

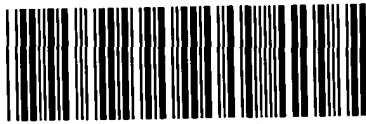
ENSCO U.K. Limited

Annual report and financial statements

Registered number 4550389

31 December 2017

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of ENSCO U.K. Limited ("the Company,") is the leasing of drilling rigs to other fellow subsidiaries of Ensco plc that provide drilling services to the offshore oil and gas industry. The Company does not currently own drilling rigs and must lease rigs from a related party which are then sub-leased to another related party performing the contract on a cost plus basis.

Dividends

No dividends have been paid or proposed in respect of the year ended 31 December 2017 (2016: \$1.3bn).

Directors

The directors who held office during the year and up to the date of this report were as follows:

Julian Richard Hall
Derek Andrew Sangster
Nicolas Jaciuk
Stephen Mooney (Appointed 27 April 2018)

The directors benefited from qualifying third party indemnity insurance, which was provided by a fellow group company during the financial year and the date of this report.

Employees

There were no employees of the Company during the year (2016: nil).

Political contributions

The Company did not make any political contributions during the year (2016: \$nil).

Financial instruments

Details of the Company's principal financial instruments are disclosed in notes 9 and 10 to the financial statements.

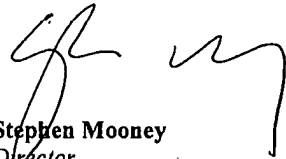
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


Stephen Mooney
Director
19 July 2018

7 Albemarle Street
London
W1S 4HQ

Strategic report

Business review and results

Turnover decreased by \$39.3 million (33%) in 2017 compared with the previous year, primarily due to a decrease in income from the chartering of the ENSCO 108, a jack-up rig. The Company ceased to earn interest on an intercompany promissory note of \$1.3 billion as it was paid as a dividend to its parent in October 2016.

Principal risks and uncertainties

The Company has minimal risks as its services are solely with fellow Ensco group companies. The principal risks and uncertainties affecting the offshore oil and gas drilling industry include:

- market price of oil and natural gas and the stability thereof;
- global supply and demand for oil and natural gas;
- the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and pricing;
- the level of production by non-OPEC countries;
- worldwide expenditures for offshore oil and natural gas drilling;
- long-term effect of worldwide energy conservation measures;
- the development and use of alternatives to hydrocarbon-based energy sources;
- laws and government regulations that limit, restrict or prohibit exploration and development of oil and natural gas in various jurisdictions;
- advances in exploration and development technology;
- disruption to exploration and development activities due to severe weather conditions and the risk thereof;
- acts of terrorism or military action impacting operations; and
- global economic conditions.

Furthermore, the Company's ultimate parent is subject to a number of risks and uncertainties. Additional discussion of these risks and uncertainties is included in the Ensco plc 2017 financial statements which can be obtained from the address shown in note 12.

Future developments

Operating results in the offshore contract drilling industry are highly cyclical and directly related to the demand for drilling rigs and the available supply of drilling rigs. Demand for drilling rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies, which is beyond our control.

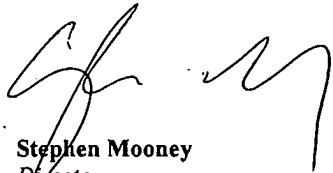
The sustained decline in oil prices over the past several years from 2014 highs caused a significant decline in the demand for offshore drilling services as many projects became uneconomical, resulting in fewer market tenders in recent periods. Operators significantly reduced their capital spending budgets, including the cancellation or deferral of existing programmes. Declines in capital spending levels, together with the oversupply of rigs, have resulted in significantly reduced day rates and utilisation.

The contracting environment remained challenging for offshore drilling contractors during 2017. Although oil prices have rebounded significantly off the 12-year lows experienced during early 2016 to levels above \$60 per barrel, we expect the recovery in demand to be gradual with different segments of the market recovering more quickly than others.

While the short-term dynamics of the market remain challenging, we have seen new opportunities for work increase as shallow water activity recovers and jack-up utilisation stabilises. We believe further improvements in demand coupled with reductions in rig supply are necessary to generate meaningful increases in day rates.

The intense pressure on operating day rates in recent periods has resulted in rates that approximate the direct operating expenses in certain instances. Therefore, we expect our results from operations to continue to decline in 2018 as current contracts with above market rates expire and new contracts are executed at lower rates.

By order of the board

A handwritten signature in black ink, appearing to be 'S. Mooney', written over a horizontal line.

