Ensco plc

Annual Report and Financial Statements

Registered number 07023598

31 December 2016

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Strategic report

Our business

Ensco plc ("we," "our", the "company" or the "group") is one of the leading providers of offshore contract drilling services to the international oil and gas industry. We currently own and operate an offshore drilling rig fleet of 57 rigs, with drilling operations in most of the strategic markets around the globe. We also have two rigs under construction. Our rig fleet includes eight drillships, 10 dynamically positioned semisubmersible rigs, three moored semisubmersible rigs and 38 jackup rigs, including rigs under construction. We operate the world's second largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry, and a leading premium jackup fleet.

Our customers include many of the leading national and international oil companies, in addition to many independent operators. We are among the most geographically diverse offshore drilling companies, with current operations spanning 14 countries on six continents. The markets in which we operate include the U.S. Gulf of Mexico, Mexico, Brazil, the Mediterranean, the North Sea, the Middle East, West Africa, Australia and Southeast Asia.

We provide drilling services on a "day rate" contract basis. Under day rate contracts, we provide a drilling rig and rig crews for which we receive a daily rate that may vary throughout the duration of the contractual term. The day rate we earn can vary between the full day rate and zero rate, depending on the operations of the rig. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site.

Principal risks and uncertainties

There are numerous factors that affect our business and operating results, many of which are beyond our control. The success of our business largely depends on the level of activity in the oil and gas industry, which can be significantly affected by volatile oil and natural gas prices. The offshore contract drilling industry historically has been highly competitive and cyclical, with periods of low demand and excess rig availability that could result in adverse effects on our business. Our business will be adversely affected if we are unable to secure contracts on economically favourable terms. Our customers may be unable or unwilling to fulfill their contractual commitments to us, including their obligations to pay for losses, damages or other liabilities resulting from operations under the contract. We may suffer losses if our customers terminate or seek to renegotiate our contracts, if operations are suspended or interrupted or if a rig becomes a total loss. The loss of a significant customer could adversely affect us. Our current backlog of contract drilling turnover may not be fully realised and may decline significantly in the future, which may have a material adverse effect on our financial position, operating results or cash flows. We may incur impairments as a result of future declines in demand for offshore drilling rigs.

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. Low demand and excess supply can independently affect day rates and utilisation of drilling rigs. Therefore, adverse changes in either of these factors can result in adverse changes in our industry. While the cost of moving a rig and the availability of rig-moving vessels may cause the balance of supply and demand to vary somewhat between regions, significant variations between regions are generally of a short-term nature due to rig mobility.

We operate in geographical locations which are subject to political, economic and other uncertainties (including taxation), including countries known to have a reputation for corruption. Legal and regulatory proceedings could affect us adversely. Rig construction, upgrade and enhancement projects are subject to risks, including delays and cost overruns. Failure to recruit and retain skilled personnel could adversely affect our operations and financial results. Compliance with or breach of environmental laws can be costly and could limit our operations. Our debt levels and debt agreement restrictions may limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

Drilling rig demand

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 highly cyclical and beyond our control. Offshore exploration and development spending may fluctuate substantially from year-to-year and from region-to-region.

The contracting environment remained very challenging for offshore drilling contractors during 2016 with customers requesting contract concessions or terminating drilling contracts. Crude oil prices ranged from a 12-year low of $26 to $55 per barrel during 2016. The sustained decline in oil prices 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.

Drilling rig demand *(continued)*

Operators significantly reduced their capital spending budgets, including the cancellation or deferral of existing programmes, and are expected to continue operating under reduced budgets in the current commodity price environment. Declines in capital spending levels, together with the oversupply of rigs, have resulted in significantly reduced day rates and utilisation.

Although oil prices have stabilised between $45 and $55 per barrel, we do not expect a meaningful improvement in demand for offshore drilling services in the near term. When market conditions improve, we expect jackup demand to improve first as shallow-water drilling is typically shorter term in nature, requires less capital investment and generally presents less risk to operators.

In general, recent contract awards have been short-term in nature and subject to an extremely competitive bidding process. The intense pressure on operating day rates has resulted in rates that approximate, or are slightly lower than, direct operating expenses. In addition, we are seeing increased pressure to accept other less favourable contractual and commercial terms, including reduced or no mobilisation and/or demobilisation fees; reduced or zero day rates during downtime; reduced standby, redrill and moving rates and limited periods in which such rates are payable; caps on reimbursements for downhole tools; reduced periods to remediate equipment breakdowns or other deviations from contractual standards of performance before the operator may terminate the contract; certain limitations on our ability to be indemnified; increases in the nature and amounts of liability allocated to us; and reduced early termination fees and/or termination notice periods.

We expect 2017 to be a challenging year for drilling contractors as current contracts expire and new contracts are executed at lower rates. While commodity prices have improved, they have not yet improved to a level that provides stability in the market sufficient to support additional demand. Should commodity prices decline from current levels, we will likely experience a further reduction in demand for our services, and turnover will continue to be adversely affected through lower rig utilisation and day rates. We believe the current market dynamics will not change until we see a sustained meaningful recovery in commodity prices sufficient to bring customer demand into balance with rig supply.

As many factors that affect the market for offshore exploration and development are beyond our control and because rig demand can change quickly, it is difficult for us to predict future industry conditions, demand trends or operating results. Periods of low rig demand often result in excess rig supply, which generally results in reductions in utilisation and day rates. Conversely, periods of high rig demand often result in a shortage of rigs, which generally results in increased utilisation and day rates.

Drilling rig supply

In the current market, drilling rig supply significantly exceeds drilling rig demand for both floaters and jackups. The decline in customer capital expenditure budgets has led to a lack of contracting opportunities resulting in the retirement of 75 floaters since the beginning of the downturn. Approximately 40 marketed floaters older than 30 years are idle, and approximately 30 additional floaters older than 30 years have contracts expiring by the end of 2018 without follow-on work. Operating costs associated with keeping these rigs idle as well as expenditures required to recertify these aging rigs may prove cost prohibitive. Drilling contractors will likely elect to scrap or cold-stack some or all of these rigs.

Since the beginning of the downturn, drilling contractors have retired 31 jackups. Approximately 90 marketed jackups older than 30 years are idle, and approximately 65 jackups that are 30 years or older have contracts expiring by the end of 2017 without follow-on work. Expenditures required to recertify these aging rigs may prove cost prohibitive and drilling contractors may instead elect to scrap or cold-stack these rigs. We expect jackup scrapping and cold-stacking to accelerate during 2017 and into 2018.

When demand for offshore drilling ultimately improves, we expect that newer, more capable rigs will be the first to obtain contract awards, increasing the likelihood that older stacked rigs do not return to the active fleet.

There are approximately 45 competitive newbuild drillships and semisubmersibles reported to be under construction, of which approximately 30 are scheduled to be delivered before the end of 2017. Most newbuild floaters are uncontracted. Several newbuild deliveries have already been delayed into future years, and we expect that more uncontracted newbuilds will be delayed or cancelled.

Strategic report *(continued)*

Drilling rig supply *(continued)*

There are approximately 100 competitive newbuild jackups reported to be under construction, of which approximately 70 are scheduled to be delivered before the end of 2017. Most newbuild jackups are uncontracted. Over the past year, some jackup orders have been cancelled, and many newbuild jackups have been delayed. We expect that additional rigs may be delayed or cancelled given limited contracting opportunities.

Consolidated results of operations

The following table summarises our consolidated results of operations for the years ended 31 December 2016 and 2015:

	2016 $ millions	2015 $ millions
Turnover	2,776.4	4,082.9
Operating profit/(loss)	901.6	(3,572.4)
Profit/(loss) on ordinary activities before taxation	924.3	(3,800.6)
Tax on profit/(loss) on ordinary activities	(79.1)	13.7
Profit/(loss) for financial year	845.2	(3,786.9)

During 2016, excluding the impact of ENSCO DS-9 and ENSCO 8503 lump-sum termination payments totalling $205.0 million received during the year and ENSCO DS-4 and ENSCO DS-9 lump-sum termination payments totalling $129.0 million received during 2015, turnover declined by $1,382.5 million, or 35%, as compared to the prior year. The decline was primarily due to fewer days under contract across our fleet, lower average day rates, contract terminations and sale of ENSCO 6003, ENSCO 6004 and ENSCO DS-1, and lower turnover from ENSCO DS-5. The decline in turnover was partially offset by the commencement of ENSCO DS-8 drilling operations and turnover generated from semisubmersible rigs that were undergoing shipyard projects during 2015.

Contract drilling expenses declined by $599.8 million, or 31%, as compared to the prior year primarily due to rig stackings and other cost control initiatives that reduced personnel costs and other daily rig operating expenses as well as contract terminations and sale of ENSCO 6003, ENSCO 6004 and ENSCO DS-1. This decline was partially offset by ENSCO DS-8 contract drilling expense.

During 2015, we recorded a non-cash loss on impairment totalling $4.5 billion related to the impairment of certain floaters and jackups rigs.

Profit/(loss) on ordinary activities before taxation included pre-tax gains on debt extinguishment of $287.8 million related to debt repurchases and the exchange of equity for debt in 2016 and losses of $33.0 million related to make-whole premiums on our 2015 debt redemption.

Utilisation and average day rates

The following table summarises the rig utilisation and average day rates by reportable segment for the years ended 31 December 2016 and 2015:

	2016	2015
Rig utilisation[(1)]		
Floaters	54%	57%
Jackups	60%	70%
Total	58%	67%

Utilisation and average day rates *(continued)*

	2016	2015
Average day rates[2]		
Floaters	359,758	416,346
Jackups	110,682	136,347
Total	192,427	217,515

(1) Rig utilisation is derived by dividing the number of days under contract by the number of days in the period. Days under contract equals the total number of days that rigs have earned and recognised day rate turnover, including days associated with early contract terminations, compensated downtime and mobilisations. When turnover is earned but is deferred and amortised over a future period, for example when a rig earns turnover while mobilising to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract.

For newly-constructed or acquired rigs, the number of days in the period begins upon commencement of drilling operations for rigs with a contract or when the rig becomes available for drilling operations for rigs without a contract.

(2) Average day rates are derived by dividing contract drilling turnover, adjusted to exclude certain types of non-recurring reimbursable turnover, lump-sum turnover and turnover attributable to amortisation of drilling contract intangibles, by the aggregate number of contract days, adjusted to exclude contract days associated with certain mobilisations, demobilisations, shipyard contracts and standby contracts.

Segment highlights

Floaters

Excluding the impact of lump-sum termination payments, floater turnover declined by $694.9 million, or 28%, primarily due to fewer days under contract across our floater fleet, contract terminations and sale of ENSCO 6003, ENSCO 6004 and ENSCO DS-1, lower average day rates and lower turnover from ENSCO DS-5. The decline in turnover was partially offset by a $337.9 million, or 32%, decline in contract drilling expense primarily due to rig stackings and other cost control initiatives that reduced personnel costs and other daily rig operating costs.

During the year, we executed contract extensions for ENSCO 5004 and ENSCO 5006 at lower rates. We agreed to reduce the ENSCO 6001 contracted rate and early terminate ENSCO 6003 and ENSCO 6004 in exchange for an extension of the ENSCO 6002 contract term at a reduced rate.

We received an early termination notice on ENSCO 8505 and agreed to lump-sum settlements of ongoing obligations for ENSCO DS-9 and ENSCO 8503. We also received an early termination notice on ENSCO DS-7 whereby the drilling contract obligates the customer to pay us termination fees at 75% of the operating rate through November 2017. These fees will be defrayed should we re-contract the rig over the remainder of the original contract term. In addition, we sold five floaters for scrap value resulting in insignificant pre-tax gains and losses.

We previously entered into agreements with Samsung Heavy Industries to construct three ultra-deepwater drillships (ENSCO DS-8, ENSCO DS-9 and ENSCO DS-10). During 2015, we accepted delivery of ENSCO DS-8 and ENSCO DS-9. ENSCO DS-8 was delivered during the third quarter and commenced drilling operations under a long-term contract in Angola during the fourth quarter. ENSCO DS-9 was delivered during the second quarter and is uncontracted following receipt of a notice of termination for convenience from our customer. During 2015, we agreed with the shipyard to delay delivery of ENSCO DS-10 until the first quarter of 2017. In January 2017, we agreed to further delay delivery of ENSCO DS-10 and $75.0 million of the final milestone payment until the first quarter of 2019 or such earlier date that we elect to take delivery. ENSCO DS-9 and ENSCO DS-10 are being actively marketed.

2016 segment highlights *(continued)*

Jackups

Jackup turnover declined by $517.4 million, or 36%, primarily due to fewer days under contract across our jackup fleet and lower average day rates. This decline in turnover was partially offset by a $178.4 million, or 26%, decline in contract drilling expense due to rig stackings and other cost control initiatives that reduced personnel costs and other daily rig operating expenses.

During the year, we agreed to reduced rates on our jackups contracted with Saudi Aramco and received early termination notices on ENSCO 72, ENSCO 75, ENSCO 83 and ENSCO 110. In addition, we sold four jackups for scrap value resulting in insignificant pre-tax gains.

We reached an agreement with our ENSCO 54, ENSCO 88 and ENSCO 94 customer to extend the terms of these contracts for five, three and five years, respectively. We subsequently reached an agreement with our customer to substitute ENSCO 84 for ENSCO 94 for the duration of the contract. Additionally, we executed a five-year contract for ENSCO 106 and executed several contracts with various customers for ENSCO 67, ENSCO 72, ENSCO 80 and ENSCO 101 with terms ranging from six to 18 months.

ENSCO 140 and ENSCO 141 were delivered during the third and fourth quarters of 2016, respectively. Both rigs are uncontracted and are being actively marketed. These rigs will be warm stacked in the shipyard at no additional cost to us for up to two years. During the first quarter of 2016, we agreed with the shipyard to delay delivery of ENSCO 123 until the first quarter of 2018. ENSCO 123 is uncontracted. ENSCO 110 was delivered during the second quarter of 2015.

Backlog information

Our contract drilling backlog reflects commitments, represented by signed drilling contracts, and was calculated by multiplying the contracted day rate by the contract period. The contracted day rate excludes certain types of lump sum fees for rig mobilisation, demobilisation, contract preparation, as well as customer reimbursables and bonus opportunities. Contract backlog was adjusted for drilling contracts signed or terminated after each respective balance sheet date until 28 February 2017 and 24 February 2016, respectively.

The following table summarises our contract backlog of business as of 31 December 2016 and 2015 (in millions):

	2016 $ millions	2015 $ millions
Backlog		
Floaters	2,154.9	3,919.5
Jackups	1,185.0	1,751.7
Other	281.4	86.2
Total	3,621.3	5,757.4

As of 31 December 2016, our backlog was $3.6 billion as compared to $5.8 billion as of 31 December 2015. Our floater backlog declined $1.8 billion primarily due to turnover realised during 2016, contract day rate concessions on certain rigs and contract terminations, partially offset by contract extensions. The remaining $371.5 million decline primarily related to our jackups segment and was largely due to turnover realised during 2016, partially offset by contract extensions and new contract awards.

Our drilling contracts generally contain provisions permitting early termination of the contract (i) if the rig is lost or destroyed or (ii) by the customer if operations are suspended for a specified period of time due to breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions. In addition, our drilling contracts generally permit early termination of the contract by the customer for convenience (without cause), exercisable upon advance notice to us, and in some cases without making an early termination payment to us. There can be no assurances that our customers will be able to or willing to fulfill their contractual commitments to us.

Strategic report *(continued)*

Backlog information *(continued)*

The amount of actual turnover earned and the actual periods during which turnover are earned will be different from amounts disclosed in our backlog calculations due to a lack of predictability of various factors, including unscheduled repairs, maintenance requirements, newbuild rig delivery dates, weather delays, contract terminations or renegotiations and other factors.

Liquidity and debt maturities

We have historically relied on our cash flow from continuing operations to meet liquidity needs and fund the majority of our cash requirements. We periodically rely on the issuance of debt securities to supplement our liquidity needs. Based on our balance sheet, our contractual backlog and $2.25 billion available under our revolving credit facility, we expect to fund our short-term and long-term liquidity needs, including contractual obligations and anticipated capital expenditures, dividends and working capital requirements, from cash and cash equivalents, short-term investments, operating cash flows and, if necessary, funds borrowed under our revolving credit facility or other future financing arrangements. During 2016, we executed several transactions to maximise our liquidity in the near term.

In April 2016, we closed an underwritten public offering of 65,550,000 Class A ordinary shares at $9.25 per share, inclusive of shares purchased under an underwriters' option. We received net proceeds from the offering of $585.5 million.

In October 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares in exchange for $24.5 million principal amount of our 5.75% senior notes due 2044. The exchange resulted in a gain on debt extinguishment of $8.8 million.

Throughout 2016, we used proceeds from the April 2016 equity offering and cash on hand to repurchase $1.1 billion of outstanding debt for $863.9 million through tender offers and open market repurchases. We recognised a gain on debt extinguishment of $279.0 million net of discounts, premiums, debt issuance costs and transaction costs.

In December 2016, we completed a private placement of $849.5 million of 3.0% exchangeable senior notes due 2024 for net proceeds of $822.8 million.

In January 2017, through a private-exchange transaction, we repurchased $649.5 million of outstanding debt with $332.5 million of net proceeds from the December 2016 exchangeable senior notes offering and $332.0 million of newly issued 8.0% senior notes due 2024.

As of 31 December 2016, we had $5.5 billion in total debt outstanding. Following the settlement of the exchange transaction in January 2017, our outstanding debt declined to $5.1 billion. Our next debt maturity is in 2019 with an aggregate principal amount of $292.2 million, followed by additional maturities in 2020, 2021 and 2024 with aggregate principal amounts of $551.0 million, $309.1 million and $1.8 billion, respectively.

As of 31 December 2016, we have $2.6 billion in cash and cash equivalents and short-term investments and a $2.25 billion senior unsecured revolving credit facility (the "Credit Facility") to be used for general corporate purposes with a term that expires in September 2019. In October 2016, we extended the maturity of $1.13 billion of the $2.25 billion Credit Facility commitment for one year to September 2020. The Credit Facility requires us to maintain a total debt to total capitalisation ratio calculated under U.S. GAAP that is less than or equal to 60%.

Environmental matters

Our operations are subject to laws and regulations controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment. Environmental laws and regulations specifically applicable to our business activities could impose significant liability on us for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of our operations, which may not be covered by contractual indemnification or insurance, or for which indemnity is prohibited by applicable law and could have a material adverse effect on our financial position, operating results and cash flows. To date, such laws and regulations have not had a material adverse effect on our operating results, and we have not experienced an accident that has exposed us to material liability arising out of or relating to discharges of pollutants into the environment. However, the legislative, judicial and regulatory response to any well incidents could substantially increase our customers' liabilities in respect of oil spills and also could

Environmental matters *(continued)*

increase our liabilities. In addition to potential increased liabilities, such legislative, judicial or regulatory action could impose increased financial, insurance or other requirements that may adversely impact the entire offshore drilling industry.

