SEADRILL LTD
Form 6-K
February 25, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of February 2016

Commission File Number 001-34667

SEADRILL LIMITED

Par-la-Ville Place, 4th Floor
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(441)295-6935
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ].

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ].

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 99.1 is a copy of the earnings release of Seadrill Limited (the "Company"), announcing the Company's results for the fourth quarter ended December 31, 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEADRILL LIMITED
(Registrant)
Dated: February 25, 2016
By: /s/ Georgina Sousa
Georgina Sousa
Secretary

EXHIBIT 99.1

Seadrill Limited (SDRL) - Fourth quarter 2015 results

February 25, 2016 - Seadrill Limited ("Seadrill" or "the Company"), a world leader in offshore deepwater drilling, announces its fourth quarter results for the period ended December 31, 2015.

Highlights

- Revenue of $959 million
- EBITDA[1] of $513 million
- 93% economic utilization[2]
- Reported Net Income of $279 million and diluted earnings per share of $0.58
- Cash and cash equivalents of $1.04 billion
- The Seadrill Group[4] achieved 95% economic utilization
- Seadrill Group orderbacklog of approximately $10.7 billion

Figures in USD million, unless otherwise indicated	Seadrill Limited Q4 2015 As Reported	Q4 2014 As Reported	% change	Q4 2015 Underlying*	Q4 2014 Underlying*	% change
Revenue	959	1,261	(24)%	959	1,126	(15)%
EBITDA	513	672	(24)%	513	587	(13)%
Margin (%)	53 %	53 %		53 %	52 %	
Operating income	223	452	(51)%	316	415	(24)%
Net Debt	9,937	11,995	(17)%	9,937	11,281	(12)%

* Underlying is defined as reported results, adjusted for certain non-recurring items and other exclusions as discussed in the Appendix 1. These numbers are reconciled to the US GAAP reported results for corresponding periods in the Appendix.

Commenting today, Per Wulff, CEO and President of Seadrill Management Ltd., said:
"During the fourth quarter we experienced our best operational quarter of the year, while continuing to reduce our cost base. Safe and efficient operations remain at the heart of what we do as we continue to drive down costs.

In the face of the severe downturn in our industry our priorities for 2016 are to conserve cash and address our financing needs. We have a modern competitive fleet, a proven track record in operations and every intention to position ourselves for a recovery in the sector.

Our 2016 liquidity is good and we aim to communicate our funding plans during the first half of the year."

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[1] EBITDA is defined as 'Earnings Before Interest, Tax, Depreciation and Amortization' and has been calculated by taking operating profit plus depreciation and amortization but excluding gains or losses on disposals and impairment charges against goodwill. Contingent consideration realized relates to Seadrill's ongoing residual interest in the West Vela and West Polaris customer contracts, and has been included within EBITDA.
[2] Economic utilization is calculated as total revenue, excluding bonuses, for the period as a proportion of the full operating dayrate multiplied by the number of days in the period.
[3] Net income excluding non-recurring items and non cash mark to market investments on derivatives is reconciled to US GAAP net income in Appendix 1.
[4] Seadrill Group is defined as all companies currently consolidated into Seadrill Limited plus Seadrill Partners and SeaMex.

Sequential Financial Results

	Seadrill Limited					
	Q4 2015 As Reported	Q3 2015 As Reported	% change	Q4 2015 Underlying*	Q3 2015 Underlying*	% change
Revenue	959	985	(2.6)%	959	985	(2.6)%
EBITDA	513	546	(6.0)%	513	546	(6.0)%
Margin (%)	53 %	55 %		53 %	55 %	
Operating income/(loss)	223	(291)	176.6 %	316	354	(10.7)%
Net Debt	9,937	10,178	(2.4)%	9,937	10,178	(2.4)%

* Underlying is defined as reported results, adjusted for certain exclusions as discussed in the Appendix I. These numbers are reconciled to the US GAAP reported results for corresponding periods in the Appendix.

Revenues of $959 million for the fourth quarter 2015 were down compared to $985 million in the third quarter of 2015 primarily due to additional idle units:

- The West Venture was idle for the entire quarter
- The West Phoenix was stacked during the winter period at the customers request
- The Sevan Driller contract was suspended effective December 1, 2015 while commercial negotiations are ongoing
- The West Telesto completed its contract in November

The reductions to revenue were partially offset by higher utilization across the remaining floaters in operation.

Reported net operating income for the quarter was $223 million. Excluding non-recurring items, underlying net operating income was $316 million after adjusting for a $93 million loss on disposal, primarily for the West Rigel, compared to underlying net operating income of $354 million in the preceding quarter. The decrease in underlying net operating income primarily reflects lower revenues in the quarter.

Net financial and other items for the quarter resulted in a credit of $127 million compared to an expense of $301 million in the previous quarter, excluding the impairment of investments of $1.3 billion. The main changes relate to the revaluation of the derivative hedge book and Seadrill's share in results of associated companies.

Income taxes for the fourth quarter were $71 million, an increase of $37 million from the previous quarter primarily due to a one-off non-cash deferred tax charge recognized on unremitted foreign earnings.

Reported net income for the quarter was $279 million representing basic and diluted earnings per share of $0.58. Excluding non-recurring items and non-cash mark to market movements on derivatives, underlying net income was $282 million and basic and diluted earnings per share was $0.54.

Balance sheet

As of December 31, 2015, total assets were $23.5 billion, a decrease of $214 million compared to the previous quarter.

Total current assets decreased to $2.9 billion from $3.1 billion over the course of the quarter, primarily driven by a decrease in the value of marketable securities related to Seadrill Partners.

Total non-current assets were $20.5 billion, approximately in line with the preceding quarter. The main changes were an increase in investment in associated companies related to an increase in Seadrill Partners net income, offset by a decrease related to the loss on disposal recognized on the reclassification of the West Rigel as an asset held for sale.

Total current liabilities decreased to $3.5 billion from $3.6 billion primarily due to the maturity of a $350 million bond and a decrease in the unrealized mark to market loss on derivatives, largely offset by the maturity profile of outstanding debt.

