December 15, 2014.

2014-09 Revenue from Contracts with Customers (Topic 606): This update replaces virtually all the previous USGAAP guidance on revenue recognition, with a single model to be applied to all contracts with Customers. It requires the identification of performance obligations in contracts, and allocation of the transaction price to those performance obligations, and then recognition of the revenue as and when each performance obligation is satisfied.

The new guidance removes the collectability criteria for the recognition of the revenue – requiring instead that recorded receivable amounts are impaired as and when their collectability becomes doubtful.

The performance obligation is satisfied, and therefore the revenue recognised over time, if the customer simultaneously receives and consumes the benefits provided by the entities. The majority of Archer's revenue is earned on a day rate basis, the recognition of which would be unchanged by the new guidance.

The guidance is applicable to all public companies' financial statements beginning after December 15, 2016 and early adoption is not permitted. We are currently assessing the potential effect the adoption of the new guidance will have on our financial statements.

ASU 2014-14 Presentation of Financial Statements – Going Concern: This update, issued August 2014, and effective for annual periods ending after December 15, 2016, provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Early application is permitted

Archer's management already performs an appropriate evaluation each reporting date, and relevant disclosures have been added to the financial statement when it is deemed necessary.

Note 3 — Earnings Per share, or EPS
The components for the calculation of basic EPS and diluted EPS and the resulting value are as follows:

(In millions of $)	NET LOSS	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2014			
Loss per share	(99.7)	579,159,787	(0.17)
Effect of dilutive options*	–	–	–
Diluted	(99.7)	579,159,787	(0.17)

(In millions of $)	NET INCOME	WEIGHTED AVERAGE SHARES OUTSTANDING	EARNINGS PER SHARE (IN $)
2013			
Loss per share	(518.6)	549,467,913	(0.94)
Effect of dilutive options*	–	–	–
Diluted	(518.6)	549,467,913	(0.94)

*Loss per share not adjusted for dilutive, in the money share options

Note 4 – Other current assets
Other current assets include:

	DECEMBER 31	
(In millions of $)	2014	2013
Accrued revenue	–	2.1
Total other current assets	**–**	**2.1**

Note 5 – Investments in subsidiaries
We had the following direct participation in investments:

COMPANY NAME	PERCENT HOLDING AS OF DECEMBER 31	
	2014	2013
Archer Management Limited (UK)	100%	100%
Archer Management (Bermuda) Ltd.	100%	100%
Archer Overseas Contracting Limited	100%	100%
Archer Services Limited	100%	100%
Archer Assets UK Limited	100%	100%
Archer Well Company (Singapore) Pte. Ltd.	100%	100%
Archer Emerald (Bermuda) Limited	100%	100%
Archer Topaz Limited	100%	100%
Archer Management (US) LLC (merged with Archer Well Company Inc., a subsidiary of Archer Assets UK Ltd.)	0%	100%

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Note 6 — Long-term, Interest Bearing Debt

	DECEMBER 31	
(In millions of $)	**2014**	**2013**
Long-term debt:		
Related party subordinated loan	50.0	–
Multicurrency term and revolving facility	–	164.4
Total long-term debt	**50.0**	**164.4**
Less: current portion	–	–
Long-term portion of interest bearing debt	**50.0**	**164.4**

Multicurrency term and revolving facility
On August 22, 2011, we, along with certain of our subsidiaries, entered into the multicurrency term and revolving facility which was amended and restated in December 22, 2011, for the addition of two new banks to the syndicate and increased the facility to $1,121.9 million. In January 2012 another lender was added to the facility, bringing the total facility to $1,171.9 million. In February 2013 we reached an agreement with our lending banks to amend the existing facility agreement following a $250.0 million equity raising. The proceeds of this additional equity were used to pre-pay the $100.0 million instalment due in November 2013, pre-pay $95.0 million relating to the revolving debt facility under the multicurrency loan agreement and repay $55.0 million related to the subordinated debt with Seadrill.

On March 7, 2013, we entered into a third amendment and restatement agreement in relation to our multicurrency term and revolving facility agreement with a syndicate of banks, at which time $876.9 million was committed by the lenders. Under the terms of the agreement, 75% of the net proceeds from the sale of certain assets need to be applied towards the facility. Therefore, we repaid $164.2 million as a result of the sale of our Rental and Tubular businesses in 2013 and an additional $14.4 million as a result of the sale of assets used in our Underbalanced business. Following this repayment, the total amount available on our main credit facility was reduced from $876.9 million to $698.2 million. The agreement was amended by Addendum No. 1 thereto dated July 31, 2013, to address the covenant requirements after the divesture.