The International Convention on Oil Pollution Preparedness, Response and Cooperation, the International Convention on Civil Liability for Oil Pollution Damage 1992, the U.K. Merchant Shipping Act 1995, Marpol 73/78 (the International Convention for the Prevention of Pollution from Ships), the U.K. Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998, as amended, and other related legislation and regulations and the Oil Pollution Act of 1990 ("OPA 90"), as amended, the Clean Water Act, and other U.S. federal statutes applicable to us and our operations, as well as similar statutes in Texas, Louisiana, other coastal states and other non-U.S. jurisdictions, address oil spill prevention, reporting and control and have significantly expanded potential liability, fine and penalty exposure across many segments of the oil and gas industry. Such statutes and related regulations impose a variety of obligations on us related to the prevention of oil spills, disposal of waste and liability for resulting damages. For instance, OPA 90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs as well as a variety of fines, penalties and damages. Similar environmental laws apply in our other areas of operation. Failure to comply with these statutes and regulations, including OPA 90, may subject us to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance, or for which indemnity is prohibited under applicable law, and could have a material adverse effect on our financial position, operating results and cash flows.

High-profile and catastrophic events such as the 2010 Macondo well incident, have heightened governmental and environmental concerns about the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. We are adversely affected by restrictions on drilling in certain areas of the U.S. Gulf of Mexico and elsewhere, including the adoption of additional safety requirements and policies regarding the approval of drilling permits, restrictions on development and production activities in the U.S. Gulf of Mexico that have and may further impact our operations.

As a result of Macondo, the Bureau of Safety and Environmental Enforcement ("BSEE") issued a drilling safety rule in 2012 that included requirements for the cementing of wells, well-control barriers, blowout preventers, well-control fluids, well completions, workovers and decommissioning operations. BSEE also issued regulations requiring operators to have safety and environmental management systems ("SEMS") prior to conducting operations and requiring operators and contractors to agree on how the contractors will assist the operators in complying with the SEMS. In addition, in August 2012, BSEE issued Interim Policy Document stating that it would begin issuing Incidents of Non-Compliance ("INC's") to contractors as well as operators for serious violations of BSEE regulations. Although we have not yet incurred any material exposure from such regulations/decisions, the issuance of INC's could potentially make it easier for a successful assertion of third-party claims against us.

In November 2014, the United States Coast Guard ("USCG") proposed new regulations that would impose GPS equipment and positioning requirements for mobile offshore drilling units and jackup rigs operating in the U.S. Gulf of Mexico and issued notices regarding the development of regulations for cybersecurity measures used in the marine and offshore energy sectors for all vessels and facilities that are subject to the Maritime Transportation Security Act of 2002, including our rigs. These regulations are expected to be issued late in 2017 or early 2018. On 28 July 2016, BSEE adopted a new well-control rule that will be implemented in phases over the next several years. This new rule includes more stringent design requirements for well-control equipment used in offshore drilling operations. We are continuing to evaluate the cost and effect that these new rules will have on our operations. Based on our current assessment of the rules, we do not expect to incur significant costs to comply with the rule. If new laws are enacted or other government actions are taken that restrict or prohibit offshore drilling in our principal areas of operation or impose additional regulatory (including environmental protection) requirements that materially increase the liabilities, financial requirements or operating or equipment costs associated with offshore drilling, exploration, development or production of oil and natural gas, our financial position, operating results and cash flows could be materially adversely affected.

Strategic report *(continued)*

Employees

We employed 4,270 personnel worldwide as of 31 December 2016, which does not include contractors working for the company. The majority of our personnel work on rig crews and are compensated on an hourly basis. The following table summarises the split of women and men within the group as of 31 December 2016:

	Women	Men
Directors	2	7
Senior management	12	133
Other employees	267	3,849
Total	281	3,989

The company places considerable value on the involvement of its employees and maintains a practice of keeping them informed through formal and informal meetings and various internal publications.

Full and fair consideration is given to the employment and promotion of disabled persons, taking into account the degree of disablement, proposed job function and working environment. An employee who becomes disabled while in employment will continue where possible in the employment in which he or she was engaged prior to the disablement. Training and development is undertaken for all employees including disabled persons.

Social, community and human rights issues

Ensco has a number of policies setting out its commitment to human rights, including its Ethics and Compliance Policy, Vendor-Supplier Business Integrity Principles, Code of Business Conduct and Human Rights Policy. Ensco is committed to conducting business ethically and legally throughout the world and in accordance with its core values. Ensco undertakes appropriate employee training and vetting of vendors and suppliers across its supply chain in order to implement these core values in its operations.

By order of the board

Carl G. Trowell
Director, Chief Executive Officer and President

24 March 2017

Directors' report

The directors of Ensco plc present their report for the year ended 31 December 2016.

Principal activity

The principal activity of Ensco plc, referred to herein as the company, and its subsidiaries, referred to herein as the group, is to provide offshore contract drilling services to the international oil and gas industry. Further information on our operations is included in the strategic report.

Business review and future outlook

Information on the performance of the business and the future outlook for the group is included in the strategic report.

Greenhouse gas emissions

Ensco's greenhouse gas emissions are categorised between two categories: direct emissions (from rig power generation and loss of refrigerants) and indirect emissions (from purchased electricity for onshore offices and warehouses). All emissions from the facilities over which Ensco has direct operational control were included.

The Companies Act 2006 requires reporting on the following greenhouse gases:

- Carbon dioxide ("CO_2");
- Methane ("CH_4");
- Nitrous Oxide ("N_2O");
- Hydrofluorocarbons ("HFCs");
- Perfluorocarbons ("PFCs"); and
- Sulphur Hexafluoride ("SF_6").

PFCs and SF_6 are not emitted by Ensco, and therefore not considered in this report.

Ensco's greenhouse gas emissions are reported in metric tons (Mt) carbon dioxide equivalents ("CO_2e"). Calculations are performed using the emission factors and global warming potential for each chemical compound, which are in accordance with the current guidance from the UK Department for Environment, Food and Rural Affairs and the WRI / WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). The 2016 annual CO_2e emitted from Ensco's worldwide operations is 643,061 Mt (2015: 989,522 Mt).

Ensco has developed an intensity ratio that we believe is the most relevant to the company and will provide the most useful information to readers on a comparative year over year basis. Ensco's intensity ratio is determined by dividing annual emissions by total installed horsepower for the operating rig fleet (proportional approach used based on the rig operating hours). Ensco's 2016 ratio is .75 (2015: .91). The following table details our emissions by category.

Greenhouse Gas Emissions	**2016**	**2015**
Direct emissions (rigs owned by Ensco)	639,778 Mt	986,453 Mt
Indirect emissions (onshore offices and warehouses)	3,265 Mt	3,069 Mt
Total emissions	643,043 Mt	989,522 Mt(1)
Intensity Ratio	**.75**	**.91**(2)

(1) 2015 emissions were recalculated to exclude hydrochlorofluorocarbons ("HCFCs") and to include previously understated HFCs.

(2) 2015 intensity ratios were recalculated using the proportional approach for calculating total installed horsepower.

Directors' report *(continued)*

Directors

The directors who held office during the year ended 31 December 2016 and up to the date of this report were as follows:

Paul E. Rowsey, III (Chairman)
Carl G. Trowell
J. Roderick Clark
Roxanne J. Decyk
Mary E. Francis CBE
C. Christopher Gaut
Gerald W. Haddock
Francis S. Kalman
Keith O. Rattie

Third party indemnity provisions

The group has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the UK Companies Act 2006. Such qualifying third party indemnity provision remains in force as of the date of approving the directors' report.

Dividends

Dividends declared and paid during the years ended 31 December 2016 and 2015 were $11.4 million ($0.04 per share) and $141.2 million ($0.60 per share), respectively. On 17 March 2017, the company paid a dividend in the amount of $3.0 million ($0.01 per share). We currently intend to continue paying dividends for the foreseeable future. However, the declaration and amount of future dividends is at the discretion of our Board of Directors and could change in future periods. In the future, our Board of Directors may, without advance notice, determine to reduce or suspend our dividend in order to improve our financial flexibility and best position us for long-term success. When evaluating dividend payment timing and amounts, our Board of Directors considers several factors, including our profitability, liquidity, financial condition, market outlook, reinvestment opportunities and capital requirements.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, equity prices. The group currently is not exposed to any material price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is exposed to credit risk relating to its receivables from customers, cash and investments and use of derivatives in connection with the management of foreign currency exchange rate risk. The group minimises its credit risk relating to receivables from customers, which primarily consist of major international, government-owned and independent oil and natural gas companies, by performing ongoing credit evaluations and contracting insurance coverage when deemed appropriate. The group also maintains reserves for potential credit losses, which to date have been within management's expectations. The group minimises its credit risk relating to cash and investments by focusing on diversification and quality of instruments. Cash balances are maintained in major, well-capitalised commercial banks. Cash equivalents consist of a portfolio of high-grade instruments. Custody of cash and cash equivalents is maintained at several major financial institutions, and the group monitors the financial condition of those financial institutions. We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include provisions for a legally enforceable master netting agreement, with our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events or set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

Exposure to price, credit, liquidity and cash flow risk *(continued)*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We have historically relied on our cash flow from continuing operations to meet liquidity needs and fund the majority of our cash requirements. We periodically rely on the issuance of debt and/or equity securities to supplement our liquidity needs. A substantial portion of our cash has been invested in the expansion and enhancement of our fleet of drilling rigs through newbuild construction and upgrade projects and the return of capital to shareholders through dividend payments.

Details of debt and liquidity transactions in 2016 are disclosed in the Strategic report. As of 31 December 2016, we had $5.5 billion in total debt outstanding. Following the settlement of the exchange transaction in January 2017, our outstanding debt declined to $5.1 billion, and our next debt maturity is in 2019 with an aggregate principal amount of $292.2 million, followed by additional maturities in 2020, 2021 and 2024 with aggregate principal amounts of $551.0 million, $309.1 million and $1.8 billion, respectively. We also have $2.6 billion in cash and cash equivalents and short-term investments and $2.25 billion available under our Credit Facility. The Credit Facility requires us to maintain a total debt to total capitalisation ratio calculated under U.S. GAAP that is less than or equal to 60%.

Based on our balance sheet, $3.6 billion of contractual backlog and $2.25 billion available under our revolving credit facility, we believe our remaining capital commitments, debt service payments and dividend payments will primarily be funded from cash and cash equivalents, short-term investments, operating cash flows and, if necessary, funds borrowed under our revolving credit facility. We may decide to access debt and/or equity markets to raise additional capital, refinance existing debt or increase liquidity as necessary.

Use of derivatives

We use derivatives to reduce our exposure to foreign currency exchange rate risk. Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our turnover and expenses are denominated in U.S. dollars; however, a portion of the turnover earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. We maintain a foreign currency exchange rate risk management strategy that utilises derivatives to reduce our exposure to unanticipated fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

We utilise derivatives to hedge the cash flows of forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk on future expected contract drilling expenses and capital expenditures denominated in various foreign currencies. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. As of 31 December 2016, we had cash flow hedges outstanding to exchange an aggregate $180.9 million for various foreign currencies. We do not designate such derivatives as hedging instruments.

We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally enter into derivatives that hedge the fair value of recognised foreign currency denominated assets or liabilities, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of 31 December 2016, we held derivatives not designated as hedging instruments to exchange an aggregate $136.2 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealised losses associated with our foreign currency denominated assets and liabilities as of 31 December 2016 would approximate $15.0 million. Approximately $9.0 million of these unrealised losses would be offset by corresponding gains on the derivatives utilised to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

We utilise derivatives and undertake foreign currency exchange rate hedging activities in accordance with our established policies for the management of market risk. We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include provisions for a legally enforceable master netting agreement, with our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events or set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy

Directors' report *(continued)*

Use of derivatives *(continued)*

in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

We do not enter into derivatives for trading or other speculative purposes. We believe that our use of derivatives and related hedging activities reduces our exposure to foreign currency exchange rate risk and does not expose us to material credit risk or any other material market risk. All our derivatives mature during the next 18 months.

Policy and practice on payment of creditors

Statutory regulations issued under the UK Companies Act 2006 require companies to make a statement of their policy and practice in respect of the payment of trade creditors. Individual operating companies are responsible for agreeing terms and conditions for their business transactions and ensuring that suppliers are aware of the terms of payment. At year end, there were 45 days (2015: 49 days) of purchases in trade creditors.

Political contributions

The company did not make any political contributions during the year.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

In accordance with Section 489 of the UK Companies Act 2006, a resolution for the re-appointment of KPMG LLP as statutory auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

Carl G. Trowell
Director, Chief Executive Officer
and President

6 Chesterfield Gardens
London
W1J 5BQ
24 March 2017

Directors' remuneration report

Introduction

Ensco's ("we," "our" or the "company") Board of Directors (the "Board") believes that our current programme is competitive and appropriate within the market where we primarily compete for directors and executive talent. However, we are sensitive to the compensation governance practices prevalent in the United Kingdom and recognise that some characteristics of our current programmes may not be consistent with those practices. Some characteristics of our programmes that differ from typical UK practice but are common and competitively appropriate within our market include:

- Awards of time-vested restricted shares to executives: restricted shares are a common award type among our compensation and performance peer groups and are intended to help encourage retention, facilitate long-term share ownership and further align our executive directors with our shareholders' interests. In 2016, time-vested restricted shares made up 50% of our executive director's annual equity grant. The other 50% was granted in the form of performance unit awards, which are contingent upon achievement of certain levels of total shareholder return ("TSR") and return on capital employed ("ROCE") relative to our performance peer group. In 2016, our Compensation Committee recommended and our Board approved a reduction in the value of the annual grant of equity compensation awarded to each of our non-executive directors by $50,000.
- The use of equity for compensating non-executive directors: equity is a common component of non-executive director compensation within our compensation and performance peer groups, where it is widely considered to be a "best practice" for non-executive directors to receive at least 50% of their annual compensation in equity.

Our director compensation programme takes into account the additional director responsibilities attendant with service on the board of a public limited company that is incorporated under the laws of England and Wales and listed on the New York Stock Exchange and subject to U.S. Securities and Exchange Commission reporting requirements, as compared with other public companies that are listed and incorporated in the U.S.

References in this Remuneration Report to the Board include the Board as well as any other relevant committees of the Board.

2016 Compensation Highlights

Below are highlights of the compensation-related decisions that impacted our executive director and non-executive directors during 2016:

- **Base salary and retainers:** In February 2016, the Board decided, for the second year in a row, to freeze base salary merit increases for our executive director. The retainers paid to our non-executive directors also remained constant, except that the retainer for the Nominating and Governance Committee Chair was reduced by $5,000 effective 1 June 2016. The value of the annual grant of equity compensation awarded to each of our non-executive directors was also reduced effective 1 June 2016, as described below under "Annual long-term incentive awards."
- **Ensco Cash Incentive Plan ("ECIP") performance measures:** The ECIP provides annual cash bonus incentives to participating employees, including our executive director, based on the achievement of short-term performance goals. A component for Strategic Team Goals ("STGs") is included to ensure management maintains focus on medium-term strategic objectives in addition to short-term goals. Target bonus opportunities did not change for 2016 as compared to 2015. However, in light of market conditions, the Board elected to change some of our 2016 ECIP performance measures and weightings to emphasise the company's liquidity position and the importance of cash flow from operations. For 2016, Earnings before Interest, Tax and Depreciation ("EBITD") was replaced with Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"). We consider EBITDA to be a more appropriate measure than EBITD in terms of the short-term incentive nature of the ECIP award programme that helps place more focus on cash flow and capital efficiency. The Board also determined it was necessary to adjust the ECIP financial metric weightings to place more emphasis on financial measures that executives have the ability to impact and control through cost reductions, individual performance, cash management, etc. Therefore, the earnings per share ("EPS") weighting was reduced from 20% to 10% resulting in greater emphasis being placed on STGs and EBITDA. EPS continued to be a goal, but had a smaller impact on the overall ECIP calculation given that this metric is largely driven by overall market conditions. Our non-executive directors do not participate in the ECIP.
- **Annual formula-derived ECIP bonuses for 2016 performance were earned at 136% but were capped and paid out at 100% of target:** We achieved above-target performance for earnings per share ("EPS"), EBITDA and Jackup downtime. We also achieved above-threshold performance for Days Sales Outstanding ("DSO"), exceeded expectations on STGs and achieved safety and Floater downtime performance in excess of our maximum goal. Although 2016 ECIP performance was at 136% of target, the Board, based on management's recommendation, decided, in light of unprecedented market conditions and the resulting decline in our share price, to cap the payout for the ECIP at 100% of target for our executive director.

Directors' remuneration report *(continued)*

2016 Compensation Highlights *(continued)*

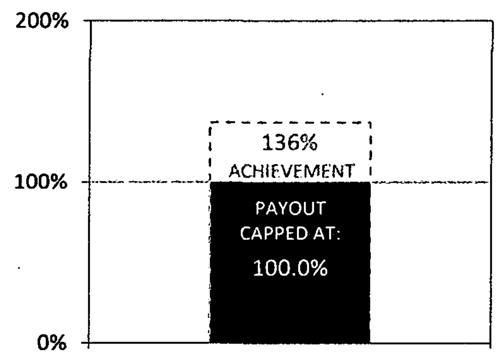
- **Annual long-term incentive awards:** In February 2016, the Board approved annual long-term incentive awards for our executive director, which were comprised of 50% performance units and 50% time-vested restricted shares. As a result of the decline in our stock price during the year, the value of these awards at the end of the year was lower (89%) than the original "target" value, as shown in the table below:

	Normal Annual Grant			Year-End Face Value		
Executive	**Grant Date**	**Grant Date Share Price**	**Target Grant Date Fair Value**	**Stock Price**	**Total Value**	**12/31/16 Face Value as a Percent of Target**
Mr. Trowell	3/3/2016	$ 10.93	$ 5,000,000	$ 9.72	$ 4,446,478	89%

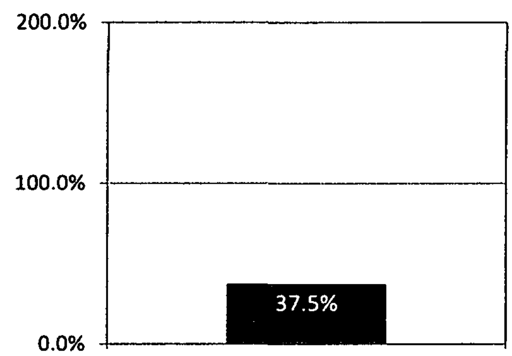
Our Compensation Committee recommended and our Board approved a reduction in the value of the annual grant of equity compensation awarded to each of our non-executive directors by $50,000 effective 1 June 2016. Consequently, in 2016 our independent Chairman of the Board received a restricted share unit award of $275,000 and each of our other non-executive directors received a restricted share unit award of $200,000.

- **Long-term performance units paid out at 37.5% of target:** For the three-year performance period ended 31 December 2016, we achieved a rank of 8 and 7 out of 10 performance peer group companies in relative Total Shareholder Return ("TSR") and Return on Capital Employed ("ROCE") performance, respectively.

2016 Ensco Cash Incentive Plan ("ECIP") Payout (percent of target)



2014 - 2016 Performance Unit Payout (percent of target)



Measures	Performance Level		Measure	Performance Level	
EBITDA[1]	$1,152,698	Above target	**TSR (relative)**	8 of 10	Threshold performance
EPS[2]	1.87	Above target	**ROCE (relative)**	7 of 10	Above threshold performance
DSO	69	Above threshold			
Safety (TRIR)	0.26	Above maximum			
Downtime - Floaters	1.53%	Above maximum			
Downtime - Jackups	1.24%	Above target			
Strategic Goals	3.21	Exceeded expectations			

(1) EBITDA excludes $81.9 million relating to a lump sum payment received in connection with a contract termination. As a result of this adjustment, the percent of target earned for EBITDA was reduced from 142% to 113%.