Long-term external interest bearing debt decreased to $9.1 billion from $9.3 billion over the course of the quarter, and total net interest bearing debt decreased to $9.9 billion from $10.2 billion compared to the previous quarter. The decrease was primarily due to the repayment of a $350 million bond due in October and normal quarterly installments, partially offset by a $200 million drawdown on a revolver associated with the $400 million jack-up facility.

Total equity increased to $10.0 billion as of December 31, 2015 from $9.8 billion as of September 30, 2015, primarily driven by the net income in the period.

Cash flow

As of December 31, 2015, cash and cash equivalents were $1.0 billion, a decrease of $137 million compared to the previous quarter.

Net cash provided by operating activities for the twelve month period ended December 31, 2015 was $1.8 billion and net cash used in investing activities for the same period was $190 million. Net cash used in financing activities was $1.4 billion.

Cash Savings Program

During 2015, the Group achieved $832 million in cash savings primarily by reducing or postponing spending in operating expense, G&A and capex.

Approximately one quarter of the $832 million represents reductions in operating costs across the Group coming from headcount reductions, insurance savings, supplier discounts, travel costs and compensation adjustments which we will continue to receive the benefit of in future years.

During the year total headcount reduced from 9,450 to 7,103. The reduction was comprised of 1,817 (24%) offshore and 530 (31%) onshore. The year end onshore total stood at 1,189 and the offshore total at 5,914.

35% of the cash savings program relates to to deferments in capex and long term maintenance as classing and maintenance is not performed on idle units. We expect these expenditures to return when idle units come back into service.

The remaining 40% of the 2015 cash savings program relates to the deferment of newbuilds. While final yard installments are excluded from our calculation, operation preparations and other progress payments that would have been incurred had we taken delivery on the original schedule are included.

Newbuilding Program

During the quarter, North Atlantic Drilling Ltd. reached a standstill agreement effective until June 2016 with Jurong Shipyard for the delivery of the sixth generation harsh environment semi-submersible drilling rig, the West Rigel. During the standstill period until June 2016, NADL will continue to market the Unit for an acceptable drilling contract and the Unit will remain at the Jurong Shipyard in Singapore. Jurong and NADL can also consider other commercial opportunities for the Unit during this period.

In the event no employment is secured and no alternative transaction is completed when the standstill period concludes, NADL and Jurong have agreed to form a Joint Asset Holding Company for joint ownership of the Unit to be owned 23% by NADL and 77% by Jurong. NADL will continue to market the Unit for the Joint Asset Holding Company.

As a result the West Rigel has been removed from our newbuildings and future capex, and is now classified as an asset held for sale.

Operations

The fourth quarter of 2015 was one of our strongest operating periods to date. The current status and performance of the Group's delivered rig fleet is as follows:

	SDRL	SDLP	Seamex	Seadrill Group
Operating floaters	14	7	0	21
Operating floaters economic utilization	91%	99%	-	94%
Idle floaters	5	1	0	6
Operating jack-ups	14	0	5	19
Operating jack-up economic utilization	96%	-	100%	97%
Idle jack-ups	5	0	0	5
Operating tender rigs	0	3	0	3
Operating tender rigs economic utilization	-	100%	-	100%
Idle tender rigs	0	0	0	0
Total operating rigs	28	10	5	43
Total operating rigs economic utilization	92%	99%	100%	95%
Total idle rigs	10	1	0	11
Total rigs	38	11	5	54

Commercial Developments

During the fourth quarter, no new contracts were secured, renegotiated or terminated.

Since the year end, we have secured a new contract in Angola for the West Eclipse expected to commence in the second quarter of 2016. The contract is for a firm period of 2 years and adds backlog of about $285 million inclusive of mobilization. As part of this agreement, the backlog for the West Polaris has been decreased by about $95 million.

The net effect of this agreement is an increase of approximately $190 million in total backlog.

Seadrill's order backlog as of February 24th, 2016 is $5.1 billion, comprised of $3.9 billion for the floater fleet and $1.2 billion for the Jack-up fleet. The average contract duration is 18 months for floaters and 13 months for Jack-ups.

For the Seadrill Group, total order backlog is $10.7 billion

Commercial contract renegotiation discussions continue to advance with some customers and the Company continues to look toward finding commercial agreements that are beneficial to both parties in order to be better positioned for future contract awards.

Market Development

The offshore drilling market continues to be oversupplied with multiple drilling rigs chasing the few opportunities that are available. Contracting activity is at the lowest levels since the 1980's. Oil company capital expenditures are expected to decline further in 2016, following two consecutive years of decline. We continue to believe that the majority of rigs with contracts expiring in 2016 will be unable to find suitable follow on work, many are likely to be idle for a protracted period and consequently cold stacking and scrapping activity will accelerate.

Oil companies continue to work on managing their existing rig capacity. They are in many cases overcommitted based on reduced activity levels and there is very little appetite for adding new units. Near term budgetary constraints are the primary focus of many of our customers, with short term cash conservation ranking ahead of long term value generation. However, the near term cost cutting needed to support dividend payments can be expected to negatively impact the long term production profiles of existing development projects.

Although the industry fundamentals are currently subdued, Seadrill is positive on the long term outlook for the industry and the Company. At today's oil prices the full cycle cost of many of the hydrocarbon provinces globally are uneconomic. A supply response is inevitable, however it may take some time due to the high degree of sunk costs in producing projects. When also considering the eventual demand response to low prices we can expect to see a rebalancing in the oil markets. Offshore oil fields represent a material portion of most major oil company's reserves and their production remains a cost competitive source of hydrocarbons. When the cycle turns we see a strong future for Seadrill's modern, high specification fleet and highly regarded operational track record.

Board Directorships

Dr. Charles Woodburn has decided to resign as a Director of Seadrill Limited given his recent appointment to join BAE Systems Plc. Dr. Woodburn was appointed to the Board in January 2015. We thank him for his service and wish him well in his future pursuits.

Mr. Per Wulff has been appointed as a Director of the Company. Mr. Wulff has been President and CEO of Seadrill Management Ltd. since July of 2013 and also serves on the Board of Sevan Drilling. He will continue to hold these positions following his appointment to the Board.