On November 12, 2014, we signed a fourth amendment and re-statement multicurrency revolving facility agreement, and extended the term of the facility, which now matures in May 2018. The total amount available under the multicurrency revolving facility is $750 million. No instalments are due until May 2017, when quarterly instalments of $25 million commence. The interest payable on the facility is the aggregate of 1, 3 or 6 month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 3.95% per annum, depending on the ratio of the net interest bearing debt to EBITDA.

As of December 31, 2014, a total of $629.6 million was drawn under the revolving facility, by certain of our subsidiaries. The facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries. In addition, Seadrill Limited, a related party, has granted on-demand guarantees of $250 million in favour of the lenders under the revolving facility and the lenders of the overdraft facilities, securing our obligations under these facilities. Our entities that fall under the laws of the United States of America and are party to the revolving facility have executed general security agreements in respect of their assets as further security. The revolving facility contains certain financial covenants, including, among others:

- Our total consolidated net interest bearing debt shall not exceed 4.75x of the last twelve months EBITDA as of December 31, 2014. This leverage ratio has subsequent quarterly reductions of 0.25x until it reaches 3.0x.
- Our minimum ratio of equity including subordinated debt to total assets of at least 30.0%.
- We are to maintain the higher of $30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines).
- We shall ensure that the capital expenditures, on a consolidated basis, measured at the end of each financial year from 2014 and onwards shall not exceed $200 million, plus any capital expenditure under specific carved out arrangements.

The revolving facility contains events of default which include payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation. In addition there are cross default clauses in the event of the obligor defaulting on other issued debt.

As of December 31, 2014, we are in compliance with all covenants under our debt facilities.

On October 24, 2014, we signed a subordinated loan agreement with Metrogas Holdings Inc, a related party, for a loan of up to $50.0 million. The loan was drawn in full as at December 31, 2014 and is repayable in full at the maturity date. Interest is 7.5% per year, and is accumulated on the loan balance and payable on the maturity date. The loan matures on June 30, 2018.

Note 7 – Other current liabilities

Our other current liabilities comprise the following:

	DECEMBER 31	
(In millions of $)	2014	2013
Short term fair value of financial instruments	0.4	–
Accrued expenses	5.3	1.0
Total other current liabilities	**5.7**	**1.0**

Note 8 – Commitments and contingencies

Guarantees

We have issued guarantees in favour of third parties as follows, which is the maximum potential future payment for each type of guarantee:

	DECEMBER 31	
(In millions of $)	2014	2013
Guarantees to customers of the Company's own performance	5.0	5.0
Guarantee in favour of banks	11.7	12.5
	16.7	**17.5**

Note 9 – Legal Proceedings

From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of their business.

We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and our loss can be reasonably estimated, we record a liability for the expected loss but at this time any such expected loss are immaterial to our financial condition and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Note 10 – Share capital

	DECEMBER 31			
	2014		2013	
All shares are common shares of $1.00 par value each (2013: $1.00 par value)	SHARES	$ MILLION	SHARES	$ MILLION
Authorised share capital	1,200,000,000	1,200.0	1,200,000,000	1,200.0
Issued, outstanding and fully paid share capital	579,159,787	579.2	579,159,787	579.2

We were incorporated in 2007 and 50 ordinary shares each were issued. In October 2007, we also issued 100,000,000 shares. In April 2008 there was an equity issue of 10,000,000 shares. There were no new shares issued in 2009. In August 2010, we completed a private placement of 115.4 million shares. At December 31, 2010, there were 225,400,050 shares issued and outstanding.

On March 4, 2011, we issued a total of 97,071,710 common shares in connection with the merger with Allis-Chalmers.

On August 31, 2011, we issued 12.7 million new shares, following a Private Placement directed towards our two largest shareholders, Seadrill and Lime Rock Partners V. L.P., or Lime Rock. Seadrill was allocated 10.8 million of the new shares while Lime Rock was allocated the remaining 1.9 million shares. The proceeds were used to partly finance the acquisition of Great White.

In August 2011 we completed a private placement of 30.0 million shares. The proceeds were used to partly finance the acquisition of Great White.