(2) EPS excludes $1.23 per share relating to the $81.9 million lump sum contract termination payment in addition to a gain of $287.8 million on debt repurchases. As a result of these adjustments, the percent of target earned for EPS was reduced from 200% to 145%.

Submitted by Rod Clark, Chairman of the Compensation Committee

Directors' remuneration report *(continued)*

Board and Compensation Committee membership

The following table lists the current members of the Board and the Compensation Committee:

Board of Directors	Compensation Committee
Carl G. Trowell	
J. Roderick Clark	Chairperson
Roxanne J. Decyk	Member
Mary E. Francis CBE	
C. Christopher Gaut	Member
Gerald W. Haddock	
Francis S. Kalman	
Keith O. Rattie	
Paul E. Rowsey, III	

Mr. Trowell is the only executive director currently on the Board. Mr. Trowell was appointed to the Board on 2 June 2014. Mr. Trowell does not receive additional compensation for his services as a director. All other members of the Board are non-executive directors.

Compensation methodology and process

In carrying out its responsibilities for establishing, implementing and monitoring the effectiveness of our general and executive compensation philosophy, plans and programmes, the Board and Compensation Committee rely on outside experts to assist in their deliberations. During 2016, the Board and Compensation Committee received compensation advice and data from Pearl Meyer & Partners, LLC ("Pearl Meyer"), which has served as an independent compensation consultant since 2008. The Board and Compensation Committee also received data regarding compensation trends, issues and recommendations from management, including our Vice President of Human Resources, who attends all Compensation Committee meeting general sessions.

Pearl Meyer was engaged by the Compensation Committee to provide counsel regarding our compensation philosophy and practices, including executive and non-executive director compensation. Regarding executive compensation, the services provided during 2016 included a review of the principal components of compensation (base salary, cash bonus, short-term and long-term incentives), peer group selection (both compensation and performance peers), pay for performance assessment and short-term and long-term incentive plan design. With respect to non-executive director compensation, Pearl Meyer reviewed the company's philosophy and practices regarding general Board compensation, committee compensation, committee chair compensation and non-executive director equity award programmes. In connection with these reviews, Pearl Meyer provided the Compensation Committee with comparative market assessments of executive and non-executive director compensation levels, including information relative to compensation trends and retention prevailing practices.

In addition to providing the Board and Compensation Committee with information regarding compensation trends in the general marketplace, compensation practices of other companies in the drilling and oilfield services industries and regulatory compliance developments, Pearl Meyer also evaluated certain data that our Human Resources department submitted to the Compensation Committee regarding incentive compensation calculations for awards payable under the ECIP and the LTIP.

The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer is independent in providing executive compensation consulting services. In making this determination, the Compensation Committee noted that during 2016:

- Pearl Meyer did not provide any services to the company or management other than services requested by or with the approval of the Compensation Committee, and its services were limited to executive and non-executive director compensation consulting. Specifically, aside from administration of industry-specific surveys in which the company is a participant, Pearl Meyer does not provide, directly or indirectly through affiliates, any non-executive compensation services, including pension consulting or human resource outsourcing;
- The Compensation Committee meets regularly in executive session with Pearl Meyer outside the presence of management;

Directors' remuneration report *(continued)*

Compensation methodology and process *(continued)*

- Pearl Meyer maintains a conflicts policy, which was provided to the Compensation Committee with specific policies and procedures designed to ensure independence;
- Fees paid to Pearl Meyer by the company during 2016 (approximately $239,000) were less than 1% of Pearl Meyer total turnover;
- None of the Pearl Meyer consultants working on company matters had any business or personal relationship with Compensation Committee members;
- None of the Pearl Meyer consultants working on company matters (or any consultants at Pearl Meyer) had any business or personal relationship with any executive officer of the company; and
- None of the Pearl Meyer consultants working on company matters own company stock.

The Compensation Committee continues to monitor the independence of its compensation consultant on a periodic basis.

We compete for executive-level talent with oilfield service companies as well as other industries and professions. To provide guidance to the Board and Compensation Committee, comparative salary data are obtained from several sources, including Pearl Meyer, industry-specific surveys and compensation peer company proxy statements filed with the U.S. Securities and Exchange Commission. Each year, Pearl Meyer reviews with the Compensation Committee the composition of the compensation and performance peer groups. Our compensation peer group, which was approved by the Compensation Committee for 2016 in consultation with Pearl Meyer, was composed of 12 drilling and oilfield services companies of a similar overall size and historical financial performance. The compensation peer group for 2016 was the same as our compensation peer group for 2015 with the exception of Cameron International which was removed following its acquisition by Schlumberger.

Compensation risk

The Compensation Committee carefully considers the relationship between risk and our overall compensation policies, programmes and practices for the Chairman, Chief Executive Officer and non-executive directors. The Compensation Committee continually monitors the company's general compensation practices, specifically the design, administration and assessment of our incentive plans, to identify any components, measurement factors or potential outcomes that might create an incentive for excessive risk-taking detrimental to the company. The Compensation Committee has determined that the company's compensation plans and policies do not encourage excessive risk-taking.

The Compensation Committee also paid particular attention to potential unintended consequences associated with the establishment of the ECIP and performance unit award goals and related measurement criteria under the Long Term Incentive Plan ("LTIP"). In formulating such goals and performance criteria, the Compensation Committee focused on matters such as safety performance, financial performance, relative TSR, relative ROCE and STGs. The Compensation Committee determined that such goals and performance criteria did not encourage participation in high-risk activities that are reasonably likely to have a material adverse effect on the company.

In addition, the Compensation Committee believes that there are numerous governance characteristics of our compensation programmes that serve to mitigate excessive risk taking. We have clawback and award disqualification provisions in place in the LTIP awards and through the ECIP. The Compensation Committee will seek to claw back or reduce the size of cash incentive awards or proceeds from equity incentive awards for Mr. Trowell, if he violates our Code of Business Conduct Policy, or in the case of certain financial restatements (including application of the provisions of the Sarbanes-Oxley Act of 2002, as amended, in the event of a restatement of our earnings).

Remuneration Policy Summary for Executive Directors

Our current Remuneration Policy, which was approved at the Annual General Meeting on 19 May 2014 (the "Current Remuneration Policy"), will apply until the 2017 Annual General Meeting of Shareholders to be held on 22 May 2017. A new Remuneration Policy, a copy of which is included as an annex to our proxy statement for the 2017 Annual General Meeting of Shareholders, will be subject to a binding vote by shareholders during the 2017 Annual General Meeting of Shareholders. Our proxy statement is available at www.proxyvote.com.

Remuneration Policy Summary for Executive Directors *(continued)*

The following is a summary of the Existing Remuneration Policy as it applies to executive directors:

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity [1]	Performance Measures	Clawback[2]
Salary and Fees	Attract and retain high performing individuals reflecting market value of role and the executive director's skills, experience and performance.	Reviewed annually by the Committee taking into account the executive director's contributions to our progress in achieving certain business objectives and by reference to the median salary paid to executive directors of our compensation peer group companies.	Salary increases will ordinarily be in line with increases awarded to other employees in the company and will not ordinarily exceed 10% per annum. The Committee reserves the discretion to increase total compensation in appropriate circumstances such as where the nature or scope of the executive director's role or responsibilities changes or in order to be competitive at the median level of peer companies.	None, although overall performance of the individual is considered by the Committee when setting salaries annually.	Not applicable
Benefits	Competitive benefits taking into account market value of role and benefits offered to the wider UK and U.S. management population.	Benefits include, but are not limited to, health insurance, life insurance and annual executive health physicals. Benefits include provisions for relocation assistance upon appointment if/when applicable. Components include: monthly housing allowance; cost of living allowance; transportation allowance; annual home leave allowance; dependents' schooling assistance; and a one-time supplemental equity award.	Set at a level the Committee considers appropriate as compared to benefits offered in connection with comparable roles by companies of a similar size in the relevant market. The Committee reserves the discretion to introduce new benefits where it concludes that it is in the interests of the company to do so, having regard for the particular circumstances.	None	Not applicable
Annual Cash Bonus	Incentivise delivery of company strategic objectives and enhance performance.	Awards are tied to achievement of specific annual financial, operational, safety and strategic team goals. Provided to the executive director through the Ensco Cash Incentive Plan.	Discretionary increase of 25% above Ensco Cash Incentive Plan formula-derived awards.(3) The Committee reserves the discretion to increase or decrease total compensation in appropriate circumstances such as where the nature or scope of a director's role or responsibilities changes or in order to be competitive at the median level of peer companies.	Formula-derived awards through the Ensco Cash Incentive Plan include annual goals with the potential for discretionary increases or decreases for individual performance of up to 25%. The Committee uses this discretion sparingly to address exceptional circumstances.	The Committee will seek to claw back or reduce the size of cash incentive awards for executive directors who violate our Code of Business Conduct Policy or in the case of certain financial restatements.

Remuneration Policy Summary for Executive Directors *(continued)*

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity[1]	Performance Measures	Clawback[2]
Employer Matching and Profit Sharing Programmes	Incentivise the delivery of company strategic targets.	The executive director may participate in the employer matching and profit sharing provisions of our defined contribution savings plans on a tax-deferred basis.	The maximum total matching contribution annually is 5% of eligible salary. Annual profit sharing distributions are limited to 5% of eligible employee salary.	None	Not applicable
Long-Term Incentive Plan	Incentivise long-term company financial performance in line with the company's strategy and long-term shareholder returns. Promotes alignment with shareholders by tying the majority of executive compensation to creation of long-term shareholder value and encouraging executives to build meaningful equity ownership stakes.	Provided through a combination of restricted shares and performance unit awards. Performance unit awards under the LTIP are earned based upon company performance over a three-year cycle, using pre-determined measures.	100% of target for restricted shares. 200% of target for performance unit awards.	Restricted shares are time-based and are not subject to performance measures. Performance unit awards are earned at the end of a three-year period subject to company performance against pre-determined measures.	The Committee will seek to claw back or reduce the proceeds from equity incentive awards for executive directors who violate our Code of Business Conduct Policy or in the case of certain financial restatements.

(1) The Compensation Committee reserves the right to make payments outside the Remuneration Policy in exceptional circumstances. The Compensation Committee would only use this right where it believes the use is in the best interests of the company and when it would be impractical to seek prior specific approval of the shareholders of the company at a general meeting.

(2) The company has clawback and award disqualification provisions in its long-term incentive award agreements and the ECIP. Using this authority, the Compensation Committee will seek to claw back or reduce the size of cash incentive awards or proceeds from equity incentive awards for executive directors who violate our Code of Business Conduct Policy or in the case of certain financial restatements (including application of the provisions of the Sarbanes-Oxley Act of 2002, as amended, in the event of a restatement of our earnings).

(3) The Compensation Committee also has the discretion to reduce awards by up to 25% below the Ensco Cash Incentive Plan formula-derived awards.

Total shareholder return

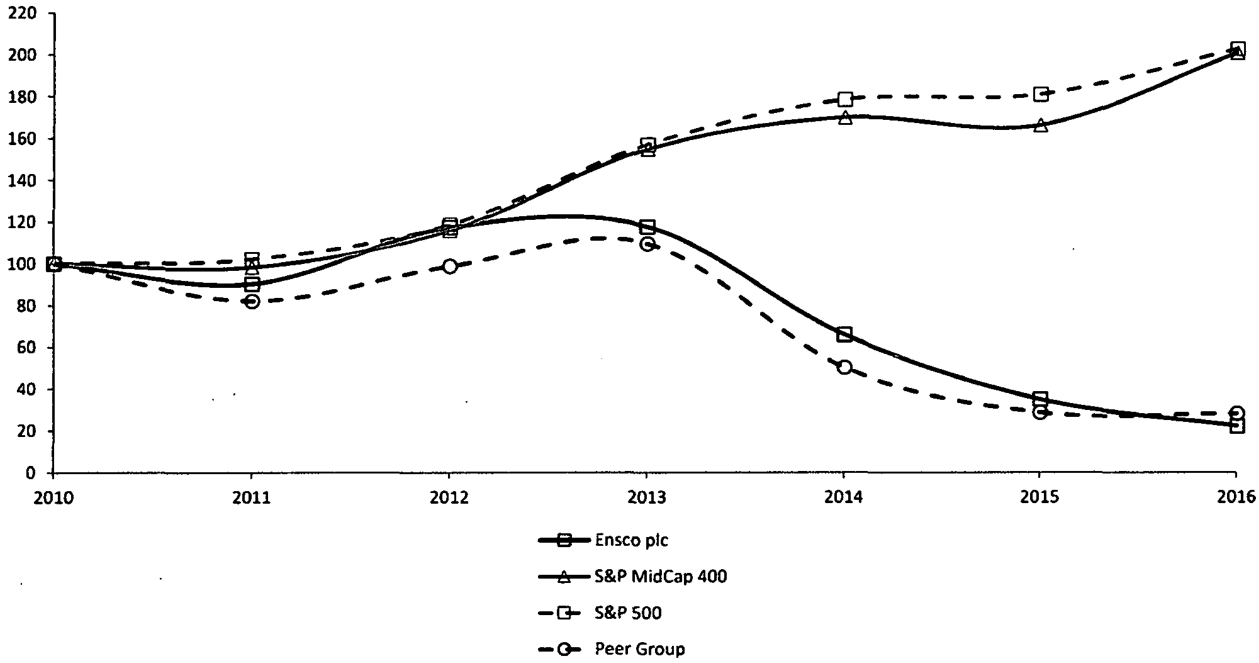
The chart below presents a comparison of the six-year cumulative total return, assuming $100 invested on 31 December 2010 for Ensco plc, the Standard and Poor's MidCap 400 Index, the Standard & Poor's 500 Stock Price Index and a self-determined peer group. Total return assumes the reinvestment of dividends, if any, in the security on the ex-dividend date. Since Ensco operated exclusively as an offshore drilling company, a self-determined peer group composed exclusively of major offshore drilling companies has been included as a comparison.* Ensco is no longer part of the Standard & Poor's 500 Stock Price Index. The Standard & Poor's MidCap 400 Index includes Ensco and has been included as a comparison.

Directors' remuneration report *(continued)*

Total shareholder return *(continued)*

COMPARISON OF 6 YEAR CUMULATIVE TOTAL RETURN*

Among Ensco plc, the S&P MidCap 400 Index, the S&P 500 Index and Peer Group



* $100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

* Our self-determined peer group is weighted according to market capitalisation and consists of the following companies: Atwood Oceanics Inc., Diamond Offshore Drilling Inc., Noble Corporation, Rowan Companies plc, Seadrill Limited and Transocean Ltd.

Share price

The highest and lowest prices of the company's Class A ordinary shares during the year ended 31 December 2016 were $16.10 and $7.19, respectively. The closing market price of the company's Class A ordinary shares on 31 December 2016 was $9.72.

Information subject to audit

The auditors are required to report on the information contained in the Share Price section above and tables A, B, C, D, E and F below.

Remuneration of Chief Executive Officer

The Chief Executive Officer, our only current executive director, does not receive any additional compensation for his services as director.

A longstanding objective of the Board has been to motivate, reward and retain our Chief Executive Officer by means of equity compensation through our LTIP. The value of equity awards over time bears a direct relationship to the market price of our shares, which the Board believes will promote alignment with shareholders, instill a sense of ownership and shareholder perspective that will manifest itself in positive and sustainable long-term performance and provide a strong

Remuneration of Chief Executive Officer *(continued)*

retentive element to our compensation programme. In order to accomplish these goals, our approach to long-term incentive compensation included a combination of time-vested and performance-based equity awards. The tables below summarises total Chief Executive Officer remuneration and includes annual bonus payouts and performance unit awards vesting as a percentage of maximum opportunity for the current year and previous four years.

Mr. Trowell was hired as our President and Chief Executive Officer on 2 June 2014. Upon hiring Mr. Trowell, Daniel W. Rabun retired as Chief Executive Officer but remained employed by the company as an executive director to serve as Chairman of the Board of Directors until 18 May 2015. The 2014 remuneration disclosed below reflects the total remuneration for Mr. Trowell during the period he served as Chief Executive Officer, including a prorated annual bonus payout.

	2016	2015	2014(1)	2013	2012	2011
Total Remuneration	$ 4,377,121	$ 4,933,408	$ 7,758,001	$ —	$ —	$ —
Annual Bonus as a Percentage of Maximum	50%	69%	30%	—%	—%	—%
Performance Awards Vesting as a Percentage of Maximum	N/A	N/A	N/A	—%	—%	—%

(1) In connection with Mr. Trowell's hiring, he was granted a make-whole restricted share award subject to a three-year cliff vesting of $4.0 million.

The remuneration disclosed below reflects the total remuneration for Mr. Rabun during the period he served as Chief Executive Officer, including a prorated annual bonus payout during 2014.

	2016	2015	2014	2013	2012	2011
Total Remuneration	$ —	$ —	$ 5,835,655	$ 9,878,742	$ 10,188,238	$ 10,897,191
Annual Bonus as a Percentage of Maximum	—%	—%	30%	54%	77%	61%
Performance Awards Vesting as a Percentage of Maximum	—%	—%	30%	40%	66%	43%

Remuneration of Executive Director - Table A

The compensation paid to our executive director for the fiscal years ended 31 December 2016 and 2015 is reported in the tables below.

Name	Year	Salary and Fees ($)	Taxable Benefits ($)(2)	Annual Incentives ($)(3)	Long-Term Incentives ($)	Pensions ($)	Other ($)	Total ($)
Carl G. Trowell(1)	2016	816,000	163,513	3,397,608	—	—	—	4,377,121
	2015	893,820	189,230	3,850,358	—	—	—	4,933,408

(1) Mr. Trowell was appointed to the Board on 2 June 2014.

(2) Taxable benefits provided to our executive director include the following:

Name	Year	Group Term Life Insurance	Dividends on Share Awards*	Cost of Living Allowance	Foreign Service Premium	Housing Allowance	Transportation Allowance	Other	Total
Carl G. Trowell	2016	$ 639	$ 80,334	$ —	$ —	$ —	$ —	$ 82,540	$ 163,513
	2015	$ 618	$ 117,851	$ —	$ —	$ —	$ —	$ 70,761	$ 189,230

Directors' remuneration report *(continued)*

Remuneration of Chief Executive Officer *(continued)*

* The amounts disclosed in this column represent the dividends or dividend equivalents earned and paid during 2016 and 2015 on the director's unvested restricted shares and share units and the dividends that are to be paid for the 2014-2016 performance unit awards.

(3) The amounts disclosed in this column represent the aggregate grant-date fair value of restricted share awards or units granted during the respective year and bonuses awarded for the respective years pursuant to the ECIP.