2016

Financing
The company is currently working with its advisers to evaluate alternatives in light of industry and capital market conditions. We aim to communicate our financing plans during the first half of this year.

Cost savings
We made significant progress in 2015 in reducing capital and operating expenditures. Total onshore and offshore headcount reduced from 9,450 to 7,103 during the year. In 2016 we have identified a further $260 million of sustainable cost savings relative to levels achieved in 2015 as we continue to focus on headcount reductions, insurance savings, supplier discounts, travel costs and compensation adjustments.

Newbuilds
In January 2016, we reached an agreement with DSME to defer the delivery of two ultra-deepwater drillships, the West Aquila and West Libra, until the second quarter of 2018 and first quarter of 2019 respectively, with no further payments to the yard until delivery.

The Company is in dialog with Dalian regarding deferral of the 8 jack-ups and we do not plan to take delivery of any rigs during 2016.

First Quarter 2016 Guidance

EBITDA is expected to be around $450 million (Q4 2015: $513 million) driven by:

- Increased idle time on the following units relative to the fourth quarter:
Sevan Driller - full quarter of idle time
West Telesto - rig off contract in January 2015

- Dayrate renegotiations taking effect in the first quarter:
West Polaris - reduction in contingent consideration received

- Offset by improved operations on the following units:
West Orion - SPS completed in fourth quarter and returning to normal operations in the first quarter
West Eclipse - Lower operating cost in the first quarter (preparing for warm stack in the fourth quarter)
West Carina - Improved uptime relative to the fourth quarter

Operationally, performance in the first quarter is strong with 96% utilization quarter to date.
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Forward-Looking Statements

This news release includes forward looking statements. Such statements are generally not historical in nature, and specifically include statements about the Company's plans, strategies, business prospects, changes and trends in its business and the markets in which it operates. These statements are made based upon management's current plans, expectations, assumptions and beliefs concerning future events impacting the Company and therefore involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, which speak only as of the date of this news release. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to offshore drilling market conditions including supply and demand, day rates, customer drilling programs and effects of new rigs on the market, contract awards and rig mobilizations, contract backlog, dry-docking and other costs of maintenance of the drilling rigs in the Company's fleet, the cost and timing of shipyard and other capital projects, the performance of the drilling rigs in the Company's fleet, delay in payment or disputes with customers, our ability to successfully employ our drilling units, procure or have access to financing, ability to comply with loan covenants, liquidity and adequacy of cash flow from operations, fluctuations in the international price of oil, international financial market conditions changes in governmental regulations that affect the Company or the operations of the Company's fleet, increased competition in the offshore drilling industry, and general economic, political and business conditions globally. Consequently, no forward-looking statement can be guaranteed. When considering these forward-looking statements, you should keep in mind the risks described from time to time in the Company's filings with the SEC, including its Annual Report on Form 20-F.

The Company undertakes no obligation to update any forward looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, the Company cannot assess the impact of each such factors on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward looking statement.

February 25, 2016
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management Ltd represented by:

Per Wullf:	Chief Executive Officer and President
Mark Morris:	Chief Financial Officer
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Appendix I

Reconciliation of certain underlying financial measures with the reported results

(in $ million)	Q4 2015
Net income	279
Add back:	
Loss on disposal	93
Non-cash mark to market movements on derivatives	(90)
Net income excluding non-recurring items and non-cash mark to market movement on derivatives	282
Attributable to NCI	16
Attributable to parent	266
Underlying basic and diluted weighted average shares in issue (million)	493
Underlying basic and diluted EPS excluding non-recurring items and non-cash mark to market movement on derivatives ($ per share)	$0.54

(in $ million)	Q4 2015	Q3 2015	Q4 2014
Interest bearing debt			
Current portion of long-term debt	1,489	1,645	2,267
Short-term debt to related party	—	—	—
Long-term debt	9,054	9,319	10,208
Long-term debt due to related parties	438	395	351
Total interest bearing debt	10,981	11,359	12,826
Cash and cash equivalents	1,044	1,181	831
Net interest bearing debt*	9,937	10,178	11,995

Q4 2014 net interest bearing debt has been recasted to be presented on a consistent basis.

(in $ million)	Q4 2015 As reported	Exclusions	Q4 2015 Underlying
Revenue	959	—	959
EBITDA	513	—	513
Margin (%)	53 %		53 %
Operating income	223	93	316
Net Debt	9,937	—	9,937

Q4 2015 Underlying represents reported numbers adjusted for non-recurring items, for the purposes of comparability. The only adjustment made is:

- Operating income: exclusion of loss on disposals

(in $ million)	Q4 2014 As reported	Exclusions	Q4 2014 Underlying
Revenue	1,261	(135)	1,126
EBITDA	672	(85)	587
Margin (%)	53 %		52 %
Operating income	452	(37)	415
Net Debt	11,995	(714)	11,281

Q4 2014 Underlying represents reported numbers adjusted for West Vela, West Polaris, West Titania, West Oberon, West Intrepid, West Courageous and West Defender that have been disposed of by the Company since October 1, 2014, for the purposes of comparability. The adjustments made are:

- Revenue: exclusion of contract revenue relating to rigs disposed of since October 1, 2014.
- EBITDA: exclusion of EBITDA relating to rigs disposed of since October 1, 2014.
- Net debt: exclusion of debt amount outstanding relating to rigs disposed of since October 1, 2014.