A total of 997,242 shares were issued during 2011 in relation to exercise of options, and a further 228,620 shares were issued in relation to settlement with dissenting shareholders from the merger with Allis-Chalmers.

A total of 249,998 shares were issued during 2012 in relation to exercise of options and 11,500 shares were issued as a result of ministerial error related to the exchange of shares as consideration for the Allis-Chalmers merger.

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In February 2013 we issued 208,334,000 new shares of our stock in a private placement resulting in net proceeds of $250.0 million. Those proceeds were used to repay a $100.0 million instalment of one of our subsidiaries due in November 2013 under our multicurrency facility, prepay $95.0 million under that same facility for a subsidiary and repay the $55.0 million subordinated loan from a related party. Our five largest shareholders who in aggregate own 68% of our issued and outstanding share capital underwrote the private placement. The underwriters received an underwriting commission of $5.0 million, which was settled through the issuance of 4,166,667 new shares of our stock. In order to facilitate the immediate settlement and delivery of freely tradable shares to the subscribers, shares were made available through a share loan arrangement with Seadrill. At a special general meeting on February 13, 2013, we reduced the par value of our stock from $2.00 to $1.00 and increased the number of authorised shares from 600 million to 1.2 billion. Following the par value reduction and the issuance of new shares, we have 579,159,787 fully paid shares of par value of $1.00 each.

Note 11 – Share Option Plans

Options on Archer shares:

We have granted options to our senior management and directors that provide the employee with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the Board of Directors. The options granted under the plan to date vest over a period of one to five years.

As of December 31, 2014, Archer has two active option programs, in addition to two programs which were acquired and have been continued following the merger with Allis-Chalmers.

Accounting for share based compensation

The fair value of the share options granted is recognised as personnel expenses. During 2014, $2.6 million has been expensed in our Statement of Operations (2013: $1.1 million).

The following summarises share option transactions related to the Archer programs in 2014 and 2013:

	2014		2013	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE NOK
Outstanding at beginning of year	12,557,606	12,36	10,033,905	18.18
Granted	10,550,000	7,09	5,680,000	4.33
Exercised	—	—	—	—
Forfeited/expired	(1,428,749) 0	15.79	(3,156,299)	16.40
Outstanding at end of year	**21,678,857**	**9,57**	**12,557,606**	**12.36**
Exercisable at end of year	5,638,857	16,51	4,892,606	19.04

No income was received in 2014 as a result of share options being exercised (2013: nil).

Options issued under the Allis-Chalmers 2003 Program may be exercised up to March 5, 2019. The exercise price is between NOK 6.03 and NOK 72.26. At December 31, 2014, all 710,020 outstanding options under the Allis-Chalmers 2003 Program were exercisable.

Options issued under the Allis-Chalmers 2006 Program may be exercised up to April 21, 2020. The exercise price is between NOK 18.48 and NOK 19.22. At December 31, 2014, all 1,152,837 options outstanding under the Allis-Chalmers 2006 Program were exercisable.

Options issued under the 2009 & 2010 Program may be exercised up to December 31, 2015. The exercise price is between NOK 10.00 and NOK 22.00 per share, and may be exercised one third each year beginning twelve months after they were granted. At December 31, 2014, all 670,000 options outstanding under the 2009 & 2010 Program were exercisable.

Options issued under the 2011, 2012 & 2013 Program may be exercised up to December 31, 2018. The exercise price is between NOK 3.79 and NOK 20.00 per share, and may be exercised one fifth each year beginning twelve months after they were granted. At December 31, 2014, a total of 9,046,000 options were outstanding under the 2011, 2012 & 2013 Program and 2,806,000 of these were exercisable. On January 7, 2012, a total of 5.6 million of the options granted in 2011, with an exercise price between NOK 21.91 and 40.30, which were re-priced to NOK 20.00.

The weighted average grant-date fair value of options granted during 2014 is NOK 2.46 per share (2013: NOK 1.90 per share)

As of December 31, 2014, total unrecognised compensation costs related to all unvested share-based awards totalled NOK 42.6 million, which is expected to be recognised as expenses in 2015, 2016, 2017 and 2018 by, NOK 22.9 million, NOK 13.6 million, NOK 5.4million and NOK 0.7 million, respectively.