The following table sets forth information regarding the components of annual incentives earned by our executive director for the fiscal years ended 31 December 2016 and 2015:

Name	Year	Restricted Share Awards $	ECIP ($)	Total ($)
Carl G. Trowell	2016	2,500,008	897,600	3,397,608
	2015	2,500,028	1,350,330	3,850,358

During 2016, the Board approved financial, safety performance and STGs for our executive officers, including our executive director, for the 2016 plan year. The ECIP performance measures and actual results for the executive officers for the 2016 plan year were as follows:

2016 ECIP PERFORMANCE MEASURES

Performance Measure	Weighting	Threshold	Target	Maximum	Actual Results	% of Target Earned
EBITDA(1)	**40.0%**	$838,176	$1,117,568	$1,396,960	$1,152,980	45.1%
EPS(2)	**10.0%**	$1.26	$1.68	$2.10	$1.87	14.5%
DSO	**10.0%**	79	63	47	69	8.1%
TRIR	**10.0%**	0.43	0.40	0.30	0.26	20.0%
Downtime - Floaters	**5.0%**	5.60%	4.50%	3.40%	1.53%	10.0%
Downtime - Jackups	**5.0%**	1.70%	1.35%	1.00%	1.24%	6.6%
STGs	**20.0%**	1.00	2.00	4.00	3.21	32.1%
TOTAL AWARD	**100%**					136.4%

(1) EBITDA excludes $81.9 million relating to a lump sum payment received in connection with a contract termination. Excluding the adjustment, the percent of target earned would have been 142%.

(2) EPS excludes $1.23 per share relating to the $81.9 million lump sum contract termination payment in addition to a gain of $287.8 million on debt repurchases. Excluding these adjustments, the percent of target earned would have been 200%.

Individual Award Calculation

Executive Officer	2016 Target Opportunity	x	Weighted % of Target Earned	=	Formula-Derived ECIP Award	+	Discretionary Adjustment	=	Actual ECIP Award
Mr. Trowell	$ 897,600		136.4%		$ 1,224,326		$ (326,726)		$ 897,600

The performance measures and actual results for performance unit awards granted under the LTIP during 2014 for the performance period beginning 1 January 2014 and ending 31 December 2016 were as follows:

Directors' remuneration report *(continued)*

Remuneration of Chief Executive Officer *(continued)*

Performance Measure	Weight		Threshold	Target	Maximum	Actual Results	% of Target Payout Achieved
Relative TSR	50%	Rank	8 of 10	5 of 10	1 of 10		
		Award Multiplier	0.25	1.00	2.00	8	25 %
Relative ROCE	50%	Rank	8 of 10	5 of 10	1 of 10		
		Award Multiplier	0.25	1.00	2.00	7	50 %

Performance unit awards granted under the LTIP during 2014 for the performance period beginning 1 January 2014 and ending 31 December 2016 were paid to our executive director in shares in March 2017 as follows in the table below.

	Relative TSR	Relative ROCE	Total Shares Earned	Total Value of Shares Earned*
Carl G. Trowell	5,951	11,903	17,854	$ 173,541

* Performance unit awards valued based on the share closing price of $9.72 on 31 December 2016.

Performance Unit Awards - Table B

The following table sets forth information regarding performance unit awards outstanding at the beginning and end of 2016 for our executive director. Our non-executive directors do not receive performance unit awards.

	Date of Grant	End of Period Over Which Qualifying Conditions Must be Fulfilled for Each Award(1)	Grant-date Fair Value of Performance Unit Awards at Beginning of FY ($)(2)(3)(4)	Grant-date Fair Value of Performance Unit Awards Granted During the FY ($)(2)(3)(4)	Actual Payout Related to Awards Which Vested During the FY ($)	Grant-date Fair Value of Performance Unit Awards at End of FY ($)(2)(3)(4)
Carl G. Trowell	2/6/2014 (5)	31/12/2016	2,500,009	—	N/A	2,500,009
	23/2/2015	31/12/2017	2,499,984	—	N/A	2,499,984
	3/3/2016	31/12/2018	—	2,275,000	N/A	2,275,000

(1) Performance unit awards are measured over a three-year performance period. Any amounts earned under the performance unit awards are not payable until after the close of the performance period. Performance awards are subject to forfeiture if the recipient leaves the company prior to award payout.

(2) Grant-date fair value for performance unit awards is measured using the estimated probable payout on the grant date. The performance unit awards are based upon financial performance measured over the three-year performance period. Performance unit awards granted during the three-year period ended 31 December 2016 may be settled in shares or cash at the sole discretion of the Board. The goals for the performance unit awards granted have three performance bands: a threshold, a target and a maximum. If the minimum threshold for the respective financial performance measure is not met, no amount will be paid for that component. Payments are calculated using straight-line interpolation for performance between the threshold and target and between the target and maximum for each component.

(3) TSR is defined as dividends paid during the performance period plus the ending share price of the performance period minus the beginning share price of the performance period, divided by the beginning share price of the performance period. Beginning and ending share prices are based on the average closing prices during the quarter preceding the performance period and the final quarter of the performance period, respectively. ROCE is defined as net income from continuing operations, adjusted for certain nonrecurring gains and losses, plus after-tax net interest expense, divided by total equity as of 1 January of the respective year plus the average of the long-term debt balances as of 1 January and 31 December of the respective year.

(4) The company's relative performance is evaluated against a group of eight performance peer companies, consisting of Atwood Oceanics, Inc., Diamond Offshore Drilling, Inc., Helmerich & Payne, Inc., Nabors Industries Ltd., Noble Corporation, Rowan Companies plc, SeaDrill Ltd and Transocean Ltd. If the group decreases in size during the performance period as a result of mergers, acquisitions or economic conditions, the applicable multipliers will be adjusted to pre-determined amounts based on the remaining number of performance peer group companies for the two relative performance measures.

(5) The performance unit award for the performance period beginning 1 January 2014 and ending 31 December 2016 was paid in shares in March 2017.

Directors' remuneration report *(continued)*

Payments to former director

Mr. Rabun retired as our CEO and President in June 2014 and continued to be employed by the company and to serve as Chairman of the Board until 18 May 2015. In connection with his retirement, the company entered into a Restated and Superseding Employment Agreement ("Employment Agreement"). The Employment Agreement provides for certain benefits upon termination. For a description of Mr. Rabun's agreement, please refer to the discussion under "Employment Agreements and Potential Post-Termination Payments" within CD&A in the company's proxy statement filed with the U.S. Securities and Exchange Commission on 3 April 2015. Pursuant to the terms of his Employment Agreement, Mr. Rabun received 8,147 shares on 6 March 2017 in payment for performance unit awards granted to him in 2014 for the performance period beginning 1 January 2014 and ending 31 December 2016. Mr. Rabun's performance unit awards were paid on a prorated basis to reflect the amount of time Mr. Rabun was employed by the company during the respective performance period.

Remuneration of non-executive directors

The Current Remuneration Policy, which was approved at the Meeting on 19 May 2014, will apply until the 2017 Annual General Meeting of Shareholders to be held on 22 May 2017. The following is a summary of the Current Remuneration Policy as it applies to non-executive directors:

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity
Fees	Attract and retain qualified candidates.	Reviewed annually by the Board. Fee increases, if applicable, are normally effective from on or around 1 June. The Board considers pay data at our compensation peer group companies. The Chairman of the Board, any Lead Director and the chairs of the Audit, Compensation and Nominating and Governance Committees receive additional retainers. No eligibility for bonuses or retirement benefits. Compensation includes an element of stock-based compensation that is not subject to performance tests.	No prescribed maximum annual increase.
Benefits	Travel to the company's registered office.	Accommodation costs are recognised as a taxable benefit. Eligible to participate in U.S. and UK group health and welfare insurance plans.	None

Non-Executive Directors Compensation - Table C

The compensation paid to our non-executive directors for the fiscal years ended 31 December 2016 and 2015 is reported in the tables below. The compensation paid to non-executive directors includes an element of equity-based compensation, designed to provide greater alignment of interests between non-executive directors and the company's shareholders. This equity-based compensation is not subject to the achievement of performance metrics given the nature of the role performed by the non-executive directors.

Name	Year	Salary and Fees ($)	Taxable Benefits ($)[1]	Annual Incentives ($)[2]	Total ($)
J. Roderick Clark	2016	115,000	12,185	200,016	327,201
	2015	115,000	23,930	250,052	388,982
Roxanne J. Decyk	2016	100,000	12,368	200,016	312,384
	2015	100,000	22,930	250,052	372,982
Mary E. Francis CBE	2016	100,000	3,010	200,016	303,026
	2015	100,000	12,689	250,052	362,741
C. Christopher Gaut	2016	100,000	1,282	200,016	301,298
	2015	100,000	13,811	250,052	363,863

Directors' remuneration report *(continued)*

Non-Executive Directors Compensation - Table C *(continued)*

Name	Year	Salary and Fees ($)	Taxable Benefits ($)[1]	Annual Incentives ($)[2]	Total ($)
Gerald W. Haddock	2016	100,000	12,419	200,016	312,435
	2015	100,000	24,297	250,052	374,349
Francis S. Kalman	2016	100,000	13,200	200,016	313,216
	2015	100,000	23,726	250,052	373,778
Keith O. Rattie	2016	120,000	12,314	200,016	332,330
	2015	120,000	23,846	250,052	393,898
Paul E. Rowsey, III	2016	211,250	9,062	275,025	495,337
	2015	209,451	19,832	325,026	554,309

(1) Taxable benefits provided to our non-executive directors include dividends on non-vested restricted share awards, payments made by the company on the behalf of the directors for contributions to group health and welfare insurance and payments made by the company to reimburse directors for business expenses incurred in connection with the attendance of Board meetings in the UK, which are subject to UK income tax.

The payments made by the company to each director during 2016 and 2015 as reimbursement for business expenses incurred in connection with the attendance of Board meetings in the United Kingdom, which are subject to UK income tax are as follows:

Name	2016	2015
J. Roderick Clark	$ 1,979	$ 6,446
Roxanne J. Decyk	$ 2,162	$ 5,906
Mary E. Francis CBE	$ 774	$ 3,504
C. Christopher Gaut	$ 246	$ 5,366
Gerald W. Haddock	$ 2,213	$ 6,813
Francis S. Kalman	$ 2,994	$ 6,442
Keith O. Rattie	$ 2,108	$ 6,362
Paul E. Rowsey, III	$ 7,697	$ 9,945

(2) The non-executive director amounts disclosed in this column represent the aggregate grant-date fair value of restricted share units granted during the respective year.

Directors' remuneration report *(continued)*

Time-vested Restricted Shares - Table D

The following table sets forth information regarding the number and amount of restricted share awards outstanding at the beginning and end of the fiscal year ended 31 December 2016 for each director serving on the Board during 2016:

	Date of Grant	End of Period Over Which Qualifying Conditions Must be Fulfilled for Each Award[(1)]	Restricted Shares / Units Outstanding at Beginning of FY (#)	Restricted Shares / Units Granted During the FY (#)	Restricted Shares / Units Which Vested During the FY (#)	Market Price Per Share on Date of Grant ($)	Market Price Per Share on Vesting of Award ($)	Income Realised Upon Vesting ($)	Restricted Shares / Units Outstanding at End of FY (#)
Carl G. Trowell	2/6/2014	2/6/2017 [(2)]	76,176	—	—	52.51	N/A	N/A	76,176
	2/6/2014	2/6/2017 [(3)]	31,740	—	15,870	52.51	9.38	148,861	15,870
	23/2/2015	23/2/2018 [(3)]	87,261	—	29,087	28.65	8.66	251,893	58,174
	3/3/2016	3/3/2019 [(3)]	—	228,729	—	10.93	N/A	N/A	228,729
J. Roderick Clark	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727
Roxanne J. Decyk	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727
Mary E. Francis CBE	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727
C. Christopher Gaut	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727
Gerald W. Haddock	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727
Francis S. Kalman	3/6/2013	3/6/2016 [(4)]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [(4)]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [(4)]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [(4)]	—	20,727	—	9.65	N/A	N/A	20,727

Directors' remuneration report *(continued)*

Time-vested Restricted Shares - Table D *(continued)*

	Date of Grant	End of Period Over Which Qualifying Conditions Must be Fulfilled for Each Award[1]	Restricted Shares / Units Outstanding at Beginning of FY (#)	Restricted Shares / Units Granted During the FY (#)	Restricted Shares / Units Which Vested During the FY (#)	Market Price Per Share on Date of Grant ($)	Market Price Per Share on Vesting of Award ($)	Income Realised Upon Vesting ($)	Restricted Shares / Units Outstanding at End of FY (#)
Keith O. Rattie	3/6/2013	3/6/2016 [4]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [4]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [4]	10,686	—	3,562	23.40	9.65	34,373	7,124
	1/6/2016	1/6/2019 [4]	—	20,727	—	9.65	N/A	N/A	20,727
Paul E. Rowsey, III	3/6/2013	3/6/2016 [4]	1,378	—	1,378	60.51	9.34	12,871	—
	2/6/2014	2/6/2017 [4]	3,174	—	1,587	52.51	9.38	14,886	1,587
	1/6/2015	1/6/2018 [4]	13,890	—	4,630	23.40	9.65	44,680	9,260
	1/6/2016	1/6/2019 [4]	—	28,500	—	9.65	N/A	N/A	28,500

(1) The end of period date noted in the table above refers to the date on which all restricted share awards and units for the grant identified have vested.

(2) Restricted share units granted in the form of time-vested restricted shares that cliff vest after three years.

(3) Restricted share units vest (restrictions lapse) at a rate of 33% each year over a three-year period from the grant date.

(4) Restricted share units granted to non-executive directors between 2013 and 2016 vest (restrictions lapse) at a rate of 33% each year over a three-year period or upon retirement from the Board.

Director option ownership - Table E

None of our directors have outstanding options.

Other remuneration

We do not have a defined benefit pension scheme.

Agreements with directors

There are no agreements or letters of appointment in place with our non-executive directors. All directors are subject to annual nomination by the Board and re-election by our shareholders.

On 3 May 2014, the company entered into an employment agreement with Mr. Trowell. Mr. Trowell's employment under the employment agreement will continue, subject to the terms of the agreement, until terminated by either party giving the other not less than six months' prior notice in writing. A copy of Mr. Trowell's employment agreement is filed as Exhibit 10.1 to the company's quarterly report on Form 10-Q filed on 1 August 2014 (see www.sec.gov).

Shareholder Guidelines

Equity accumulation by our directors is encouraged, and we have specific security ownership guidelines, which are included in the Ensco Corporate Governance Policy. As respect to non-executive directors, within five years of appointment to the Board, each such director should hold a number of vested and unvested shares of the company having a value of at least five times the director's annual retainer. As respects named executive officers, guidelines specific to the position in question shall apply within five years of appointment to the position. Our executive director should hold a number of vested and unvested shares having a fair market value of at least six times his or her base salary. Each executive and non-executive director was in compliance with these guidelines at the end of 2016.

Directors' remuneration report *(continued)*

Directors' interest in shares - Table F

The interest of the current directors in office as of 31 December 2016 in shares and share incentives are shown in the table below.

Name	Unvested Restricted Shares / Units held as of 31 December 2016	Unrestricted Shares held as of 31 December 2016	Vested Unexercised Options held as of 31 December 2016	Unearned Performance Unit Awards held as of 31 December 2016[1]	Total Awards held as of 31 December 2016
Executive Director					
Carl G. Trowell	378,949	34,438	—	363,600	776,987
Non-executive Directors					
J. Roderick Clark	29,438	28,971	—	—	58,409
Roxanne J. Decyk	29,438	9,335	—	—	38,773
Mary E. Francis CBE	29,438	3,588	—	—	33,026
C. Christopher Gaut	29,438	34,998	—	—	64,436
Gerald W. Haddock	29,438	36,354	—	—	65,792
Francis S. Kalman	29,438	29,810	—	—	59,248
Keith O. Rattie	29,438	26,969	—	—	56,407
Paul E. Rowsey, III	39,347	45,914	—	—	85,261

(1) The amounts disclosed represent the target level of performance for Mr. Trowell's unearned performance unit awards as of 31 December 2016.

Statement of change in pay of Chief Executive Officer compared with employees

The table below summarises the percentage change in salary, taxable benefits and annual incentives of the Chief Executive Officer and our employee population, as defined below, for the fiscal years ended 31 December 2016 and 2015.

	Chief Executive Officer	Employees
	Percentage Change (2016 vs 2015)	Percentage Change (2016 vs 2015) [1]
Salary	— %	0.7 %
Taxable Benefits	(14.7)% [2]	(22.0)% [2]
Annual Incentives	(7.2)%	14.6 %

(1) We selected our Corporate salaried employee population for this comparison based upon the duties of these employees, the locations where they work and the structure of their remuneration.

(2) Mr. Trowell is a UK resident and does not receive overseas allowances. Taxable benefits for Mr. Trowell consist of: dividends paid during 2016 on restricted share awards; dividends for the 2014-2016 performance unit awards; payments in lieu of profit share/matching contributions; group term life insurance; and tax preparation fees. Taxable benefits for employees consist primarily of: dividends paid during 2016 on restricted share awards; dividends for the 2014-2016 performance unit awards payable to only our senior executives; and overseas allowances to the extent paid to any given employee.

Relative Importance of Spend on Pay

The table below shows the overall spend on employee pay, dividend payments and capital expenditures for the fiscal years ended 31 December 2016 and 2015.

	2016	2015	Percentage Change
Employee Pay	$ 627,300,000	$ 850,000,000	(26)%
Dividend Payments	$ 11,600,000	$ 141,200,000	(92)%
Capital Expenditures[1]	$ 322,200,000	$ 1,619,500,000	(80)%

(1) Capital Expenditures consist of expenditures on new rig construction, rig enhancement and minor upgrades and improvements.

Directors' remuneration report *(continued)*

Implementation statement (Period from 1 January 2017 to 22 May 2017)

Base Salary, Benefits, Employer Matching and Profit Sharing Programmes

Base salary, benefits and employer matching and profit sharing programmes were implemented in line with the Current Remuneration Policy.

2017 ECIP Awards

The ECIP awards were implemented in line with the Current Remuneration Policy.

For the 2017 plan year, the Board approved three performance bands (threshold, target and maximum) for each of the measures under the ECIP. The 2017 ECIP performance measures and weightings approved by the Board were as follows:

Performance Measure	Weighting
EBITDA(1)	30%
Backlog Days(2)	10%
DSO	10%
Safety (TRIR)	10%
Downtime - Floaters	10%
Downtime - Jackups	10%
STGs	20%
TOTAL	100%

(1) For purposes of the ECIP, EBITDA is calculated by taking operating turnover and subtracting contract drilling expenses and general and administrative expenses, excluding amortisation.

(2) Backlog is calculated based on the aggregate number of contracted days in our drilling contracts, excluding unexercised options to extend drilling contracts.

In light of the company's focus on increasing backlog in 2017 and the expected continuing challenging market conditions, the Board elected to replace EPS with Backlog Days as an ECIP performance measure. Additionally, the Floaters and Jackups downtime metrics were increased by 5% each with an offsetting decline to the weighting for EBITDA. The changes to the 2017 ECIP metrics and weightings were made with the objective of placing focus on balance sheet health and winning new contracts for our rigs. While some of these measures may conflict with the goal of maximising EBITDA over the short term, they are critical to maintaining strong customer relationships and to ensuring the long-term health and sustainability of the business, which will enable the Company to emerge from the current downturn better positioned to succeed.

Following consideration of compensation data presented by Pearl Meyer, the Board approved the following target incentive opportunities for the executive director for 2017:

	2017 Incentive Award Opportunity (as a % of Salary)		
Name	Threshold (0.5x target)	Target	Maximum (2x target)
Mr. Trowell	55%	110%	220%

2017 LTIP Awards

LTIP Awards were implemented in line with the Current Remuneration Policy.