(in $ million)	Q3 2015 As reported	Exclusions	Q3 2015 Underlying
Revenue	985	—	985
EBITDA	546	—	546
Margin (%)	55 %		55 %
Operating income	(291)	645	354
Net Debt	10,178	—	10,178

Q3 2015 Underlying represents reported numbers adjusted for non-recurring items, for the purposes of comparability. The adjustments made are:

- Operating income: exclusion of goodwill impairment and loss on disposals

Seadrill Limited

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
for the three and twelve months ended December 31, 2015 and 2014

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Operating revenues				
Contract revenues	853	1,163	3,957	4,518
Reimbursable revenues	37	17	113	190
Other revenues	* 69	81	265	289
Total operating revenues	959	1,261	4,335	4,997
(Loss)/gain on disposals	* (93)	192	(63)	632
Contingent consideration realized	* 19	—	47	—
Operating expenses				
Vessel and rig operating expenses	* 369	488	1,611	1,938
Reimbursable expenses	29	18	99	172
Depreciation and amortization	197	180	779	693
Loss on Goodwill impairment	—	232	563	232
General and administrative expenses	* 67	83	248	315
Total operating expenses	662	1,001	3,300	3,350
Operating income	223	452	1,019	2,279
Financial items and other income and expense				
Interest income	* 18	18	67	63
Interest expense	* (98)	(122)	(415)	(478)
Loss on impairment of investments	—	—	(1,274)	—
Gain on deconsolidation of Seadrill Partners	—	—	—	2,339
Share in results from associated companies (net of tax)	119	24	190	34
Gain/(loss) on derivative financial instruments	* 40	(285)	(274)	(497)
Net gain/(loss) on debt extinguishment	—	22	8	(54)
Foreign exchange gain	31	105	63	164
Gain on realization of marketable securities	—	—	—	131
Gain on sale of tender rig business	—	—	22	—
Other financial items and other income and (expense), net	* 17	(13)	52	125
Total financial items and other income and (expense), net	127	(251)	(1,561)	1,827
Income/(loss) before income taxes	350	201	(542)	4,106
Income tax expense	(71)	(51)	(208)	(19)
Net income/(loss)	279	150	(750)	4,087
Net (loss)/income attributable to the non-controlling interest	(6)	(7)	(12)	108
Net income/(loss) attributable to the parent	285	157	(738)	3,979

Basic earnings/(loss) per share (US dollar)	0.58	0.32	(1.49)	8.32
Diluted earnings/(loss) per share (US dollar)	0.58	0.32	(1.49)	8.30
Declared regular dividend per share (US dollar)	—	—	—	2.00

* Includes transactions with related parties. Refer to Note 17.
See accompanying notes that are an integral part of these Consolidated Financial Statements.
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Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three and twelve months ended December 31, 2015 and 2014
(In $ millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net income/(loss)	279	150	(750)	4,087
Other comprehensive (loss)/income, net of tax:				
Change in unrealized loss on marketable securities, net	(129)	(710)	(427)	(982)
Other than temporary impairment of marketable securities, reclassification to statement of operations	—	—	741	—
Change in unrealized foreign exchange differences	(5)	7	(15)	(22)
Change in actuarial gain/(loss) relating to pension	3	(1)	27	(28)
Change in unrealized gain on interest rate swaps in VIEs and subsidiaries	2	—	—	1
Share of other comprehensive income from associated companies	3	—	10	—
Other comprehensive (loss)/income:	(126)	(704)	336	(1,031)
Total comprehensive income/(loss) for the period	153	(554)	(414)	3,056
Comprehensive (loss)/income attributable to the non-controlling interest	(4)	(7)	(4)	53
Comprehensive income/(loss) attributable to the parent	157	(547)	(410)	3,003

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

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Seadrill Limited
UNAUDITED CONSOLIDATED BALANCE SHEETS
as of December 31, 2015 and December 31, 2014
(In $ millions)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	1,044	831
Restricted cash	50	268
Marketable securities	96	426
Accounts receivables, net	718	1,017
Amount due from related party	639	402
Assets held for sale - current	—	134
Other current assets	395	222
Total current assets	2,942	3,300
Non-current assets		
Investment in associated companies	2,590	2,898
Marketable securities	228	325
Newbuildings	1,479	2,030
Drilling units	14,930	15,145
Goodwill	—	604
Restricted cash	198	181
Deferred tax assets	81	39
Equipment	46	46
Amount due from related party non-current	517	313
Assets held for sale - non-current	128	1,105
Other non-current assets	331	311
Total non-current assets	20,528	22,997
Total assets	23,470	26,297
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	1,489	2,267
Trade accounts payable	141	84
Short-term amounts due to related party	152	189
Liabilities associated with assets held for sale - current	—	58
Other current liabilities	1,684	1,934
Total current liabilities	3,466	4,532
Non-current liabilities		
Long-term debt	9,054	10,208
Long-term debt due to related parties	438	351
Deferred tax liabilities	136	67
Liabilities associated with assets held for sale - non-current	—	50
Other non-current liabilities	401	699
Total non-current liabilities	10,029	11,375
Equity		
Common shares of par value $2.00 per share: 800,000,000 shares authorized 492,759,940 outstanding at December 31, 2015 (December 31, 2014, 492,759,938)	985	985
Additional paid in capital	3,275	3,258
Contributed surplus	1,956	1,956

Accumulated other comprehensive loss	(120)	(448)
Retained earnings	3,275	4,013
Total shareholders' equity	9,371	9,764
Non-controlling interest	604	626
Total equity	9,975	10,390
Total liabilities and equity	23,470	26,297

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the twelve months ended December 31, 2015 and 2014
(In $ millions)

	Twelve Months Ended December 31, 2015	2014
Cash Flows from Operating Activities		
Net (loss)/income	(750)	4,087
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization	779	693
Amortization of deferred loan charges	39	54
Amortization of unfavorable contracts	(116)	(131)
Gain on sale of tender rig business	(22)	—
Share of results from associated companies	(190)	(121)
Share-based compensation expense	7	10
Gain/(loss) on disposals and deconsolidations	63	(2,971)
Contingent consideration realized	(47)	—
Loss on sale of investments	—	89
Unrealized loss related to derivative financial instruments	42	197
Loss on Goodwill impairment	563	232
Loss on impairment of investments	1,274	—
Dividends received from associated companies	253	526
Deferred income tax	29	(6)
Unrealized foreign exchange gain on long-term debt	(95)	(165)
Payments for long-term maintenance	(106)	(295)
Gain on realization of marketable securities	—	(138)
Net gain on debt extinguishment	(8)	(12)
Other, net	(9)	(17)
Changes in operating assets and liabilities, net of effect of acquisitions and disposals		
Trade accounts receivable	267	(295)
Trade accounts payable	58	21
Prepaid expenses/accrued revenue	(12)	13
Deferred revenue	(95)	171
Related party receivables	65	213
Related party payables	(64)	(460)
Other assets	(22)	32
Other liabilities	(115)	(153)
Net cash provided by operating activities	1,788	1,574