The weighted average remaining contractual life of outstanding options is 49 months (2013: 45 months) and their weighted average fair value was NOK 3.41 per option (2013: NOK 4.70 per option).

We pay the employers' national insurance contributions related to the options, while the option holders will be charged for the individual income taxes.

When stock options are exercised we settle the obligation by issuing new shares.

Valuation

We use the Black-Scholes pricing model to value stock options granted. The fair value of options granted is determined based on the expected term, risk-free interest rate, dividend yield and expected volatility. The expected term is based on historical information of past employee behaviour regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published Norwegian treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on history and expectation of dividend pay-outs.

We use a blended volatility for the volatility assumption, to reflect the expectation of how the share price will react to the future cyclicality of our industry. The blended volatility is calculated using two components. The first component is derived from volatility computed from historical data for a period of time approximately equal to the expected term of the stock option, starting from the date of grant. The second component is the implied volatility derived from our "at-the-money" long-term call options. The two components are equally weighted to create a blended volatility.

The parameters used in calculating these weighted fair values are as follows:

- average risk-free interest rate 1.7% (2013: 1.7%);
- volatility 50% (2013: 50%);
- dividend yield 0% (2013: 0%);
- option holder retirement rate 10% (2013: 10%) and
- expected term 3.0 years (2013: 3.5 years)

Restricted Stock

On February 10, 2014, the Board granted restricted stock units (RSUs) to members of Archer's management team. The RSUs vest, 25% on March 1, 2015 and 25% on March 1 for each of the subsequent three years. The total number of RSUs initially issued is 6,160,000.

Restricted stock awards do not pay dividends or allow voting rights during the performance period. Accordingly, the fair value of the restricted stock award is the quoted market price of Archer's stock on the date of grant less the present value of the expected dividends not received during the vesting period.

The following table summarizes information about all restricted stock transactions:

	2014		2013	
	RSU'S	WEIGHTED AVERAGE GRANT DATE FAIR VALUE NOK	RSU'S	WEIGHTED AVERAGE GRANT DATE FAIR VALUE NOK
Unvested at beginning of year	—	—	—	—
Initial grant	6,160,000	7.12	—	—
Subsequent grants	295,000	7.12	-—	—
Exercised	—	—	—	—
Forfeited	(510,000)	7.12	—	—
Outstanding at end of year	**5,945,000**	**7.12**	**—**	**—**

Note 12 — Related Party Transactions

We transact business with Seadrill and Metrogas Holdings Inc., being companies in which our principal shareholders Hemen Holding Ltd. and Farahead Investments Inc. have a significant interest.

We were established at the end of the third quarter of 2007, as a spin-off of Seadrill Limited's Well Service division. We acquired the shares in the Seadrill Well Service division entities on October 1, 2007, for $449.1 million. The acquisition has been accounted for as a common control transaction with the assets and liabilities acquired recorded by us at the historical carrying value of Seadrill Limited, or Seadrill. The excess consideration over the net assets and liabilities acquired has been recorded as adjustment to equity of $205.1 million. Seadrill currently owns 39.9% of our stock.

In March of 2013, Seadrill provided Archer with a $10.0 million subordinated term-loan facility which was repaid in April of 2013. In November 2012, Seadrill provided Archer with a $55.0 million subordinated term-loan facility to assist in the funding of a required $100 million principal payment on multi-currency term and revolving facility. This facility was repaid in February 2013 along with interest of $0.8 million.

Seadrill has provided a guarantee of $250.0 million to the lenders of our multicurrency revolving facility. Annual guarantee fees are charged to our subsidiaries at 1.25% of the guaranteed amount.

The subordinated loan provided by Metrogas Holdings Inc. is discussed in Note 6 above.

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Note 13 — Risk Management and Financial Instruments
Our reporting currency is US Dollars. Our subsidiaries operate in a number of countries worldwide and receive revenues and incur expenditures in other currencies causing their results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the Norwegian Krone and British Pounds. We also are exposed to changes in interest rates on variable interest rate debt and to the impact of changes in currency exchange rates on debt denominated in Norwegian Krone, Euros and British Pounds. There is, thus, a risk currency and interest rate fluctuations will have a negative effect on our cash flows.