Implementation statement (Period from 1 January 2017 to 22 May 2017) *(continued)*

2017 LTIP Awards (continued)

The performance award matrix setting forth the ranks required to achieve threshold, target and maximum performance for both types of performance unit awards is set forth in the table below:

2017 Performance Award Matrix				
Performance Measure		Threshold	Target	Maximum
Relative TSR	Rank	7 of 9	5 of 9	1 of 9
	Award Multiplier	0.50	1.00	2.00
Relative ROCE	Rank	7 of 9	5 of 9	1 of 9
	Award Multiplier	0.50	1.00	2.00

The performance unit awards granted in 2017 consist of two types of performance unit awards for the performance period beginning 1 January 2017 and ending 31 December 2019: performance unit awards based on Relative TSR and performance units awards based on our Relative ROCE. The 2017 performance unit target value is split evenly between Relative TSR performance units and Relative ROCE performance units.

In the interest of helping to limit dilution to our shareholders at lower stock prices, the 2017 performance unit awards are denominated and settled in cash.

2017 Retention Awards

Under the Current Remuneration Policy, the Board reserves the right to make payments outside the policy in exceptional circumstances where it believes the use is in the best interests of the company and when it would be impractical to seek prior specific approval of the shareholders of the company at a general meeting. The Board considered such exceptional circumstances to include significant declines in the value of unvested equity held by the executive officers of the company (including the executive director), solicitation of the executive officers by other potential employers and the significant financial and operating costs to the company of replacing departing executive officers. Accordingly, the Board determined that additional measures were required to ensure the continuity of leadership during the current industry downturn to position the company to succeed when the offshore drilling industry recovers. The Board considered the reduced cost to other companies of buying out any of our executive officers due to reduced value of unvested equity holdings and recent retention awards made by peer group companies and reviewed the potential financial and operating costs and complexity of replacing departing executive officers in determining the need for a retention vehicle. Based upon this evaluation, the Board determined in March 2017 that cash retention awards would provide an appropriate retention incentive. Given that in excess of 70% of our executive director's total compensation is composed of long-term equity incentives, cash-based retention awards were considered more appropriate since they provide less overlap with existing executive director compensation programmes.

Pursuant to the retention award, Mr. Trowell, our executive director, will earn (i) £900,000 if he remains employed through 31 December 2017 and (ii) an additional £900,000 if he remains employed through 31 December 2018. If termination occurs without cause or Mr. Trowell resigns for good reason within two years following a change of control, or upon death or permanent and total disability, then payment of the full amount of retention award is accelerated. If Mr. Trowell is terminated for cause or voluntarily resigns, any unearned tranche of the retention award is forfeited. If Mr. Trowell is terminated by the company for any other reason on or prior to 31 December 2017, then payment in full of the first tranche of the retention award and a pro rated portion of the second tranche is accelerated. If Mr. Trowell is terminated by the company for any other reason after 31 December 2017, but prior to 31 December 2018, then payment in full of the second tranche of the retention award is accelerated.

Implementation statement (Period from 22 May 2017 to 31 December 2017)

Base Salary, Benefits, Employer Matching and Profit Sharing Programmes

Base salary, benefits and employer matching and profit sharing programmes were implemented in line with the Remuneration Policy subject to a binding vote by shareholders during the Annual General Meeting of Shareholders to be held on 22 May 2017 (the "New Remuneration Policy").

Directors' remuneration report *(continued)*

Implementation statement (Period from 22 May 2017 to 31 December 2017) *(continued)*

2017 ECIP Awards

The ECIP awards were implemented in line with the New Remuneration Policy. Actual targets have not been disclosed due to commercial sensitivity. These will be disclosed next year.

2017 LTIP Awards

LTIP awards were implemented in line with the New Remuneration Policy.

Shareholder voting on remuneration matters

The Board values shareholders' input on the design of our employee compensation programmes. The Board believes that our programmes are structured to deliver realised pay that is commensurate with performance and that we have a pay for performance approach to executive pay that holds management accountable for producing profitable growth. The Board also believes that we have adopted multiple compensation governance "best practices."

At our last annual general meeting of shareholders held on 23 May 2016, we received 124,576,478 votes in favour of our Directors' remuneration report, 41,713,110 votes in opposition and 1,591,600 abstentions, for total support of 75% of the votes cast on the proposal.

The Board considered the reduction in shareholder support for our Directors' remuneration report compared with votes cast at annual general meetings in previous years and, in May 2016, our Compensation Committee recommended certain changes to non-executive director compensation. As a result of this recommendation, the Board reduced the value of the annual grant of equity compensation awarded to each of our non-executive directors by $50,000 effective 1 June 2016. Consequently, in 2016 our independent Chairman of the Board received a restricted share unit award of $275,000 and each of our other non-executive directors received a restricted share unit award of $200,000. In addition, the retainer for the Nominating and Governance Committee Chair was reduced by $5,000 effective 1 June 2016.

We did not make any other significant changes to our 2016 director compensation programmes further to comments or feedback expressed by shareholders on any aspects of remuneration.

Please see "2017 implementation statement" above for a description of other compensation changes being implemented in 2017.

The Directors' remuneration report was approved by the Board of Directors on 24 March 2017 and was signed on its behalf by:

Carl G. Trowell
Director, Chief Executive Officer and President

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report and Directors' Remuneration Report that complies with that law and those regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENSCO PLC

We have audited the financial statements of Ensco plc for the year ended 31 December 2016 set out on pages 33 to 78. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; 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

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

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

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
24 March 2017

Consolidated Profit and Loss Account
for the year ended 31 December 2016

	Note	2016 $ millions	2015 $ millions
Turnover	3	2,776.4	4,082.9
Cost of sales			
Contract drilling expense		(1,305.1)	(1,904.9)
Depreciation and amortisation		(471.1)	(1,143.8)
		(1,776.2)	(3,048.7)
Gross profit		1,000.2	1,034.2
General and administrative expenses		(100.8)	(118.4)
Impairment of tangible fixed assets and other assets	12	-	(4,485.6)
Other operating income/(expense), net	4	2.2	(2.6)
Operating profit/(loss)		901.6	(3,572.4)
Interest receivable and similar income*	8	321.7	22.2
Interest payable and other similar items	9	(299.0)	(250.4)
Profit/(loss) on ordinary activities before taxation		924.3	(3,800.6)
Tax on profit/(loss) on ordinary activities	10	(79.1)	13.7
Profit/(loss) for financial year		845.2	(3,786.9)
Profit/(loss) for the financial year attributable to:			
Shareholders of the parent company		838.3	(3,795.8)
Minority interests	21	6.9	8.9
Total profit/(loss) for financial year		845.2	(3,786.9)
Earnings/(loss) per share			
Basic earnings/(loss) per share		2.94	(16.36)
Diluted earnings/(loss) per share		2.94	(16.36)

All of the results above are derived from continuing operations.

* Interest receivable and similar income includes a $287.8 million (2015: $nil) gain arising on extinguishment of debt.

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Consolidated Other Comprehensive Income/Loss
for the year ended 31 December 2016

	2016 $ millions	2015 $ millions
Income/(loss) for financial year	845.2	(3,786.9)
Other comprehensive (loss)/income		
Foreign exchange on translation of foreign operations	(0.4)	2.0
Other comprehensive (loss)/income for the year	(0.4)	2.0
Total other comprehensive income/(loss) attributable to:		
Shareholders of the parent company	837.9	(3,793.8)
Minority interests	6.9	8.9
	844.8	(3,784.9)

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2016

	Note	2016 $ millions	2015 $ millions
Fixed assets			
Intangible assets		-	5.4
Tangible fixed assets	*12*	7,200.9	7,398.0
		7,200.9	7,403.4
Current assets			
Stocks	*14*	225.2	235.3
Debtors (including $84.0 million (2015: $128.1 million) due after more than one year)	*15*	556.0	882.6
Investments	*13*	1,442.6	1,180.0
Cash and cash equivalents		1,159.7	121.3
		3,383.5	2,419.2
Creditors: amounts falling due within one year	*16*	(837.0)	(757.1)
Net current assets		2,546.5	1,662.1
Total assets less current liabilities		9,747.4	9,065.5
Creditors: amounts falling due after more than one year	*17*	(5,390.2)	(6,163.7)
Provisions for liabilities	*18*	(165.5)	(172.5)
Net assets		4,191.7	2,729.3
Capital and reserves			
Called up share capital	*20*	31.1	24.4
Other reserves		4,156.2	2,700.6
		4,187.3	2,725.0
Minority interests	*21*	4.4	4.3
Shareholders' funds		4,191.7	2,729.3

These financial statements were approved by the board of directors on 24 March 2017 and were signed on its behalf by:

Carl G. Trowell
Director, Chief Executive Officer
and President

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Company Balance Sheet
at 31 December 2016

	Note	2016 $ millions	2015 $ millions
Fixed assets			
Investment	13	6,959.5	6,959.5
		6,959.5	6,959.5
Current assets			
Debtors (including $1,647.8 million (2015: $1,389.0 million) due after more than one year)	15	2,101.3	2,216.9
Investments	13	1,170.6	1,180.0
Cash at bank and in hand		892.6	94.0
		4,164.5	3,490.9
Creditors: amounts falling due within one year	16	(230.6)	(62.9)
Net current assets		3,933.9	3,428.0
Total assets less current liabilities		10,893.4	10,387.5
Creditors: amounts falling due after more than one year	17	(4,316.0)	(4,534.1)
Net assets		6,577.4	5,853.4
Capital and reserves			
Called up share capital	20	31.1	24.4
Other reserves		6,546.3	5,829.0
Shareholders' funds		6,577.4	5,853.4

These financial statements were approved by the board of directors on 24 March 2017 and were signed on its behalf by:

Carl G. Trowell
Director, Chief Executive Officer
and President

Company registered number: 07023598
Company registered office: 6 Chesterfield Gardens, London, W1J 5BQ.

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2016

	2016 $ millions	2015 $ millions
Cash flows from operating activities		
Profit/(loss) for financial year	845.2	(3,786.9)
Adjustments for:		
Depreciation	471.1	496.3
Interest payable and other similar items	299.0	250.4
Interest receivable and similar income*	(321.7)	(22.2)
Tax expense/(benefit)	79.1	(13.7)
Share-based compensation cost	39.6	40.1
Other amortisation	(20.5)	(1.4)
Bad debt provision	(5.7)	24.1
(Gain)/loss on sales of tangible fixed assets	(2.2)	2.6
Impairment of tangible fixed assets and other assets	-	4,485.6
Goodwill amortisation	-	647.5
	1,383.9	2,122.4
Decrease in creditors	(322.2)	(369.4)
Decrease in debtors	322.8	330.4
Decrease/(increase) in stocks	15.5	(13.8)
Decrease in provisions	(4.9)	(22.9)
Other, net	(1.9)	(22.1)
	9.3	(97.8)
Taxation paid	(56.4)	(97.3)
Net cash inflow from operating activities	1,336.8	1,927.3
Cash flows from investing activities		
Purchase of investments	(2,474.6)	(1,780.0)
Payments to acquire tangible fixed assets	(276.5)	(1,534.0)
Receipts from maturities of investments	2,212.0	1,357.3
Interest received	9.2	8.9
Receipts from sales of tangible fixed assets	16.1	5.7
Net cash outflow from investing activities	(513.8)	(1,942.1)
Cash flows from financing activities		
Repayment of long-term borrowings	(863.9)	(1,072.5)
Proceeds from new loan	849.5	1,078.7
Proceeds from equity issuance	585.5	-
Interest paid	(310.5)	(336.7)
Debt financing costs	(23.4)	(10.5)
Cash dividends paid	(11.6)	(141.2)
Premium paid on redemption of debt	-	(30.3)
Repurchase of own shares	(2.0)	(4.8)
Other	(6.8)	(11.1)
Net cash inflow/(outflow) from financing activities	216.8	(528.4)
Increase/(decrease) in cash and cash equivalents	1,039.8	(543.2)
Cash and cash equivalents at beginning of year	121.3	664.8
Effect of exchange rate changes on cash	(1.4)	(0.3)
Cash and cash equivalents at year end	1,159.7	121.3

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Company Cash Flow Statement
for the year ended 31 December 2016

	2016 $ millions	2015 $ millions
Cash flows from operating activities		
Profit/(loss) for the financial year	121.8	(218.8)
Adjustments for:		
Interest receivable and similar income	(338.2)	(36.4)
Interest payable and other similar items	180.9	205.9
Share-based compensation cost	15.4	19.2
Depreciation	-	0.2
	(20.1)	(29.9)
(Decrease)/increase in creditors	(11.5)	7.2
Other, net	(2.4)	(1.0)
	(13.9)	6.2
Net cash outflow from operating activities	(34.0)	(23.7)
Cash flows from investing activities		
Receipts from maturities of investments	2,212.0	712.0
Purchase of investments	(2,202.6)	(1,180.0)
Decrease/(increase) in revolver receivable from affiliate	361.8	(777.0)
Increase in notes receivable from affiliates	(243.4)	-
Interest received	108.8	36.6
Decrease in amounts due from affiliates	8.6	1,334.8
Net cash inflow from investing activities	245.2	126.4
Cash flows from financing activities		
Proceeds from new loan	-	1,078.7
Repayment of long-term borrowings	(629.8)	(1,000.0)
Increase in notes payable to affiliates	622.4	-
Issuance of share capital	585.5	-
Proceeds from issue of derivative liability	227.1	-
Interest paid	(181.2)	(162.2)
Debt financing costs	(23.7)	(10.5)
Cash dividends paid	(11.6)	(141.2)
Increase/(decrease) in amounts due to affiliates	0.9	(28.7)
Repurchase of own shares	(2.2)	(4.8)
Premium paid on redemption of debt	-	(27.3)
Net cash inflow/(outflow) from financing activities	587.4	(296.0)
Increase/(decrease) in cash and cash equivalents	798.6	(193.3)
Cash and cash equivalents at beginning of year	94.0	287.3
Cash and cash equivalents at year end	892.6	94.0

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

Year ended 31 December 2016

	Called up share capital $ millions	Share premium account $ millions	Merger reserves $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss account $ millions	Total shareholders equity $ millions	Minority interests $ millions	Total equity $ millions
At beginning of year	24.4	188.2	1,501.3	(63.8)	3,760.3	(2,685.4)	2,725.0	4.3	2,729.3
Total comprehensive profit for the year	-	-	-	-	-	838.3	838.3	6.9	845.2
Other comprehensive (loss)/income									
Foreign currency translation	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Total comprehensive profit for the year	-	-	-	-	(0.4)	838.3	837.9	6.9	844.8
Transactions with owners, recorded directly in equity									
Cash dividends paid	-	-	-	-	-	(11.4)	(11.4)	(7.8)	(19.2)
Shares issued	6.5	-	-	-	579.0	-	585.5	-	585.5
Shares issued for debt exchange	0.2	14.8	-	-	-	-	15.0	-	15.0
Contributions from minority interests	-	-	-	-	-	-	-	1.0	1.0
Repurchase of own shares	-	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Share-based compensation cost	-	-	-	-	37.3	-	37.3	-	37.3
At end of year	31.1	203.0	1,501.3	(65.8)	4,376.2	(1,858.5)	4,187.3	4.4	4,191.7

Year ended 31 December 2015

	Called up share capital $ millions	Share premium account $ millions	Merger reserves $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss account $ millions	Total shareholders equity $ millions	Minority interests $ millions	Total equity $ millions
At beginning of year	24.2	188.2	1,501.3	(59.0)	3,718.0	1,251.6	6,624.3	7.9	6,632.2
Total comprehensive loss for the year	-	-	-	-	-	(3,795.8)	(3,795.8)	8.9	(3,786.9)
Other comprehensive income									
Foreign currency translation	-	-	-	-	2.0	-	2.0	-	2.0
Total comprehensive loss for the year	-	-	-	-	2.0	(3,795.8)	(3,793.8)	8.9	(3,784.9)
Transactions with owners, recorded directly in equity									
Cash dividends paid	-	-	-	-	-	(141.2)	(141.2)	(12.5)	(153.7)
Shares issued for share-based compensation plans, net	0.2	-	-	(0.2)	-	-	-	-	-
Repurchase of own shares	-	-	-	(4.6)	-	-	(4.6)	-	(4.6)
Share-based compensation cost	-	-	-	-	40.3	-	40.3	-	40.3
At end of year	24.4	188.2	1,501.3	(63.8)	3,760.3	(2,685.4)	2,725.0	4.3	2,729.3

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2016

Year ended 31 December 2016

	Called up share capital $ millions	Share premium account $ millions	Merger reserves $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss account $ millions	Total equity $ millions
At beginning of year	24.4	184.6	1,501.3	(61.2)	2,990.5	1,213.8	5,853.4
Total comprehensive profit for the year							
Profit for the financial year	-	-	-	-	-	121.8	121.8
Total comprehensive profit for the year	-	-	-	-	-	121.8	121.8
Transactions with owners, recorded directly in equity							
Cash dividends paid	-	-	-	-	-	(11.4)	(11.4)
Shares issued	6.5	-	-	-	579.0	-	585.5
Shares issued for debt exchange	0.2	14.8	-	-	-	-	15.0
Repurchase of own shares	-	-	-	(2.0)	-	-	(2.0)
Share-based compensation cost	-	-	-	-	15.1	-	15.1
At end of year	31.1	199.4	1,501.3	(63.2)	3,584.6	1,324.2	6,577.4

Year ended 31 December 2015

	Called up share capital $ millions	Share premium account $ millions	Merger reserves $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss account $ millions	Total equity $ millions
At beginning of year	24.2	184.6	1,501.3	(56.4)	2,971.3	1,573.8	6,198.8
Total comprehensive loss for the year							
Loss for the financial year	-	-	-	-	-	(218.8)	(218.8)
Total comprehensive loss for the year	-	-	-	-	-	(218.8)	(218.8)
Transactions with owners, recorded directly in equity							
Cash dividends paid	-	-	-	-	-	(141.2)	(141.2)
Shares issued for share-based compensation plans, net	0.2	-	-	(0.2)	-	-	-
Repurchase of own shares	-	-	-	(4.6)	-	-	(4.6)
Share-based compensation cost	-	-	-	-	19.2	-	19.2
At end of year	24.4	184.6	1,501.3	(61.2)	2,990.5	1,213.8	5,853.4

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

Notes

1 Significant accounting policies

Ensco plc ("we," "our" or the "company") and its subsidiaries (together, "the group") are incorporated and domiciled in the UK. These group and company financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK.

Basis of preparation

The financial statements are prepared on the historical cost basis, except for the convertible senior notes, supplemental executive retirement plan assets and derivative financial instruments are measured at fair value.