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the twelve months ended December 31, 2015 and 2014
(In $ millions)

	Twelve Months Ended December 31, 2015	2014
Cash Flows from Investing Activities		
Additions to newbuildings	(613)	(2,508)
Additions to drilling units and equipment	(322)	(365)
Refund of yard installments	29	—
Contingent consideration received	27	—
Sale of business, net of cash disposed	1,214	1,138
Cash in deconsolidated subsidiaries	—	(90)
Change in restricted cash	(25)	(131)
Investment in associated companies	(210)	(586)
Proceeds from disposal of investment in associated companies	—	373
Purchase of marketable securities	—	(150)
Loans granted to related parties	(523)	(18)
Payments received from loans granted to related parties	233	2,096
Proceeds from disposal of marketable securities	—	307
Net cash (used in)/provided by investing activities	(190)	66
Cash Flows from Financing Activities		
Proceeds from debt and revolving line of credit	1,516	5,072
Repayments of debt and revolving line of credit	(2,999)	(4,344)
Debt fees paid	(16)	(65)
Proceeds from debt to related party	143	90
Repayments of debt to related party	—	(910)
Dividends paid to non-controlling interests	(14)	(51)
Contribution from non-controlling interests, net of issuance costs	—	115
Purchase of treasury shares	—	(18)
Employee stock options exercised	—	5
Dividends paid	—	(1,415)
Net cash used in financing activities	(1,370)	(1,521)
Cash reclassified as held for sale	—	(26)
Effect of exchange rate changes on cash	(15)	(6)
Net increase in cash and cash equivalents	213	87
Cash and cash equivalents at beginning of the period	831	744
Cash and cash equivalents at the end of period	1,044	831

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

Seadrill Limited

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the twelve months ended December 31, 2015 and 2014
(In $ millions)

	Common shares	Additional paid-in capital	Contributed surplus	Accumulated OCI	Retained earnings	Total equity before NCI	NCI	Total equity
Balance at December 31, 2013	938	2,641	1,956	528	1,449	7,512	690	8,202
Sale and purchase of treasury shares, net	(1)	(22)	—	—	—	(23)	—	(23)
Share based compensation charge	—	10	—	—	—	10	—	10
Employee stock options issued	1	4	—	—	—	5	—	5
Conversion of convertible bond	47	568	—	—	—	615	—	615
Acquisition of West Polaris	—	(6)	—	—	—	(6)	(7)	(13)
Sale of NCI	—	—	—	—	—	—	4	4
Other comprehensive loss	—	—	—	(976)	—	(976)	(55)	(1,031)
Deconsolidation of Seadrill Partners	—	—	—	—	—	—	(115)	(115)
Dividend payments	—	—	—	—	(1,415)	(1,415)	(51)	(1,466)
Initial public offering of North Atlantic Drilling	—	63	—	—	—	63	52	115
Net income	—	—	—	—	3,979	3,979	108	4,087
Balance at December 31, 2014	985	3,258	1,956	(448)	4,013	9,764	626	10,390
Sale and purchase of treasury shares, net		10	—	—	—	10	—	10
Share-based compensation charge	—	7	—	—	—	7	—	7
Sale of NCI	—	—	—	—	—	—	(4)	(4)
Other comprehensive income	—	—	—	328	—	328	8	336
Distributions to non-controlling interests	—	—	—	—	—	—	(14)	(14)
Net loss	—	—	—	—	(738)	(738)	(12)	(750)
Balance at December 31, 2015	985	3,275	1,956	(120)	3,275	9,371	604	9,975

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

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Seadrill Limited

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Seadrill Limited is incorporated in Bermuda and is a publicly listed company on the New York Stock Exchange and the Oslo Stock Exchange. We provide offshore drilling services to the oil and gas industry. As of December 31, 2015 we owned and operated 38 offshore drilling units, had 13 units under construction and an additional unit classified as held for sale. Our fleet consists of drillships, jack-up rigs and semi-submersible rigs for operations in shallow and deepwater areas, as well as benign and harsh environments.

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

Basis of presentation

The unaudited interim consolidated financial statements are stated in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The unaudited interim consolidated financial statements do not include all of the disclosures required in complete annual financial statements. These interim financial statements should be read in conjunction with our annual financial statements filed with the SEC on Form 20-F for the year ended December 31, 2014. The amounts are presented in United States dollar ("US dollar") rounded to the nearest million, unless stated otherwise.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of our annual audited consolidated financial statements for the year ended December 31, 2014 except as discussed below or unless otherwise included in these unaudited interim financial statements as separate disclosures.

Related party offsetting

Historically the Company presented balances due to/from Ship Finance on a gross basis. From June 30, 2015 the Company has elected to present this on a net basis, due to the fact that the right of offset is established in the long-term loan agreements, and the balances are intended to be settled on a net basis, providing a more appropriate description of the Company's related party net debt position. Accordingly the Company has re-presented $45 million related to SFL Deepwater Ltd, $5 million related to SFL Hercules Ltd, and $14 million related to SFL Linus, as at December 31, 2014 from Amounts due from related parties (Current assets) and offset against Long-term debt due to related parties (Non-current liabilities). Similarly, the Company has presented $8 million related to SFL Deepwater Ltd and $20 million related to SFL Hercules Ltd as at December 31, 2015 from Amounts due from related parties (Current assets) and offset against Long-term debt due to related parties (Non-current liabilities). Refer to Note 16 - Variable interest entities.