Interest rate risk management
Our exposure to interest rate risk relates mainly to our variable interest rate debt and balances of surplus funds placed with financial institutions, and this is managed through the use of interest rate swaps and other derivative arrangements. Our policy is to obtain the most favourable interest rate borrowings available without increasing our foreign currency exposure. Surplus funds are generally placed in fixed deposits with reputable financial institutions, yielding higher returns than are available on cash at bank. Such deposits generally have short-term maturities, in order to provide us with flexibility to meet requirements for working capital and capital investments.

The extent to which we utilise interest rate swaps and other derivatives to manage our interest rate risk is determined by reference to our net debt exposure and our views regarding future interest rates. At December 31, 2014, we hold interest swap agreements which fix our variable interest payable covering NOK 300 million of NOK interest bearing loan, and $300 million of USD interest bearing loan, drawn by certain of our subsidiaries under our revolving credit facility. We have not elected to hedge account for our current interest rate swaps, accordingly any changes in the fair values of the swap agreements are reported within our income statement. The total fair value loss relating to interest rate swaps in 2014 amounted to $0.9 million (2013 $0.4 million).

Foreign currency risk management
We are exposed to foreign currency exchange movements in both transactions that are denominated in currency other than USD, and in translating subsidiaries who do not have a functional currency of USD, which is our reporting currency. Transaction losses are recognised in "Other financial items" in the period to which they relate. Translation differences are recognised as a component of equity. The total transaction loss relating to foreign exchange movements recognised in our Statement of Operations in 2014 amounted to $65.4 million (2013: loss $20.5 million).

Credit risk management
We have financial assets, including cash and cash equivalents and other receivables. These assets expose us to credit risk arising from possible default by the counterparty. We consider the counterparties to be creditworthy financial institutions and do not expect any significant loss to result from non-performance by such counterparties. We, in the normal course of business, do not demand collateral.

Fair values
The carrying value and estimated fair value of our financial instruments are as follows:

	DECEMBER 31			
(In millions of $)	2014		2013	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Cash and cash equivalents	–	–	0.5	0.5
Related party subordinated loan	(50.0)	(50.0)	–	–
Interest rate swap agreement	(0.9)	(0.9)	(0.4)	(0.4)
Long-term interest bearing debt	–	–	(164.4)	(164.4)

The above financial liabilities are measured at fair value on a recurring basis as follows:

		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
(In millions of $)	DECEMBER 31, 2014	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Assets:				
Cash and cash equivalents	–	–	–	–
Liabilities:				
Subordinated related party loan	(50.0)		(50.0)	
Interest rate swap agreement – long-term liability	(0.4)		(0.4)	

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

We have used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments as of December 31, 2014, and 2013. For certain instruments, including cash and cash equivalents, it is assumed that the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair values of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and relevant NIBOR interest rates.

The fair value of the subordinated related party debt is considered not to be materially different from its carrying value as the fixed interest rate payable on the loan is considered a fair market rate as at December 31, 2014.

Note 14 — Subsequent Events

Subsequent events have been incorporated to related notes where appropriate. Other subsequent events are disclosed in this note.

In January 2015 one of our subsidiaries received a thirty-day notice of early termination from Talisman Sinopec Energy UK Limited of its modular rig contract for the Archer Emerald. The effective date of termination is January 29, 2015. The original two-year contract was valued at approximately $96 million and was scheduled to commence during the first quarter of 2016. The early termination fee due to Archer under the contract will range between $34 million and $43 million.

In order to be able to meet the Company's obligations under the employee's incentive programs, the Board has authorised a share buyback program under which the Company may repurchase up to 10 million of the outstanding shares over the next 12 months for this purpose. The Company intends to repurchase shares from time to time in open market transactions or private transactions, in accordance with applicable securities laws, and will not repurchase any shares above the prevailing market price at the time of the repurchase. The timing and amount of any repurchases will be determined by Management of the Company based on its evaluation of market conditions, capital allocation opportunities, and other factors. The new buyback program does not require the Company to repurchase any specific number of shares and may be modified, suspended, extended or terminated by the Company at any time without prior notice.

On March 6, 2015 Metrogas Holdings Inc, transferred the $ 50 million subordinated term loan facility to Seadrill Limited. All terms and conditions under this facility remain unchanged.

On April 20, 2015, the Company announced that it has received consent from its lenders under the multicurrency revolving facility to amend certain covenants, including an increase in the net interest bearing debt to 12 months rolling EBITDA covenant as well as adjustments to the calculation of the equity ratio covenant.

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