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 group has a significant level of U.S. dollar cash flows, assets and liabilities. The group and parent company financial statements are therefore presented in U.S. dollars.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the strategic report. We have historically relied on our cash flow from continuing operations to meet liquidity needs and fund the majority of our cash requirements. We periodically rely on the issuance of debt securities to supplement our liquidity needs. Based on our balance sheet, our $3.6 billion of contractual backlog as of 31 December 2016 and $2.25 billion available under our revolving credit facility, the directors believe that the group is well placed to successfully manage its business risks. After having made the appropriate inquiries, the directors have a reasonable expectation that the group 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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the company. The purchase method of accounting has been adopted. Under this method, the results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

In the company's financial statements, investment in subsidiary undertaking is stated at cost less amounts written-off. The carrying value of the investment in subsidiary undertaking is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Under section 408 of the UK Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

Foreign currency remeasurement

The functional currency of a substantial portion of the group's companies is the U.S. dollar. As is customary in the oil and natural gas industry, a majority of the group's turnover is denominated in U.S. dollars; however, a portion of the turnover and expenses incurred by its non-U.S. subsidiaries 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 interest receivable and other similar income or interest payable and other similar items. 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, including gains and losses on the settlement of certain derivative instruments, are included in interest receivable and similar income and interest payable and other similar items in the group's consolidated profit and loss account.

1 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash, for the purpose of the cash flow statement, consists of cash in hand, deposits repayable on demand and investments with a maturity of less than three months that are repayable on demand without penalty.

Tangible fixed assets and depreciation

All directly attributable costs incurred in connection with the acquisition, construction, enhancement and improvement of tangible fixed assets are capitalised, including allocations of interest incurred during periods that the group's drilling rigs are under construction or undergoing major enhancements and improvements. Costs incurred to place an asset into service are capitalised, including costs related to the initial mobilisation of a newbuild drilling rig that are not reimbursed by the customer. Repair and maintenance costs are charged to contract drilling expense in the period in which they occur. Upon sale or retirement of tangible fixed assets, the related cost and accumulated depreciation are removed from the balance sheet, and the resulting gain or loss is included in net (loss)/profit on disposal of tangible fixed assets.

The group's tangible fixed assets are depreciated on the straight-line method, after allowing for salvage values, over their estimated useful economic lives. Drilling rigs and related equipment are depreciated over estimated economic useful lives ranging up to 35 years. Buildings and improvements are depreciated over estimated economic useful lives ranging up to 30 years. Other equipment, including computer and communications hardware and software costs, is depreciated over estimated economic useful lives ranging up to 6 years. Depreciable lives and residual values are reviewed if there is an indication of a significant change during the year in the asset's future economic benefit consumption pattern.

Goodwill

Goodwill arising from an acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its estimated useful economic life. The estimated useful economic life of the group's goodwill is four years and seven months. Goodwill is stated at cost less any accumulated amortisation. Goodwill amortisation is included in depreciation and amortisation in the profit and loss account. Goodwill was fully amortised during 2015.

Impairment of fixed assets

The group evaluates the carrying value of its fixed assets for impairment when events or changes in circumstances indicate that a potential impairment exists. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. Fixed assets held for sale are recorded at the lower of net book value or net realisable value. In assessing value in use, the asset's expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

1 Significant accounting policies *(continued)*

Turnover and contract drilling expenses

Substantially all of the group's drilling contracts ("contracts") are performed on a day rate basis, and the terms of such contracts are typically for a specific period of time or the period of time required to complete a specific task, such as drill a well. Contract turnover and expenses are recognised on a per day basis as the work is performed. Day rate turnover is typically earned, and contract drilling expense is typically incurred, on a uniform basis over the terms of the group's contracts.

In connection with some contracts, the group receives lump-sum fees or similar compensation for the mobilisation of equipment and personnel prior to the commencement of drilling services or the demobilisation of equipment and personnel upon contract completion. Fees received for the mobilisation or demobilisation of equipment and personnel are included in turnover. The costs incurred in connection with the mobilisation and demobilisation of equipment and personnel are included in contract drilling expense.

Mobilisation fees received and costs incurred are deferred and recognised on a straight-line basis over the period that the related drilling services are performed. Demobilisation fees and related costs are recognised as incurred upon contract completion. Costs associated with the mobilisation of equipment and personnel to more promising market areas without contracts are expensed as incurred.

In connection with some contracts, the group receives up-front lump-sum fees or similar compensation for capital improvements to its drilling rigs. Such compensation is deferred and recognised as turnover over the period that the related drilling services are performed. The cost of such capital improvements is capitalised and depreciated over the economic useful life of the asset.

The group must obtain certifications from various regulatory bodies in order to operate its drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortised over the corresponding certification periods.

In certain countries in which the group operates, sales, use, value-added, gross receipts and excise tax may be assessed by the local government on the group's turnover. The group generally records tax-assessed turnover transactions on a net basis in its consolidated profit and loss account.

Interest receivable and similar income/interest payable and similar charges

Interest receivable and similar income include interest receivable on funds invested, gain on extinguishment of debt, net derivative instrument gains, and net foreign exchange gains that are recognised in the profit and loss account.

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, fair value change on convertible debt, debt extinguishment costs, net derivative instrument losses, and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset as incurred.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Significant accounting policies *(continued)*

Taxation

The group conducts operations and earns profit in numerous countries and is subject to the laws of taxing jurisdictions within those countries, including the UK and U.S. Current taxes are recognised for the amount of taxes payable or refundable based on the laws and tax rates in the taxing jurisdictions in which operations are conducted and profit is earned.

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.

In many of the jurisdictions in which the group operates, tax laws relating to the offshore drilling industry are not well developed and change frequently. Furthermore, the group may enter into transactions with affiliates or employ other tax planning strategies that generally are subject to complex tax regulations. As a result of the foregoing, the tax liabilities and assets the group recognises in its financial statements may differ from the tax positions taken, or expected to be taken, in the group's tax returns. Tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realised upon effective settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties relating to taxation are included in tax on profit on ordinary activities in the consolidated profit and loss account.

The group's drilling rigs frequently move from one taxing jurisdiction to another based on where they are contracted to perform drilling services. The movement of drilling rigs among taxing jurisdictions may involve a transfer of drilling rig ownership among the group's subsidiaries. The pre-tax profit resulting from intercompany rig sales is eliminated and the carrying value of rigs sold in intercompany transactions remains at the historical net depreciated cost prior to the transaction. The consolidated financial statements do not reflect the asset disposition transaction of the selling subsidiary or the asset acquisition transaction of the acquiring subsidiary. Taxation resulting from the transfer of drilling rig ownership among subsidiaries is recognised in tax on profit on ordinary activities in the year that the intercompany rig sale occurs. A corresponding deferred tax asset is also recognised and amortised over the remaining useful life of the related rig along with the tax effect of any reversing temporary differences resulting from the transfers.

In some instances, the group may determine that certain temporary differences will not result in a taxable or deductible amount in future years, as it is more-likely-than-not the group will depart from a given taxing jurisdiction without such temporary differences being recovered or settled. Under these circumstances, no future tax consequences are expected and no deferred taxes are recognised in connection with such operations. The group evaluates these determinations on a periodic basis and, in the event the group's expectations relative to future tax consequences change, the applicable deferred taxes are recognised.

Dividend income received by Ensco plc from its subsidiaries is exempt from UK taxation. We do not provide deferred taxes on undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Each of the subsidiaries for which we maintain such policy has significant net assets, liquidity, contract backlog and/or other financial resources available to meet operational and capital investment requirements and otherwise allow us to continue to maintain our policy of reinvesting the undistributed earnings indefinitely.

Notes *(continued)*

1 Significant accounting policies *(continued)*

Share-based compensation

The group sponsors share-based compensation plans that provide equity compensation to our key employees, officers and non-employee directors. Our Long-Term Incentive Plan (the "2012 LTIP") allows our Board of Directors to authorise share grants to be settled in cash or shares. Compensation expense for share awards to be settled in shares is measured at fair value on the date of grant and recognised on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for share awards to be settled in cash is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. The amount of compensation cost recognised in our consolidated profit and loss account is based on the awards ultimately expected to vest and, therefore, reduced for estimated forfeitures. All changes in estimated forfeitures are based on historical experience and are recognised as a cumulative adjustment to compensation cost in the period in which they occur.

Classification of financial instruments issued

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.

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.

Interest-bearing notes receivables and borrowings classified as basic financial instruments

Interest-bearing notes receivables and borrowings classified as basic financial instruments are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Issuance costs are capitalised and amortised to interest receivable and similar items and interest payable and similar items over the term of the instrument.

Financial instruments not considered to be basic financial instruments ("other financial instruments")

Other financial instruments not meeting the definition of basic financial instruments (including interest-bearing borrowings which contain a conversion feature and derivative financial instruments) are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss. Issuance costs are expensed in the profit and loss account in the year of issuance.

The group uses derivative financial instruments to manage its exposure to foreign currency exchange rate risk.

Provisions for litigation and other items

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Stocks

Stocks are stated at the lower of weighted-average cost or net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Notes *(continued)*

1 Significant accounting policies *(continued)*

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Own shares

Transactions of the company sponsored stock compensation trust are treated as being those of the company and are therefore reflected in the company and group financial statements. In particular, the trust's purchases and sales of shares in the company are debited and credited directly to own share reserve. The trust acquires the shares required to settle the awards from the company at the nominal value of the shares.

Minority interests

Local third parties hold an interest in certain of the group's subsidiaries. These interests are presented as minority interests within the consolidated balance sheet, profit and loss account and cash flow statement.

Earnings/(loss) per share

The group presents basic and diluted earnings/(loss) per share data for its ordinary shares. Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders of the company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings/(loss) per share is determined by adjusting the profit/(loss) attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all potentially dilutive ordinary shares, consisting of share options and performance awards granted to employees.

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, judgements and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our consolidated financial statements. These policies, along with our underlying judgements and assumptions made in their application, have a significant impact on our consolidated financial statements. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgements regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to drilling rigs and equipment, impairment of drilling rigs and equipment and income taxes.

Notes *(continued)*

2 Critical accounting policies and estimates *(continued)*

Drilling rigs and equipment

As of 31 December 2016, the carrying value of our drilling rigs and equipment totaled $7.2 billion, which represented 68% of total assets. This carrying value reflects the application of our drilling rigs and equipment accounting policies, which incorporate our estimates, judgements and assumptions relative to the capitalised costs, useful lives and salvage values of our drilling rigs.

We develop and apply drilling rigs and equipment accounting policies that are designed to appropriately and consistently capitalise those costs incurred to enhance, improve and extend the useful lives of our assets and expense those costs incurred to repair or maintain the existing condition or useful lives of our assets. The development and application of such policies requires estimates, judgements and assumptions relative to the nature of, and benefits from, expenditures on our assets. We establish drilling rigs and equipment accounting policies that are designed to depreciate our assets over their estimated useful lives. The judgements and assumptions used in determining the useful lives of our drilling rigs and equipment reflect both historical experience and expectations regarding future operations, utilisation and performance of our assets. The use of different estimates, judgements and assumptions in the establishment of our drilling rigs and equipment accounting policies, especially those involving the useful lives of our drilling rigs, would likely result in materially different asset carrying values and operating results.

The useful lives of our drilling rigs are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We evaluate the remaining useful lives of our drilling rigs on a periodic basis, considering operating condition, functional capability and market and economic factors.

On 31 December 2015, we evaluated our current judgements and assumptions used in determining the useful lives of our drilling rigs. We considered both historical experience and expectations of future operations, utilisation and performance of our assets based on recent changes in the current market environment. As a result, we reduced the useful lives of certain floaters and jackups effective 1 January 2016.

Impairment of drilling rigs and equipment

During the year ended 31 December 2015, we recorded a pre-tax, non-cash loss on impairment of drilling rigs and equipment of $4.5 billion. See note 12 for additional information on our drilling rigs and equipment impairment.

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such drilling rigs may not be recoverable. Generally, extended periods of idle time and/or inability to contract drilling rigs at economical rates are an indication that a rig may be impaired. Impairment situations may arise with respect to specific individual drilling rigs, groups of drilling rigs, such as a specific type of drilling rig, or drilling rigs in a certain geographic location.

If the global economy deteriorates and/or other events or changes in circumstances indicate that the carrying value of one or more drilling rigs may not be recoverable, we may conclude that a triggering event has occurred and perform a recoverability test. If, at the time of the recoverability test, our judgements and assumptions regarding future industry conditions and operations have diminished, it is reasonably possible that we could conclude that one or more of our drilling rigs are impaired.

For drilling rigs and equipment used in our operations, recoverability generally is determined by comparing the carrying value of an asset to the expected discounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. The determination of expected discounted cash flow amounts requires significant estimates, judgements and assumptions, including utilisation levels, day rates, expense levels and capital requirements, as well as cash flows generated upon disposition, for each of our drilling rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our recoverability test.

Notes *(continued)*

2 Critical accounting policies and estimates *(continued)*

Impairment of drilling rigs and equipment *(continued)*

Asset impairment evaluations are highly subjective. In most instances, they involve expectations of future cash flows to be generated by our drilling rigs, which reflect our judgements and assumptions regarding future industry conditions and operations, as well as estimates of expected utilisation levels, day rates, expense levels and capital requirements. The estimates, judgements and assumptions used in the application of our asset impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgements, assumptions and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and operating results.

An impairment loss is reversed for drilling rigs and equipment where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The reversal of the impairment loss is recognised in the period of the change in economic conditions or in the expected use of the asset.

Income taxes

We conduct operations and earn income in numerous countries and are subject to the laws of numerous tax jurisdictions. The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies and are based on estimates, judgements and assumptions regarding future operating results and levels of taxable income. Carryforwards and tax credits are assessed for realisation as a reduction of future taxable income by using a more-likely-than-not determination. We do not offset deferred tax assets and deferred tax liabilities attributable to different tax paying jurisdictions.

We do not provide deferred taxes on the undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we would be subject to additional income taxes.

The carrying values of liabilities for income taxes currently payable and unrecognised tax benefits are based on our interpretation of applicable tax laws and incorporate estimates, judgements and assumptions regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, judgements and assumptions in connection with accounting for income taxes, especially those involving the deployment of tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and operating results.

We operate in several jurisdictions where tax laws relating to the offshore drilling industry are not well developed. In jurisdictions where available statutory law and regulations are incomplete or underdeveloped, we obtain professional guidance and consider existing industry practices before utilising tax planning strategies and meeting our tax obligations.

Tax returns are routinely subject to audit in most jurisdictions and tax liabilities occasionally are finalised through a negotiation process. In some jurisdictions, income tax payments may be required before a final income tax obligation is determined in order to avoid significant penalties and/or interest. While we historically have not experienced significant adjustments to previously recognised tax assets and liabilities as a result of finalising tax returns, there can be no assurance that significant adjustments will not arise in the future. In addition, there are several factors that could cause the future level of uncertainty relating to our tax liabilities to increase, including the following:

- During recent years, the number of tax jurisdictions in which we conduct operations has increased, and we currently anticipate that this trend will continue;
- In order to utilise tax planning strategies and conduct operations efficiently, our subsidiaries frequently enter into transactions with affiliates that are generally subject to complex tax regulations and are frequently reviewed and challenged by tax authorities;
- We may conduct future operations in certain tax jurisdictions where tax laws are not well developed, and it may be difficult to secure adequate professional guidance; and
- Tax laws, regulations, agreements, treaties and the administrative practices and precedents of tax authorities change frequently, requiring us to modify existing tax strategies to conform to such changes.

Notes *(continued)*

3 Segmental information

Our business consists of three operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consists of management services on rigs owned by third-parties. Our two reportable segments, Floaters and Jackups, provide one service, contract drilling.

General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating profit/(loss) and were included in "Reconciling Items." Tangible fixed assets not allocated to the group's operating segments were also included in "Reconciling Items."

The tables below set out information for each of the operating segments.

Year ended 31 December 2016

	Floaters $ millions	Jackups $ millions	Other $ millions	Operating Segments Total $ millions	Reconciling Items $ millions	Group Total $ millions
Turnover						
Turnover to third parties	1,771.1	929.5	75.8	2,776.4	-	2,776.4
Operating expenses						
Contract drilling expense	727.5	518.7	58.9	1,305.1	-	1,305.1
Depreciation and amortisation	317.5	136.1	-	453.6	17.5	471.1
General and administrative expenses	-	-	-	-	100.8	100.8
Other operating income, net	(0.5)	(1.7)	-	(2.2)	-	(2.2)
Operating profit	726.6	276.4	16.9	1,019.9	(118.3)	901.6
Tangible fixed assets	5,733.2	1,409.8	-	7,143.0	57.9	7,200.9
Capital expenditures	110.3	206.2	-	316.5	5.7	322.2

Notes *(continued)*

3 Segmental information *(continued)*

Year ended 31 December 2015

	Floaters $ millions	Jackups $ millions	Other $ millions	Operating Segments Total $ millions	Reconciling Items $ millions	Group Total $ millions
Turnover						
Turnover to third parties	2,466.0	1,446.9	170.0	4,082.9	-	4,082.9
Operating expenses						
Contract drilling expense	1,065.4	697.1	142.4	1,904.9	-	1,904.9
Depreciation and amortisation	958.0	171.2	0.2	1,129.4	14.4	1,143.8
Impairment of tangible fixed assets and other assets	2,931.0	1,554.6	-	4,485.6	-	4,485.6
General and administrative expenses	-	-	-	-	118.4	118.4
Other operating expense, net	0.8	1.8	-	2.6	-	2.6
Operating loss	(2,489.2)	(977.8)	27.4	(3,439.6)	(132.8)	(3,572.4)
Tangible fixed assets	5,983.9	1,343.1	-	7,327.0	71.0	7,398.0
Capital expenditures	1,176.0	434.7	-	1,610.7	8.2	1,618.9

Information about turnover

Consolidated turnover by customer for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Total [(1)]	13%	9%
BP [(2)]	12%	18%
Petrobras[(3)]	9%	14%
Other	66%	59%
	100%	100%

(1) For the years ended 31 December 2016 and 2015, all Total turnover was attributable to the Floater segment.

(2) For the year ended 31 December 2016, 76%, 17% and 7% of the turnover provided by BP was attributable to our Floaters, Other and Jackups segments, respectively. For the year ended 31 December 2015, 81% of the turnover provided by BP was attributable to our Floaters segment and the remaining turnover was attributable to our Other segment.

For the year ended 31 December 2015, excluding the impact of ENSCO DS-4 lump-sum termination payments of $110.6 million, turnover from BP represented 15% of total turnover.

(3) For the years ended 31 December 2016 and 2015, all Petrobras turnover was attributable to our Floaters segment.

Notes *(continued)*

3 Segmental information *(continued)*

Information about turnover *(continued)*

For purposes of our geographic disclosure, we attribute turnover to the geographic location where such turnover was earned. Consolidated turnover by region for the years ended 31 December 2016 and 2015 was as follows:

	2016 $ millions	2015 $ millions
Angola (1)	552.1	586.5
U.S Gulf of Mexico (2)	531.7	1,169.7
Brazil (3)	298.0	468.5
United Kingdom (4)	246.2	400.7
Other	1,148.4	1,457.5
	2,776.4	4,082.9

(1) For the years ended 31 December 2016 and 2015, 87% and 88% of the turnover earned in Angola, respectively, was attributable to our Floaters segment with the remaining turnover attributable to our Jackups segment.

(2) For the years ended 31 December 2016 and 2015, 82% and 85% of the turnover earned in the U.S. Gulf of Mexico, respectively, was attributable to our Floaters segment. For the years ended 31 December 2016 and 2015, 7% and 9% of turnover was attributable to our Jackups segment.

(3) For the years ended 31 December 2016 and 2015, all turnover was attributable to our Floaters segment.