Note 2 – Recent Accounting Pronouncements

Recently Adopted Accounting Standards

The Company has adopted Accounting Standards Update ("ASU") 2015-03, Interest - Imputation of Interest, (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as at June 30, 2015, which requires the debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This ASU is effective for the first interim period beginning after December 15, 2015 and early adoption is permitted. The Company has chosen to early adopt this ASU in the second quarter of 2015. As a result, $42 million of debt issuance costs have been reclassified from Other current assets to a direct deduction from Current portion of long-term debt as at December 31, 2014 and $103 million of debt issuance costs have been reclassified from Other non-current assets to a direct deduction from Long-term debt as at the same date. Similarly, as at December 31, 2015, $37 million of debt issuance costs have been presented as a direct deduction from the current portion of long-term debt and $81 million of debt issuance costs have been presented as a direct deduction from long-term debt as at that date. Refer to Note 12 – Debt, included herein, for further details.

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the criteria for reporting discontinued operations to include only disposals representing a strategic shift in operations. The ASU also requires expanded disclosures regarding the assets, liabilities, income, and expenses of discontinued operations. Seadrill adopted this guidance in the period, which was effective for the discontinued operations occurring after January 1, 2015. The adoption of this guidance did not have a material impact on Company's consolidated financial statements and related disclosures.

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which required two accounting changes. First, the amendments in this Update changed the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Second, for repurchase financing arrangements, the amendments required separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which would result in secured borrowing accounting for the repurchase agreement. The ASU also requires for certain transactions comprising (1) a transfer of a financial asset accounted for as a sale and (2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. Seadrill adopted this guidance in the period. However, the adoption of this guidance does not have a material impact on Company's consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes in a classified statement of financial position. The update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position as opposed to the current requirement to separate these into current and non-current amounts. As permitted by ASU 2015-17, the Company early-adopted this standard as at December 31, 2015 and applied it retrospectively to all periods presented. As a result the Company has presented all deferred tax liabilities and assets, as well as any related valuation allowance, as non-current for all periods presented in this annual report. The adoption of this guidance did not have a material impact on Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. In April 2015 the FASB proposed to defer the effective date of the guidance by one year. Based on this proposal, public entities would need to apply the new guidance for annual and interim periods beginning after December 15, 2017, and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted until periods beginning after December 15, 2016. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides new authoritative guidance with regards to management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The ASU will be effective for all entities in the first annual period ending after December 15, 2016 (December 31, 2016 for calendar year-end entities) and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which made targeted amendments to the current consolidation guidance that could affect all industries. The FASB issued this guidance to respond to stakeholders' concerns about the current accounting for consolidation of certain legal entities. Financial statement users asserted that in certain situations in which consolidation is ultimately required, deconsolidated financial statements are necessary to better analyze the reporting entity's economic and operational results. Previously, the FASB issued an indefinite deferral for certain entities to partially address those concerns. However, the amendments in this guidance rescind that deferral and address those concerns by making changes to the consolidation guidance. The ASU will be effective for public entities in the first annual period, and for interim periods therein, beginning after December 15, 2015 and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. This ASU will be effective for the first interim period beginning after December 15, 2015 and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance further requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance will be effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which made targeted improvements to the recognition and measurement of financial assets and financial liabilities. The update changes how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current US GAAP. The guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted in some cases. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

Note 3 – Segment information

Operating segments

The Company provides offshore drilling services to the oil and gas industry. Our business has been organized into segments based on differences in management structure and reporting, economic characteristics, customer base, asset class, and contract structure. We currently operate in the following segments:

Floaters: Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts for this segment relate to semi-submersible rigs and drillships for harsh and benign environments in mid-, deep- and ultra-deep waters.

Jack-up rigs: Services encompassing drilling, completion and maintenance of offshore exploration and production wells. The drilling contracts for this segment relate to jack-up rigs for operations in harsh and benign environments.

Other: Primarily consists of rig management services.

Segment results are evaluated on the basis of operating profit, and the information given below is based on information used for internal management reporting. The accounting principles for the segments are the same as for our consolidated financial statements.

Total revenue

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Floaters	644	798	2,906	3,358
Jack-up rigs	282	420	1,293	1,478
Other	33	43	136	161
Total	959	1,261	4,335	4,997

Depreciation and amortization

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Floaters	147	132	570	508
Jack-up rigs	50	48	208	185
Other	—	—	1	—
Total	197	180	779	693

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Operating income - Net Income

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Floaters	117	523	340	1,992
Jack-up rigs	102	(73)	664	275
Other	4	2	15	12
Operating income	223	452	1,019	2,279
Unallocated items:				
Total financial items and other	127	(251)	(1,561)	1,827
Income taxes	(71)	(51)	(208)	(19)
Net Income	279	150	(750)	4,087

Drilling Units and Newbuildings - Total Assets

(In $ millions)	As of December 31, 2015	As of December 31, 2014
Floaters	12,189	12,849
Jack-up rigs	4,220	4,326
Total Drilling Units and Newbuildings	16,409	17,175
Goodwill		
Floaters	—	604
Unallocated items:		
Assets held for sale	128	1,239
Investments in associated companies	2,590	2,898
Marketable securities	324	751
Cash and restricted cash	1,292	1,280
Other assets	2,727	2,350
Total Assets	23,470	26,297

Capital expenditures – fixed assets

(In $ millions)	Twelve Months Ended December 31,	
	2015	2014
Floaters	950	2,327
Jack-up rigs	95	776
Total	1,045	3,103

Note 4 - (Loss)/gain on disposals

Period ended December 31, 2015

West Rigel
On December 2, 2015, the West Rigel was classified as an Asset held for sale. As at the transfer date the West Rigel held assets at its book value of $210.0 million and a loss on disposal of $82.0 million was recognized. Please refer to Note 20 to the consolidated financial statements, included herein, for more details.

Cancellation of the West Mira

On September 14, 2015, the Company cancelled the construction contract for the West Mira with Hyundai Samho Heavy Industries Co Ltd. ("HSHI"), due to the Shipyard's inability to deliver the unit within the timeframe required under the contract. The carrying value of the newbuild at the date of cancellation was $315 million, which included $170 million of pre-delivery installments paid to HSHI, with the remainder relating to purchased equipment, internally capitalized construction costs and capitalized interest. Under the contract terms, the Company has the right to recoup the $170 million in pre-delivery installments, plus accrued interest.