Stephen Mooney
Director
19 July 2018

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Company and of the profit or loss of the Company 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of ENSCO U.K. Limited

Opinion

We have audited the financial statements of ENSCO U.K. Limited ("the Company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

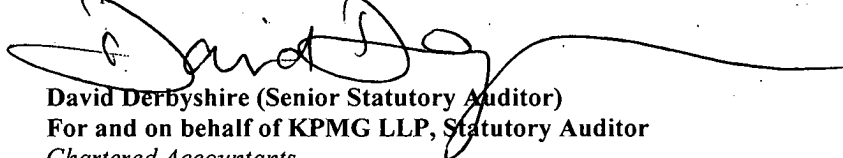
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Derbyshire (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

24 July 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 \$000	2016 \$000
Turnover	3	80,199	119,533
Cost of sales		(77,413)	(115,508)
Operating profit	4-6	2,786	4,025
Interest receivable and similar income	7	7,095	44,407
Profit before taxation		9,881	48,432
Tax on profit	8	(774)	(915)
Profit for the financial year		9,107	47,517
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		9,107	47,517

All of the results above are derived from continuing operations.

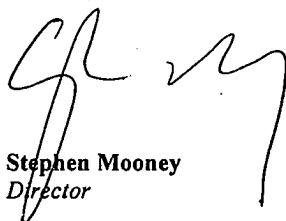
The accompanying notes form an integral part of these financial statements.

Balance sheet
at 31 December 2017

	<i>Note</i>	2017 \$000	2017 \$000	2016 \$000	2016 \$000
Current assets					
Debtors	9	171,336		185,062	
Creditors: amounts falling due within one year	10	(64,710)		(87,543)	
Net current assets			106,626		97,519
Total assets less current liabilities			106,626		97,519
Net assets			106,626		97,519
Capital and reserves					
Called up share capital	11		2		2
Share premium account			50,000		50,000
Profit and loss account			56,624		47,517
Shareholder's funds			106,626		97,519

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the board of directors on 19 July 2018 and were signed on its behalf by:


Stephen Mooney
Director

Statement of changes in equity
for the year ended 31 December 2017

	Called up share capital \$000	Share premium account \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2016	2	1,271,000	98,893	1,369,895
Total comprehensive income for the year				
Profit for the year	-	-	47,517	47,517
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	47,517	47,517
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners recorded directly in equity				
Capital reduction	-	(1,221,000)	1,221,000	-
Interim dividend paid	-	-	(1,319,893)	(1,319,893)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	2	50,000	47,517	97,519
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2017	2	50,000	47,517	97,519
Total comprehensive income for the year				
Profit for the year	-	-	9,107	9,107
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	9,107	9,107
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	2	50,000	56,624	106,626
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

Notes

1 Accounting policies

ENSCO U.K. Limited ("the Company") is incorporated and domiciled in the UK. These financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102").

Basis of preparation

The financial statements are prepared on the historical cost basis.

Ensko plc is the largest group in which the results of the Company are consolidated. The consolidated financial statements of Ensco plc are available to the public and may be obtained from the address given in note 12. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- a) Reconciliation of the number of shares outstanding from the beginning to end of the period;
- b) Cash Flow Statement and related notes; and
- c) Key Management Personnel compensation.

As the consolidated financial statements of Ensco plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The functional currency of the Company is the U.S. dollar. The U.S. dollar is the prevalent currency used within the oil and natural gas industry and the Company has a significant level of U.S. dollar cash flows, assets and liabilities. The financial statements are therefore presented in U.S. dollars.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on page 2. After having made the appropriate inquiries, the directors have a reasonable expectation that the Company has adequate resources to finance its operations for at least the 12 month period following the approval of these financial statements. Consequently, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currencies

The functional currency of the Company is the U.S. dollar. As is customary in the oil and natural gas industry, a majority of the Company's turnover is denominated in U.S. dollars; however, a portion of the turnover and expenses incurred are denominated in currencies other than the U.S. dollar. Non-monetary balances are held at historical exchange rates. Monetary balances are translated at the year-end exchange rates with any gains or losses taken to cost of sales. Transactions are shown in the profit and loss account at the average exchange rate during the month that the transaction occurred. Transaction gains and losses are included in cost of sales in the Company's profit and loss account.

Taxation

The charge for taxation is based on taxable profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more-likely-than-not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in periods in which timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest receivable and similar income

Interest income is recognised in profit or loss on an accruals basis using the effective interest method.

Trade and other debtors/creditors

Trade and other debtors/creditors are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Loans

Loans are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, loans are stated at amortised cost using the effective interest method, less any impairment losses.

Impairment of debtors and loans

Debtors and loans are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A debtor or loan is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of debtors and loans measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired debtor or loan continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Classification of financial instruments issued by the Company

Financial instruments issued are treated as equity only to the extent the following two conditions are achieved:

- a) no contractual obligations to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable; and
- b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent the above is not met, the proceeds of issue are classified as a financial liability.