(4) For the years ended 31 December 2016 and 2015, all turnover was attributable to our Jackups segment.

Information about geographic areas

As of 31 December 2016, our Floaters segment consisted of seven drillships, nine dynamically positioned semisubmersible rigs and three moored semisubmersible rigs deployed in various locations. Additionally, our Floaters segment included one ultra-deepwater drillship under construction in South Korea and one dynamically positioned semisubmersible rig which is held for sale. Our Jackups segment consisted of 38 jackup rigs, of which 36 were deployed in various locations, one was under construction in Singapore and one rig which is held for sale.

As of 31 December 2016, the geographic distribution of our drilling rigs by operating segment was as follows:

	Floaters	Jackups	Total
North & South America	8	8	16
Europe & the Mediterranean	7	5	12
Asia Pacific Rim	4	7	11
Asia Pacific Rim (under construction)	1	1	2
Middle East & Africa	1	11	12
United Kingdom	-	6	6
Total	21	38	59

We provide management services on two rigs owned by third-parties not included in the table above.

For purposes of our long-lived asset geographic disclosure, we attribute assets to the geographic location of the drilling rig as of the end of the applicable year. For new construction projects, assets are attributed to the location of future operation if known or to the location of construction if the ultimate location of operation is undetermined

Notes *(continued)*

3 Segmental information *(continued)*

Information about geographic areas *(continued)*

Information by country for those countries that account for more than 10% of our drilling rigs and equipment was as follows:

	2016 $ millions	2015 $ millions
United States	1,737.6	2,546.0
Spain	1,346.7	447.3
Singapore	802.8	492.1
Angola	706.9	1,301.9
Brazil	372.9	500.0
United Kingdom	294.2	344.1
Other countries	1,939.8	1,766.6
	7,200.9	7,398.0

4 Other operating income/(expense), net

	2016 $ millions	2015 $ millions
Net profit/(loss) on disposal of drilling rigs and equipment	2.2	(2.6)

5 Notes to the profit and loss account

Group

Profit/(loss) on ordinary activities before taxation is stated after charging:	2016 $ millions	2015 $ millions
Depreciation	471.1	496.3
Operating lease rentals – offices and equipment	32.6	50.9
Amortisation of other intangibles and other assets	(20.5)	(1.4)
Impairment of tangible fixed assets and other assets	-	4,485.6
Amortisation of goodwill	-	647.5
	483.2	5,678.9

Goodwill arose from the acquisition of Pride International, Inc. during 2011. The goodwill was fully amortised at 31 December 2015.

Auditors' remuneration	2016 $ millions	2015 $ millions
Audit of these financial statements	0.1	0.3
Audit of UK subsidiary financial statements	0.1	0.2
Amounts receivable by associates of the auditors in respect of:		
Audit of Ensco plc financial statements for other regulatory purposes	2.3	2.5
Audit of financial statements of subsidiaries pursuant to legislation	0.4	0.4
Other services relating to taxation	1.0	0.1

Notes *(continued)*

6 Remuneration of directors

Remuneration of directors

	2016 $ millions	2015 $ millions
Directors' emoluments	2.2	5.3
Amounts receivable under long-term incentive schemes	5.1	7.6
	7.3	12.9

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was $4.3 million (2015: $4.9 million). During the year, the highest paid director received shares under a long-term incentive scheme.

	2016	2015
The number of directors who exercised share options was:	-	-
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was:	9	10

The directors benefited from qualifying third party indemnity provisions.

7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	Number of employees 2015
Floaters	1,976	2,987
Jackups	1,818	2,324
Shore-based	1,242	1,522
	5,036	6,833

The aggregate payroll costs of these persons were as follows:

	2016 $ millions	2015 $ millions
Wages and salaries	532.5	732.9
Share based payments	39.6	40.1
Savings plan contributions	35.9	46.4
Social security costs	19.3	27.3
	627.3	846.7

The parent company had no employees during the year ended 31 December 2016 (2015: nil).

Key management personnel compensation in total was $24.6 million for the year ended 31 December 2016 (2015: $33.7 million).

Notes *(continued)*

8 Interest receivable and similar income

Group	2016 $ millions	2015 $ millions
Gain on extinguishment of debt	287.8	-
Net fair value changes on derivatives	18.2	-
Interest receivable on cash and investments	13.8	9.9
Net foreign currency exchange gains	-	6.0
Other income	1.9	6.3
	321.7	22.2

9 Interest payable and other similar items

Group	2016 $ millions	2015 $ millions
Senior notes, debentures and bonds	302.5	303.7
Less finance costs capitalised	(45.7)	(87.4)
Fair value change on convertible debt	25.2	-
Net foreign currency exchange losses	17.0	-
Loss on extinguishment of debt	-	33.0
Net fair value changes on derivatives	-	1.1
	299.0	250.4

Finance costs have been capitalised into tangible fixed assets at a rate of 6.2% (2015: 6.0%).

10 Taxation

Analysis of charge in year	2016 $ millions	2015 $ millions
UK corporation tax		
Current tax at 20.0% (2015: 20.25%)	7.4	-
UK ring fence charge	2.1	15.1
Adjustments in respect of prior years	(0.5)	(2.7)
	9.0	12.4
Foreign tax		
Current tax for the year	73.7	129.3
Adjustments in respect of prior years	(7.0)	(6.7)
	66.7	122.6
Total current tax	75.7	135.0
Deferred tax		
Origination/reversal of timing differences	2.8	(165.1)
Adjustments in respect of prior years	0.6	16.4
Total deferred tax	3.4	(148.7)
Tax on profit/(loss) on ordinary activities	79.1	(13.7)

Notes *(continued)*

10 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%). The differences are explained below.

	2016 $ millions	2015 $ millions
Current tax reconciliation		
Profit/(loss) on ordinary activities before taxation	924.3	(3,800.6)
Current tax at 20.0% (2015: 20.25%)	184.9	(769.6)
Effects of:		
Lower tax rates on non-U.K. earnings	(66.4)	(128.8)
Debt buyback and debt swap	(40.7)	-
UK ring fence charge	2.1	15.1
Net expense in connection with resolutions of tax issues and adjustments relating to prior years	(6.9)	7.0
Impairment of tangible fixed assets and other assets	-	712.5
Goodwill amortisation	-	131.1
Deferred tax asset not recognised	-	19.0
Other	6.1	-
Tax on profit/(loss) on ordinary activities	79.1	(13.7)

11 Dividends

The aggregate amount of dividends consists of:

	2016 $ millions	2015 $ millions
Dividends paid in the year	11.6	141.2

The quarterly dividends approved by the directors and paid by the company from 1 January 2016 to 31 December 2016 were:

Payment Date	Per Class A Ordinary Share $ per share	Total Dividends Paid $ millions
18 March 2016	0.1	2.4
17 June 2016	0.1	3.1
16 September 2016	0.1	3.1
16 December 2016	0.1	3.0
		11.6

On 17 March 2017, the company paid a dividend in the amount of $3.0 million ($0.01 per share) that was not recognised as a liability at the balance sheet date as it was approved by the directors subsequent to 31 December 2016.

Notes *(continued)*

11 Dividends *(continued)*

The quarterly dividends approved by the directors and paid by the company from 1 January 2015 to 31 December 2015 were:

Payment Date	Per Class A Ordinary Share $ per share	Total Dividends Paid $ millions
20 March 2015	0.15	35.2
19 June 2015	0.15	35.3
18 September 2015	0.15	35.4
18 December 2015	0.15	35.3
		141.2

12 Tangible fixed assets

Group	Drilling rigs and equipment $ millions	Assets in course of construction $ millions	Other $ millions	Total $ millions
Cost				
At beginning of year	18,219.3	1,647.3	180.7	20,047.3
Additions	-	282.6	-	282.6
Disposals	(497.5)	-	(1.4)	(498.9)
Transfers	73.7	(75.9)	2.2	-
At end of year	17,795.5	1,854.0	181.5	19,831.0
Depreciation				
At beginning of year	11,711.5	858.9	78.9	12,649.3
Charge for year	449.1	-	22.0	471.1
Disposals	(489.0)	-	(1.3)	(490.3)
At end of year	11,671.6	858.9	99.6	12,630.1
Net book value				
At 31 December 2016	6,123.9	995.1	81.9	7,200.9
At 31 December 2015	6,507.8	788.4	101.8	7,398.0

Included in additions to the cost of tangible fixed assets is $45.7 million (2015: $87.4 million) in respect of capitalised finance costs.

We evaluate the carrying value of our drilling rigs and equipment to identify events or changes in circumstances ("triggering events") that indicate the carrying value may not be recoverable. Beginning in 2014, Brent crude oil prices declined significantly from over $100 per barrel to $55 per barrel at 31 December 2014 and $35 per barrel at 31 December 2015. These prices resulted in significant capital spending reductions by our customers. Customers began delaying drilling programmes and exploring subletting opportunities for contracted rigs thereby exacerbating supply pressure. In addition, certain customers requested contract concessions or terminated drilling contracts altogether. The significant supply and demand imbalance was anticipated to be adversely impacted by future newbuild deliveries, programme delays and lower capital spending by operators. These adverse changes resulted in the deterioration of our forecasted day rates and utilisation. As a result, we concluded that triggering events had occurred during 2015.

12 Tangible fixed assets *(continued)*

Based on the asset impairment analysis performed as of 31 December 2015, we recorded a pre-tax, non-cash loss on impairment with respect to certain floaters and jackups totaling $4,465.9 million. The impairment charge was included in impairment of tangible fixed assets and other assets for the year ended 31 December 2015. We measured the fair value of these rigs by applying either an income approach, using projected discounted cash flows and a pre-tax discount rate of 12.5 percent, or a market approach. These valuations were based on unobservable inputs that require significant judgements for which there is limited information, including assumptions regarding future day rates, utilisation, operating costs and capital requirements.

In instances where we applied an income approach, forecasted day rates and utilisation took into account market conditions and our anticipated business outlook, both of which were impacted by the adverse changes in the business environment. The forecasted market day rates were depressed in the near term but were forecasted to grow in the longer-term and terminal period. Operating costs were forecasted using a combination of our historical average operating costs and expected future costs, adjusted for an estimated inflation factor. Capital requirements were based on our estimates of future capital costs, taking into consideration our historical trends. The estimated capital requirements included cash outflows to maintain the current operating condition of our rigs through their remaining useful lives.

In instances where we applied a market approach, the fair value was based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants. We validated all third-party estimated prices using our forecasts of economic returns for the respective rigs or other market data.

If the global economy, our overall business outlook and/or our expectations regarding the marketability of one or more of our drilling rigs deteriorate further, we may conclude that a triggering event has occurred and perform an impairment test that could lead to a material impairment charge in future periods.

13 Investments

Group

	Short-term deposits $ millions
Cost	
At beginning of year	1,180.0
Additions	2,474.6
Repaid at maturity	(2,212.0)
At end of year	1,442.6

Short-term deposits consist of cash deposited with a financial institution for a specified period of time, which bears interest.

Notes *(continued)*

13 Investments *(continued)*

The group's subsidiary undertakings, which are all consolidated, are as follows:

	Country of Incorporation and Address	Percentage of Voting Securities Owned by the Group
Andre Maritime Ltd.	Bahamas (1)	100%
BiGem Holdings N.V.	Netherlands (2)	100%
Caland Boren B.V.	Netherlands (3)	100%
Dupont Maritime LLC	Liberia (4)	100%
Durand Maritime S.A.S.	France (5)	100%
ENSCO Associates Company	Cayman Islands (6)	100%
ENSCO Drilling (Caribbean), Inc.	Cayman Islands (6)	100%
ENSCO Arabia Co. Ltd.	Saudi Arabia (7)	50%
ENSCO Asia Company LLC	U.S. – Texas (8)	100%
ENSCO Asia Pacific Pte. Limited	Singapore (9)	100%
ENSCO Australia Pty. Limited	Australia (10)	100%
ENSCO Barbados Limited	Cayman Islands (6)	100%
ENSCO (Bermuda) Limited	Bermuda (11)	100%
ENSCO Capital Limited	Cayman Islands (6)	100%
ENSCO Corporate Resources LLC	U.S. – Delaware (12)	100%
ENSCO de Venezuela, S.R.L.	Venezuela (13)	100%
Ensco Deepwater Drilling Limited	England (14)	100%
ENSCO Deepwater LLC	U.S. – Delaware (12)	100%
Ensco Deepwater USA, LLC	U.S. – Delaware (12)	100%
ENSCO Development Limited	Cayman Islands (6)	100%
Ensco do Brasil Petróleo e Gas Ltda.	Brazil (15)	100%
ENSCO Drilling Company (Nigeria) Ltd.	Nigeria (16)	100%
ENSCO Drilling Company LLC	U.S. – Delaware (12)	100%
ENSCO Drilling Mexico LLC	U.S. – Delaware (12)	100%
Ensco Endeavors Limited	Cayman Islands (6)	100%
ENSCO Finance Limited	England (14)	100%
Ensco France S.A.S.	France (5)	100%
ENSCO Gerudi (M) Sdn. Bhd.	Malaysia (17)	49%
ENSCO Global GmbH	Switzerland (18)	100%
ENSCO Global Investments L.P.	England (14)	100%
Ensco Global II Ltd	Cayman Islands (6)	100%
Ensco Global IV Ltd.	BVI (19)	100%
ENSCO Global Limited	Cayman Islands (6)	100%
Ensco Global Offshore Drilling Ltd.	BVI (19)	100%
ENSCO Global Resources Limited	England (14)	100%
ENSCO Holding Company	U.S. – Delaware (12)	100%
Ensco Holdco Limited	England (14)	100%
ENSCO Holland B.V.	Netherlands (3)	100%
ENSCO Incorporated	U.S. – Texas (8)	100%
Ensco Intercontinental GmbH	Switzerland (18)	100%
ENSCO International Incorporated	U.S. – Delaware (12)	100%
Ensco International Management GP LLC	U.S. – Delaware (12)	100%

Notes *(continued)*

13 Investments *(continued)*

	Country of Incorporation and Address	Percentage of Voting Securities Owned by the Group
Ensco International Management LP LLC	U.S. – Delaware (12)	100%
Ensco International Ltd.	BVI (19)	100%
ENSCO Investments LLC	U.S. – Nevada (20)	100%
Ensco Jersey Finance Limited	Jersey (21)	100%
ENSCO Limited	Cayman Islands (6)	100%
ENSCO Labuan Limited	Malaysia (22)	100%
Ensco Management Corp.	BVI (19)	100%
ENSCO Maritime Limited	Bermuda (11)	100%
ENSCO (Myanmar) Limited	Myanmar (23)	100%
Ensco North America LLC	U.S. – Delaware (12)	100%
ENSCO Oceanics Company LLC	U.S. – Delaware (12)	100%
ENSCO Oceanics International Company	Cayman Islands (24)	100%
ENSCO Offshore Company	U.S. – Delaware (12)	100%
ENSCO Offshore International Company	Cayman Islands (24)	100%
ENSCO Offshore International Holdings Limited	Cayman Islands (6)	100%
Ensco Offshore International LLC	U.S. – Delaware (12)	100%
ENSCO Offshore International Inc	Marshall Islands (25)	100%
Ensco Offshore Petróleo e Gas Ltda.	Brazil (15)	100%
Ensco Offshore Services LLC	U.S. – Delaware (12)	100%
ENSCO Offshore UK Limited	England (14)	100%
ENSCO Overseas Limited	Cayman Islands (6)	100%
ENSCO Services Limited	England (14)	100%
ENSCO Services LLC	U.S. – Delaware (12)	100%
Ensco South Pacific LLC	U.S. – Delaware (12)	100%
Ensco (Thailand) Limited	Thailand (26)	100%
Ensco Transcontinental I LLC	U.S. – Nevada (20)	100%
Ensco Transcontinental I LP	England (14)	100%
Ensco Transcontinental II LLC	U.S. – Nevada (20)	100%
Ensco Transcontinental II LP	England (14)	100%
ENSCO Transnational Limited	Cayman Islands (6)	100%
ENSCO UK Limited	England (14)	100%
ENSCO United Incorporated	U.S. – Delaware (12)	100%
ENSCO United LLC	U.S. – Delaware (12)	100%
ENSCO Universal Limited	England (14)	100%
Ensco Universal Holdings Limited I Ltd.	Cayman Islands (6)	100%
Ensco Universal Holdings Limited II Ltd.	Cayman Islands (6)	100%
Ensco Vistas Limited	Cayman Islands (6)	100%
ENSCO Worldwide GmbH	Switzerland (18)	100%
ENSCO Worldwide Investments Limited	England (14)	100%
Foradel Sdn Bhd	Malaysia (27)	100%
Forasub B.V.	Netherlands (3)	100%
Forinter Limited	Channel Islands (28)	100%
Forwest Venezuela SA	Venezuela (13)	66%

Notes *(continued)*

13 Investments *(continued)*

	Country of Incorporation and Address	Percentage of Voting Securities Owned by the Group
Foravep, Forasol Venezolana de Perforaciones, CA	Venezuela (13)	100%
Inter-Drill Ltd	Bahamas (1)	100%
International Technical Services LLC	U.S. – Delaware (12)	100%
Internationale de Travaux et de Materiel (I.T.M.) S.A.S.	France (5)	100%
Martin Maritime Ltd.	Bahamas (1)	100%
Ocean Deep Drilling ESV Nigeria Limited	Nigeria (29)	49%
Petroleum International PTE Ltd.	Singapore (30)	100%
Pride Arabia Co. Ltd.	Saudi Arabia (7)	75%
Pride Deepwater (BVI) 1, Ltd.	BVI (31)	100%
Pride Deepwater (BVI) 2, Ltd.	BVI (31)	100%
Pride Foramer S.A.S.	France (5)	100%
Pride Forasol Drilling Nigeria Ltd.	Nigeria (16)	100%
Pride Forasol S.A.S.	France (5)	100%
Pride Global II Ltd	BVI (31)	100%
Pride Global III Ltd.	BVI (31)	100%
Pride Global Offshore Nigeria Ltd.	Nigeria (16)	100%
Pride International LLC	U.S. – Delaware (12)	100%
Pride International Management Co. LP	U.S. – Texas (32)	100%
Pride International Egypt LLC	Egypt (33)	100%
P.T. ENSCO Sarida Offshore	Indonesia (34)	95%
Somaser S.A.S.	France (5)	100%
Sonamer Angola Ltd.	Bahamas (1)	100%
Sonamer Drilling International Limited	Bahamas (1)	100%
Sonamer Limited	Bahamas (1)	100%
Sonamer Jack-Ups Ltd	Bahamas (1)	100%
Sonamer Perfuracoes Ltd.	Bahamas (1)	85%

ENSCO Gerudi (M) Sdn. Bhd., Ocean Deep Drilling ESV Nigeria Limited and ENSCO Arabia Co. Ltd. have been consolidated due to the fact that the group maintains substantial control over these operations.

ENSCO Maritime Limited has a year-end date of 31 March. All other subsidiaries have a year-end date of 31 December. The functional currency of a substantial portion of the subsidiaries is the U.S. dollar.

See the next page for the addresses of the group's subsidiary undertakings listed in the table above.