On October 12, 2015, HSHI launched arbitration proceedings under the contract. HSHI have claimed that Seadrill's cancellation was a repudiatory breach and claim they were due various extensions of time. The Company refutes this vigorously, and believes it has the contractual right to recover the $170 million in pre-delivery installments, plus accrued interest. The recovery is however now not expected until the conclusion of an arbitration process under English law, which is expected to take up to two years.

Based both on management's assessment of the facts and circumstances, and advice from external counsel, who have been engaged for the arbitration process, the Company believes the recovery of the installment, plus accrued interest, is probable, as defined by US GAAP. As such, the Company has reclassified from "Newbuildings", a receivable of $170 million plus accrued interest of $29 million, which is presented in "Other non-current assets" on the balance sheet. The Company will continue to assess the recoverability throughout the arbitration process.

The Company will redeploy equipment, totaling $48 million, within Seadrill's remaining fleet, and has not written off these amounts. The resulting net loss on disposal recognized was $78 million, which is included in "Loss on disposal" in the Statement of Operations.

(In $ millions)	As at September 14, 2015
West Mira book value	315
Less: equipment redeployed	(48)
Net book value disposed	267
Less: Yard Installments recoverable	(170)
Less: interest accrued on installment	(29)
Provisions for onerous commitments	10
Net Loss on disposal	78

Disposal of the West Polaris

On June 19, 2015, the Company sold the entities that owned and operated the West Polaris (the "Polaris business"), to Seadrill Operating LP ("Seadrill Operating"), a consolidated subsidiary of Seadrill Partners LLC and 42% owned by the Company. The entities continue to be related parties subsequent to the sale.

The purchase price consisted of an initial enterprise value of $540 million, less debt assumed of $336 million. The fair value of consideration recognized on disposal was $235 million, which comprised of $204 million of cash consideration, and a working capital adjustment of $31 million, which was received during three months ended September 30, 2015.

Additional contingent consideration in the form of a seller's credit of $50 million is also potentially due from Seadrill Partners in 2021, which will carry interest at a rate of 6.5% per annum. The repayment of the seller's credit is contingent on the future re-contracted day rate. During the 3 year period following the completion of the current customer contract, the final amount payable will be adjusted downwards to the extent the average re-contracted operating day rate (net of commissions), adjusted for utilization, over the period, is less than $450 thousand per day. If the rig is off contract during this period, the reduction is equal to $450 thousand per day.

In addition, the Company may be entitled to receive further contingent consideration from Seadrill Partners, consisting of (a) any day rates earned by Seadrill Partners in excess of $450 thousand per day, adjusted for daily utilization, tax and agency commission for the remainder of the ExxonMobil contract completing in March 2018 and (b) 50% of any day rate earned above $450 thousand per day, adjusted for daily utilization, tax and agency commission fee after the conclusion of the existing contract until 2025.

The Company's accounting policy is not to recognize contingent consideration before it is considered realizable and has therefore not recognized on disposal any amounts receivable relating to the elements of consideration which are contingent on future events. From the disposal date of the West Polaris on June 19, 2015 to December 31, 2015, the Company has recognized $32 million in contingent consideration, as it became realized, within "Contingent consideration realized" included within operating income.

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The loss recognized at the time of disposal of the Polaris business was $75 million, after taking into account a goodwill allocation of $41 million. The loss has been presented in our consolidated statement of operations, under "(Loss)/gain on disposals" included within operating income.

(In $ millions)	As at June 19, 2015
Initial enterprise value	540
Less: Debt assumed	(336)
Initial purchase price	204
Plus: Working capital adjustment	31
Adjusted initial purchase price	235
Cash	204
Plus: Working capital receivable	31
Fair value of purchase consideration recognized on disposal	235
Less: net carrying value of assets and liabilities	(269)
Less: allocated goodwill to subsidiaries	(41)
Initial loss on disposal	(75)
Contingent consideration realized since disposal	32

Under the terms of various agreements between Seadrill and Seadrill Partners LLC, entered into in connection with the initial public offering of Seadrill Partners LLC, Seadrill will continue to provide management, technical and administrative services to the Polaris business. See further discussion in Note 17 to the consolidated financial statements for details of these services and agreements.

The sale of the Polaris business does not qualify for reporting as a discontinued operation as the sale of the Polaris business is not considered to represent a strategic shift expected to have a major effect on the Company's operations and financial results.

SeaMex Limited

During the year ended December 31, 2014, the Company entered into a joint venture agreement with an investment fund controlled by Fintech Advisory Inc. ("Fintech"), for the purpose of owning and managing certain jack-up drilling units located in Mexico under contract with Pemex. The West Oberon, West Intrepid, West Defender, West Courageous and West Titania jack-up drilling rigs ("the jack-up drilling rigs") were included within the joint venture. The transaction was completed on March 10, 2015, when Fintech subscribed for a 50% ownership interest in the joint venture company, SeaMex Limited ("SeaMex"), which was previously 100% owned by the Company, and SeaMex simultaneously purchased the jack-up drilling rigs from Seadrill Limited.

As a result of the transaction the Company no longer controls the entities that own and operate these jack-up drilling units (the "Disposal Group"), and accordingly the Company has deconsolidated these entities as of March 10, 2015, and has recognized its remaining 50% investment in the joint venture at fair value. The fair value of the retained 50% equity interest in the SeaMex joint venture was determined by reference to the price paid by Fintech to obtain a 50% equity interest in the disposal group from Seadrill. Seadrill accounts for its 50% investment in the joint venture under the Equity Method.

Total consideration in respect of the Disposal Group was $1,077 million from SeaMex to Seadrill. This was comprised of net cash of $586 million, a Seller's credit receivable of $250 million, short term related party receivable balances of $90 million and direct settlement of Seadrill's debt facilities relating to the West Oberon amounting to $150 million. Subsequently, $162 million of related party balance was received when the West Titania was refinanced. The Seller's credit bears interest at a rate of LIBOR plus a margin of 6.50% and matures in December 2019. See Note 17 to the consolidated financial statements for further details on the related party balances.