Turnover

Turnover represents the amounts derived from the provision of drilling rig services to fellow subsidiaries. Turnover is recognised on an accruals basis on delivery of the related services. Turnover is recorded at the fair value of consideration receivable, net of Value Added Tax.

2 Critical accounting policies and estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the UK requires us to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The significant accounting policies are included in note 1 to the financial statements. These policies, along with the underlying judgments and assumptions made in their application, have a significant impact on the financial statements. The Company identifies the critical accounting policies as those that are the most pervasive and important to the portrayal of the financial position and operating results and that require the most difficult, subjective and/or complex judgments regarding estimates in matters that are inherently uncertain. The Company currently has no critical accounting policies based on the limited nature of its operations.

3 Analysis of turnover

Turnover, which arises from the provision of services, is analysed by geographical destination as follows:

	2017 \$000	2016 \$000
Rest of world (non-Europe)	80,199	119,533

All of the Company's turnover and the profit before taxation are derived from its principal activity. In the view of the directors, the Company has only one class of business.

4 Notes to the profit and loss account

	2017 \$000	2016 \$000
<i>Operating profit is stated after charging:</i>		
Bareboat charter hire cost	77,225	115,490
<i>Auditor's remuneration:</i>		
Audit of these financial statements	8	8

The audit fee is borne by another Ensco plc group company.

5 Remuneration of directors

None of the directors received any remuneration from the Company during the year (2016: \$nil).

6 Staff numbers and costs

The Company had no employees during the year (2016: nil).

7 Interest receivable and similar income

	2017 \$000	2016 \$000
Income from loans to fellow group companies	7,095	44,407

The intercompany promissory note of \$1.3 billion due from Ensco Worldwide Investments Limited was paid as a dividend to its parent in October 2016.

The Company entered into a revolving loan agreement which commenced on 15 December 2015 with a fellow group company. The maximum borrowing capacity under the agreement is \$800.0 million. The borrowings under the agreement are due on demand, but no later than 14 December 2020. Interest is received quarterly in arrears at the LIBO rate plus 3%.

8 Taxation

Analysis of charge for the year

	2017 \$000	2016 \$000
<i>UK Corporation Tax</i>		
Current tax on income for the year	-	-
Adjustment in respect of prior periods	-	-
	<hr/>	<hr/>
Total UK current tax charge	-	-
	<hr/>	<hr/>
<i>Foreign Tax</i>		
Current tax on income for the year	826	915
Adjustment in respect of prior periods	(52)	-
	<hr/>	<hr/>
Total tax charge	774	915
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The tax charge for the year differs from the standard rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

	2017 \$000	2016 \$000
<i>Total tax reconciliation</i>		
Profit before tax	9,881	48,432
	<hr/>	<hr/>
Tax at 19.25% (2016: 20%)	1,902	9,686
	<hr/>	<hr/>
<i>Effects of:</i>		
Claim of group relief for nil consideration	(4,102)	(9,686)
Disallowable expenses	2,200	-
Foreign income tax	826	915
Adjustment in respect of prior periods	(52)	--
	<hr/>	<hr/>
Total tax charge	774	915
	<hr/>	<hr/>

Factors affecting the future tax charge

The UK corporation tax rate was reduced from 20% to 19% (effective from 1 April 2017). A further reduction to 17% (effective from 1 April 2020) was enacted in 2016. This will reduce the Company's future current tax charge accordingly.

9 Debtors

	2017 \$000	2016 \$000
Amounts owed by group companies	6,999	22,334
Revolving loan receivable from a group company	164,337	162,728
	<u>171,336</u>	<u>185,062</u>

The Company entered into a revolving loan agreement which commenced on 15 December 2015 with a fellow group company. The maximum borrowing capacity under the agreement is \$800.0 million. The borrowings under the agreement are due on demand, but no later than 14 December 2020. Interest is received quarterly in arrears at the LIBO rate plus 3%.

10 Creditors: amounts falling due within one year

	2017 \$000	2016 \$000
Amounts owed to group companies	<u>64,710</u>	<u>87,543</u>

11 Called up share capital

	2017 \$000	2016 \$000
<i>Allotted and called up</i> 1,001 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 Ultimate parent company

At the year end, the Company's immediate parent company is ENSCO Overseas Limited, a company registered at P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104. The Company's ultimate parent company is Ensco plc, incorporated in the United Kingdom.

The largest group in which the results of the Company are consolidated is that headed by Ensco plc. No other group financial statements include the results of the Company. The consolidated financial statements of Ensco plc are available to the public and may be obtained from Ensco, Investor Relations Department, Suite 3300, 5847 San Felipe, Houston, Texas 77057. The registered office of Ensco plc is 6 Chesterfield Gardens, London, W1J 5BQ, England.