Seadrill utilized the cash consideration to repay outstanding debt facilities in respect of the West Courageous, West Defender, West Intrepid and West Titania. See further details in Note 12 to the consolidated financial statements.

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The total recognized gain on disposal was $186 million, after taking into account a goodwill allocation of $49 million, which has been presented in our consolidated statement of operations, under "(Loss)/gain on disposals" included within operating income.

The Company has not presented this disposal group as a discontinued operation in the statement of operations as it does not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results.

(In $ millions)	As at March 10, 2015
FAIR VALUE OF CONSIDERATION RECEIVED	
Net cash consideration received	749
Seller's credit recognized	250
Direct repayment of debt by the JV on behalf of Seadrill	150
Consideration receivable in respect of West Titania	162
Other related party balances payable	(71)
Cash paid to acquire 50% interest in the JV	(163)
Fair value of consideration received	1,077
FAIR VALUE OF RETAINED 50% INVESTMENT IN SEAMEX LIMITED	163
CARRYING VALUE OF NET ASSETS	
Current assets	
Cash and cash equivalents	40
Deferred tax assets - short term	8
Other current assets	20
Total current assets	68
Non-current assets	
Drilling units	969
Deferred tax asset - long term	4
Other non-current assets	86
Goodwill	49
Total non-current assets	1,108
Total assets	1,176
LIABILITIES	
Current liabilities	
Trade accounts payable	(1)
Other current liabilities	(61)
Total current liabilities	(62)
Non-current liabilities	
Other non-current liabilities	(60)

Total non-current liabilities	(60)
Total liabilities	(122)
Carrying value of net assets	1,054
GAIN ON DISPOSAL	186

In connection with the JV agreement, SeaMex entered into a management support agreement with Seadrill Management, a wholly owned subsidiary of the Company, pursuant to which Seadrill Management provides SeaMex with certain management and administrative services. The services provided by Seadrill Management are charged at cost plus management fee of 8% of Seadrill's costs and expenses incurred in connection with providing these services. The agreement can be terminated by SeaMex by providing 120 days written notice.

Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Contingent consideration recognized

During the three and twelve months ended December 31, 2015, the Company recognized contingent consideration receivable amounting to $19 million and $47 million respectively (three and twelve months ended December 31, 2014: nil and nil, respectively). Contingent consideration recognized during the twelve months ended December 31, 2015 comprised of $15 million relating to the disposal of the West Vela in November 2014 and $32 million relating to the disposal of West Polaris in June 2015. During the three months ended December 31, 2015, the amount recognized consisted of $4 million related to the disposal of West Vela and $15 million relating to the disposal of West Polaris.

Note 5 – Taxation

Income taxes consist of the following:

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Current tax benefit/(expense):				
Bermuda	—	—	—	—
Foreign	(56)	(52)	(177)	(23)
Deferred tax benefit/(expense):				
Bermuda	—	—	—	—
Foreign	(15)	1	(31)	4
Total tax (expense)/benefit	(71)	(51)	(208)	(19)
Effective tax rate	20.3%	25.4%	(38.4)%	0.5%

The effective tax rate for the twelve months ended December 31, 2015 is (38.4)% as compared to a rate for 2014 of 0.5%. This means that we continue to pay tax on local operations but reported an overall loss before tax inclusive of discrete items. The negative rate reflects no tax relief on the impairments or the derivative loss, as well as no tax chargeable on the disposal gains. This is due to these items largely falling within the zero tax rate Bermuda companies. This is in comparison to 2014 where there was a prior year tax benefit related to the release of an uncertain tax position.

The Company, including its subsidiaries, is taxable in several jurisdictions based on its rig operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the Company may pay tax within some jurisdictions even though it might have losses in others.

Income taxes for the three and twelve months ended December 31, 2015 and 2014 differed from the amount computed by applying the statutory income tax rate of 0% as follows:

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Income taxes at statutory rate	—	—	—	—

Effect of taxable income in various countries	(71)	(51)	(208)	(19)
Total	(71)	(51)	(208)	(19)

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Seadrill Limited
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Deferred Income Taxes

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

Deferred Tax Assets:

(In $ millions)	December 31, 2015	December 31, 2014
Pension	9	19
Provisions	16	20
Net operating losses carried forward	317	291
Other	2	3
Gross deferred tax asset	344	333
Valuation allowance related to net operating losses carried forward	(263)	(280)
Net deferred tax asset	81	53

Deferred Tax Liability:

(In $ millions)	December 31, 2015	December 31, 2014
Property, plant and equipment	(98)	(60)
Unremitted Earnings of Subsidiaries	(38)	—
Foreign exchange	—	(7)
Gross deferred tax liability	(136)	(67)
Net deferred tax liability	(55)	(14)

Net deferred taxes are classified as follows:

(In $ millions)	December 31, 2015	December 31, 2014
Long-term deferred tax asset	81	53
Long-term deferred tax liability	(136)	(67)
Net deferred tax liability	(55)	(14)

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes in a classified statement of financial position. The update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position as opposed to the current requirement to separate these into current and non-current amounts. As permitted by ASU 2015-17, the Company early-adopted this standard as at December 31, 2015 and applied it retrospectively to all periods presented. As a result the Company has presented all deferred tax liabilities and assets, as well as any related valuation allowance, as non-current for all periods presented in this annual report. The adoption of this guidance did not have a material impact on Company's consolidated financial statements and related disclosures.

Note 6 – Earnings per share

The computation of basic earnings per share ("EPS") is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

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

(In $ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net income/(loss) attributable to the parent	285	157	(738)	3,979
Less: Allocation to participating securities	(1)	—	3	(6)
Net income/(loss) available to shareholders	284	157	(735)	3,973
Effect of dilution	—	—	—	117
Diluted net income/(loss) available to shareholders	284	157	(735)	4,090

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

(In $ millions)	Three Months Ended December 31, 2015	2014	Twelve Months Ended December 31, 2015	2014
Basic earnings per share:				
Weighted average number of common shares outstanding	493	493	493	478
Diluted earnings per share:				
Weighted average number of common shares outstanding	493	493	493	478
Effect of dilutive share options	—	—	—	1
Effect of				