Notes *(continued)*

13 Investments *(continued)*

The addresses of the group's subsidiary undertakings listed in the table above are as follows:

Number	Addresses
(1)	East Bay Street, Ocean Centre, Montagu Foreshore, P.O. Box SS-199084, Nassau, Bahamas
(2)	Brionplein 4, Post Office Box 420, Curacao, Netherlands Antilles
(3)	Lune Arena, Herikerbergweg 238, Amerstadam Zuidoost, Amsterdam, Netherlands
(4)	80 Broad Street, Monrovia, Liberia, 1000
(5)	Le Millenium 1120, Avenue du Very Galant, Lescar, France, 64230
(6)	P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104
(7)	Al-Khobar, Homoud Street, Postal Code 31932, Al-Khobar, Saudi Arabia, 31932
(8)	1999 Bryan Street, Suite 900, Dallas, Texas, 75201, United States
(9)	8 Marina Blvd. # 05-02, Marina Bay Financial Centre Tower 1, Singapore, 018981
(10)	38 Station Street, Subiaco, Western Australia, 6008, Australia
(11)	Cumberland House, 9th Floor, One Victoria Street, Hamilton, HM 11, Bermuda
(12)	1209 Orange Street, Wilmington, Delaware, 19801, United States
(13)	Torre La Castella, Piso 6, Av. Eugenio Mendoza, Las Castellana, Caracas, Venezuela
(14)	100 New Bridge Street, London, EC4V 6JA, England
(15)	Rua Internacional No. 1000, Granja dos Cavaleiros, Macae-RJ, Brazil, CEP27.901-0
(16)	1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(17)	B-13-15, Level 13. Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan, Malaysia, 47301
(18)	Dammstrasse 19, Zug, Switzerland, 6301
(19)	Kingston Chambers, Post Office Box 173, Road Town, Tortola, British Virgin Islands, VG1110
(20)	701 S. Carson St., Suite 200, Carson City, Nevada, 89701, United States
(21)	22 Grennville St., St Helier, Jersey, JE48PX
(22)	Level 1, Lot 7, Block F, Saguking Commercial Bldg., Jalan Patau-Patau, Labuan FT, Malaysia (Labuan), 87000
(23)	Unit 1206, 12th Fl., Sakura Tower, 339 Bogyoke Aung San Road, Kyauktada Township, Yangon, Republic of Myanmar
(24)	One Capital Place, PO Box 847, Grand Cayman, Cayman Islands, KY1-1103
(25)	Ajeltake Road, Ajeltake Island, Majuro Marshall Islands, MH96960
(26)	25th Floor, Abdulrahim Place, 990 Rama IV Road, Bangrak, Bangkok, Thailand, 10500
(27)	568-9-21 9th Floor, Kompleks Mutiara, 3 1/2 Mile Jalan Ipoh, Kualu Lu, Malaysia, 51200
(28)	11 Bath Street, St Helier, Jersey, JE2 4ST
(29)	2 Ajose Adeogun Street, Victoria Island, Lagos, Nigeria
(30)	10 Collyer Quay # 10-01, Ocean Financial Centre, Singapore, 049315
(31)	Kingston Chambers, Post Office Box 173, Road Town, Tortola, British Virgin Islands, VG1110
(32)	1021 Main Street, Suite 1150, Houston, Texas, 77002, United States
(33)	P.O. Box 11835 Plot 140 New Cairo, Egypt
(34)	Wahana Graha Building, 2nd & 3rd Floor, JL. Warung Buncit Raya No. 2, Jakarta, Indonesia, 12760

Notes *(continued)*

13 Investments *(continued)*

Company

	Time deposits $ millions
Cost	
At beginning of year	1,180.0
Additions	2,202.6
Repaid at maturity	(2,212.0)
At end of year	1,170.6

Short-term deposits consist of cash deposited with a financial institution for a specified period of time, which bears interest.

The cost and net book value of the company's investments in subsidiaries totalled $6,959.5 million at 31 December 2016 (2015: $6,959.5 million). In December 2016, the company made an investment of $2 in Ensco Jersey Finance Limited, a new subsidiary of the company.

14 Stocks

Group stocks totalled $225.2 million at 31 December 2016 (2015: $235.3 million) and primarily are comprised of consumable supplies required to operate drilling rigs and equipment. An inventory charge of $5.4 million was recognised during the year ended 31 December 2016 (2015: $18.8 million).

15 Debtors

Group

	2016 $ millions	2015 $ millions
Amounts falling due within one year		
Trade debtors	361.0	582.0
Deferred mobilisation costs	32.4	52.1
Prepaid taxes	30.7	73.5
Deferred tax assets	22.0	11.5
Prepaid expenses	7.9	20.5
Other debtors	18.0	14.9
	472.0	754.5
Amounts falling due in more than one year		
Deferred mobilisation costs	35.7	55.8
SERP assets	27.7	33.1
Deferred tax assets	10.4	27.8
Unbilled trade debtors	3.4	1.7
Other debtors	6.8	9.7
	84.0	128.1
	556.0	882.6

A bad debt reserve reversal of $(5.7) million was recognised during the year ended 31 December 2016 (2015: charge of $24.1 million).

Notes *(continued)*

15 Debtors *(continued)*

The group deferred tax assets are analysed as follows:	2016 $ millions	2015 $ millions
Deferred turnover	44.4	62.6
Net operating loss carryforwards	33.4	20.8
Foreign tax credits	28.9	11.0
Employee benefits, including share based compensation	28.5	33.9
Intercompany transfers of property	9.8	11.5
Accelerated capital allowances on tangible fixed assets	(118.2)	(97.1)
Premium on long-term debt	(6.5)	-
Other timing differences	12.1	(3.4)
	32.4	39.3

Company

	2016 $ millions	2015 $ millions
Amounts falling due within one year		
Revolving note receivable from a group company	415.2	777.0
Receivables from group companies	30.9	49.0
Other assets	7.4	1.9
	453.5	827.9
Amounts falling due in more than one year		
Notes receivable from group companies	1,511.8	1,268.4
Receivables from group companies	136.0	120.6
	1,647.8	1,389.0
Total debtors	2,101.3	2,216.9

During 2015, the company entered into revolving loan agreements with a group company. The maximum borrowing capacity under the agreements is $2.0 billion. Interest is paid quarterly in arrears at LIBOR plus 1.75%. The borrowings under the agreements are due on demand, but no later than 14 December 2020.

The note receivable from a group company in the amount of $1.3 billion due on 31 May 2018 was repaid and cancelled in 2016. Interest was payable semi-annually at a fixed rate of 2.55%.

During 2016, the company entered into three notes receivable from a group company for $500.0 million with an interest rate of 8.5% due on 24 June 2023, $300.0 million with an interest rate of 8.9% due on 24 June 2024 and $468.4 million with an interest rate of 9.5% due on 24 June 2025. Interest is paid semi-annually on the notes.

During 2016, the company purchased on the open market an aggregate principal of $62.0 million of a group company's debt due on 1 January 2019 at a discount of $6.3 million for a total, net cost of $55.7 million. Interest is paid semi-annually at a rate of 8.5%. The discount amortisation during 2016 was $1.3 million. The net amount outstanding at 31 December 2016 was $57.0 million.

During 2016, the company purchased on the open market an aggregate principal of $219.2 million of a group company's debt due on 1 January 2020 at a discount of $37.7 million for a total, net cost of $181.5 million. Interest is paid semi-annually at a rate of 6.875%. The discount amortisation during 2016 was $4.9 million. The net amount outstanding at 31 December 2016 was $186.4 million.

Notes *(continued)*

16 Creditors: amounts falling due within one year

Group

	2016 $ millions	2015 $ millions
Current maturities of interest bearing debt	331.9	-
Trade creditors	145.9	224.6
Deferred turnover	116.7	197.2
Personnel costs	106.6	143.3
Interest payable to debt holders	71.7	88.4
Corporation tax	40.7	70.8
Other financial liabilities	12.7	21.6
Other creditors	10.8	11.2
	837.0	757.1

Company

	2016 $ millions	2015 $ millions
Current maturities of interest bearing debt	182.5	-
Interest payable to debt holders	44.4	52.8
Amounts owed to group companies	2.4	1.5
Interest payable to group companies	1.3	-
Other creditors	-	8.6
	230.6	62.9

During 2012, the company entered into revolving loan agreements with two affiliated group companies. The maximum borrowing capacity under the agreements is $7.0 billion. Interest is paid quarterly in arrears at LIBOR plus 1.5%. The borrowings under the agreements are due on demand, but no later than 1 January 2017. No amounts were outstanding as of 31 December 2016 and 2015.

17 Creditors: amounts falling due after more than one year

Group

	2016 $ millions	2015 $ millions
Interest bearing debt	5,215.8	5,868.6
Deferred turnover	120.9	218.6
Supplemental executive retirement plan liabilities	28.9	34.4
Contract intangibles	-	12.6
Other creditors	24.6	29.5
	5,390.2	6,163.7

Interest bearing debt consists of the instruments discussed below.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Convertible senior notes

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Ensco plc, issued $849.5 million aggregate principal amount of unsecured 3.0% exchangeable senior notes due 2024 (the "2024 Convertible Notes") in a private offering. The 2024 Convertible Notes are fully and unconditionally guaranteed, on a senior, unsecured basis, by Ensco plc and are exchangeable into cash, our Class A ordinary shares or a combination thereof, at our election. Interest on the 2024 Convertible Notes is payable semiannually on 31 January and 31 July of each year commencing on 31 July 2017. The 2024 Convertible Notes will mature on 31 January 2024, unless exchanged, redeemed or repurchased in accordance with their terms prior to such date. Holders may exchange their 2024 Convertible Notes at their option any time prior to 31 July 2023 only under certain circumstances set forth in the indenture governing the 2024 Convertible Notes. On or after 31 July 2023, holders may exchange their 2024 Convertible Notes at any time, regardless of the foregoing circumstances. The initial exchange rate is 71.3343 shares per $1,000 principal amount of notes, representing an initial exchange price of $14.02 per share, and is subject to adjustment upon certain events. The 2024 Convertible Notes may not be redeemed by us except in the event of certain tax law changes. The total net proceeds from this offering, including issuance costs accrued as of 31 December 2016, were $822.8 million.

Holders may exchange their notes at their option at any time prior to 31 July 2023 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on 31 March 2017, if the last reported sale price of our Class A ordinary shares for at least 20 trading days during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable exchange price on each of such 20 trading days; (ii) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2024 Convertible Notes) per $1,000 principal amount of 2024 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A ordinary shares and the applicable exchange rate on each such trading day; (iii) upon the occurrence of specified corporate events; or (iv) if Ensco Jersey Finance Limited calls any or all of the 2024 Convertible Notes for redemption in the event of certain tax law changes, at any time prior to the close of business on the business day immediately preceding the redemption date. As of 31 December 2016, none of the conditions allowing holders of the 2024 Convertible Notes to convert had been met.

If a fundamental change (as defined in the indenture for the 2024 Convertible Notes) occurs, holders of the 2024 Convertible Notes may require us to repurchase for cash all or any portion of their notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding the repurchase date.

Upon conversion of the 2024 Convertible Notes, holders will receive cash, our Class A ordinary shares, or a combination thereof, at our election. Our intent is to settle the principal amount of the 2024 Convertible Notes in cash upon conversion. If the conversion value exceeds the principal amount (i.e., our share price exceeds the exchange price on the date of conversion), we expect to deliver shares equal to our conversion obligation in excess of the principal amount. During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in the denominator for our computation of diluted EPS using the treasury stock method.

As a result of the conversion feature described above, the convertible senior notes are measured at fair value with changes in fair value recognised in the profit and loss account. During 2016, a fair value loss of $25.2 million was recognised in interest payable and other similar items. The fair value of the convertible senior notes at 31 December 2016 was $874.7 million.

The indenture governing the 2024 Convertible Notes contains customary events of default, including failure to pay principal or interest on such notes when due, among others. The indenture also contain certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

17 Creditors: amounts falling due after more than one year *(continued)*

Senior notes

During 2015, we issued $700.0 million aggregate principal amount of unsecured 5.2% senior notes due 2025 (the "2025 Notes") at a discount of $2.6 million and $400.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "New 2044 Notes") at a discount of $18.7 million in a public offering. Interest on the 2025 Notes is payable semiannually on 15 March and 15 September of each year. Interest on the New 2044 Notes is payable semiannually on 1 April and 1 October of each year.

During 2014, we issued $625.0 million aggregate principal amount of unsecured 4.5% senior notes due 2024 (the "2024 Notes") at a discount of $850,000 and $625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "Existing 2044 Notes" and together with the New 2044 Notes, the "2044 Notes") at a discount of $2.8 million. Interest on the 2024 Notes and the Existing 2044 Notes is payable semiannually on 1 April and 1 October of each year. The Existing 2044 Notes and the New 2044 Notes are treated as a single series of debt securities under the indenture governing the notes.

During 2011, we issued $1.5 billion aggregate principal amount of unsecured 4.7% senior notes due 2021 (the "2021 Notes") at a discount of $29.6 million in a public offering. Interest on the 2021 Notes is payable semiannually on 15 March and 15 September of each year.

Upon consummation of the Pride acquisition during 2011, we assumed outstanding debt comprised of $900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, $500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019 and $300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040 (collectively, the "Acquired Notes" and together with the 2021 Notes, 2024 Notes, 2025 Notes and 2044 Notes, the "Senior Notes"). Ensco plc has fully and unconditionally guaranteed the performance of all Pride obligations with respect to the Acquired Notes.

We may redeem the 2024 Notes, 2025 Notes and 2044 Notes in whole, at any time or in part from time to time, prior to maturity. If we elect to redeem the 2024 Notes and 2025 Notes before the date that is three months prior to the maturity date or the 2044 Notes before the date that is six months prior to the maturity date, we will pay an amount equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest and a "make-whole" premium. If we elect to redeem the 2024 Notes, 2025 Notes or 2044 Notes on or after the aforementioned dates, we will pay an amount equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest but we are not required to pay a "make-whole" premium.

We may redeem each series of the 2021 Notes and the Acquired Notes, in whole or in part, at any time, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium.

The indentures governing the Senior Notes contain customary events of default, including failure to pay principal or interest on such notes when due, among others. The indentures governing the Senior Notes also contain certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

17 Creditors: amounts falling due after more than one year *(continued)*

Debentures due 2027

During 1997, Ensco International Incorporated issued $150.0 million of unsecured 7.2% Debentures due 15 November 2027 (the "Debentures") in a public offering. Interest on the Debentures is payable semiannually in May and November. We may redeem the Debentures, in whole or in part, at any time prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium. The Debentures are not subject to any sinking fund requirements. During 2009, Ensco plc entered into a supplemental indenture to unconditionally guarantee the principal and interest payments on the Debentures.

The Debentures and the indenture pursuant to which the Debentures were issued also contain customary events of default, including failure to pay principal or interest on the Debentures when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Tender offers and open market repurchases

During 2016, we launched cash tender offers (the "Tender Offers") to repurchase up to $750.0 million aggregate purchase price of our outstanding debt. We received tenders totaling $860.7 million for an aggregate purchase price of $622.3 million. We used cash on hand to settle the tendered debt. Additionally during 2016, we repurchased on the open market $269.9 million of our outstanding debt for an aggregate purchase price of $241.6 million. We recognised pre-tax gains from debt extinguishment of $279.0 million related to the Tender Offers and open market repurchases, net of discounts, premiums, debt issuance costs and transaction costs.

Our tender offers and open market repurchases during the year ended 31 December 2016 were as follows (in $ millions, except percentages):

	Aggregate Principal Amount Repurchased	Aggregate Repurchase Price	Discount %
8.5% Senior notes due 2019	62.0	55.7	10.2 %
6.875% Senior notes due 2020	219.2	181.5	17.2 %
4.7% Senior notes due 2021	817.0	609.0	25.5 %
4.5% Senior notes due 2024	1.7	0.9	47.1 %
5.2% Senior notes due 2025	30.7	16.8	45.3 %
Total	1,130.6	863.9	23.6 %

Debt to equity exchange

During 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares, representing less than one percent of our outstanding shares, in exchange for $24.5 million principal amount of our 2044 Notes, resulting in a pre-tax gain from debt extinguishment of $8.8 million.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Exchange offers

In January 2017, we completed exchange offers (the "Exchange Offers") to exchange our outstanding 8.5% senior notes due 2019, 6.875% senior notes due 2020 and 4.7% senior notes due 2021 for 8.0% senior notes due 2024 and cash. The Exchange Offers resulted in the tender of $649.5 million aggregate principal amount of our outstanding notes that were settled and exchanged as follows (in $ millions):

	Aggregate Principal Amount Repurchased	8.0% Senior notes due 2024 Consideration	Cash Consideration[1]	Total Consideration
8.5% Senior notes due 2019	145.8	81.6	81.7	$ 163.3
6.875% Senior notes due 2020	129.8	69.3	69.4	138.7
4.7% Senior notes due 2021	373.9	181.1	181.4	362.5
Total	649.5	332.0	332.5	$ 664.5

(1) As of 31 December 2016, the aggregate amount of principal repurchased with cash of $332.5 million, along with associated premiums, was classified as current maturities of interest bearing debt within creditors: amounts falling due within one year on our consolidated balance sheet.

Redemption of 2016 senior notes and U.S. Maritime Administration obligations

During 2011, we issued $1.0 billion of 3.25% senior notes due 2016 (the "2016 Notes"). During 2015, through the combination of a cash tender offer and subsequent redemption, we utilised a portion of the net proceeds from the 2025 Notes and New 2044 Notes to retire the 2016 Notes, and we recorded a pre-tax loss on debt extinguishment of $30.4 million, net of discounts and unamortised debt issuance costs.

During 2015, we used the remaining net proceeds from the 2025 Notes and New 2044 Notes, together with cash on hand, to redeem the remaining $65.3 million outstanding on our 4.33% U.S. Maritime Administration notes due 2016 and 4.65% U.S. Maritime Administration bonds due 2020. We incurred additional losses on debt extinguishment of $3.1 million.

Revolving credit

We have a $2.25 billion senior unsecured revolving credit facility with a syndicate of banks to be used for general corporate purposes with a term expiring on 30 September 2019 (the "Credit Facility"). During 2016, we extended the maturity of $1.13 billion of the $2.25 billion commitment for one year to 30 September 2020.

Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate, depending on our credit ratings. We are required to pay a quarterly commitment fee on the undrawn portion of the $2.25 billion commitment, which is also based on our credit ratings.

In February 2016, Moody's announced a downgrade of our credit rating to B1, and in December, Standard & Poor's downgraded our credit rating to BB, which are both ratings below investment grade. The first rating action resulted in the highest applicable margin rates and commitment fees under the Credit Facility, and as a result, the second rating action had no effect on our current costs of borrowing. The applicable margin rates are 0.5% per annum for Base Rate advances and 1.5% per annum for LIBOR advances. Also, our quarterly commitment fee is 0.225% per annum on the undrawn portion of the $2.25 billion commitment.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Revolving credit *(continued)*

The Credit Facility requires us to maintain a total debt to total capitalisation ratio calculated under U.S. GAAP that is less than or equal to 60%. The Credit Facility also contains customary restrictive covenants, including, among others, prohibitions on creating, incurring or assuming certain debt and liens; entering into certain merger arrangements; selling, leasing, transferring or otherwise disposing of all or substantially all of our assets; making a material change in the nature of the business; and entering into certain transactions with affiliates. We have the right, subject to receipt of commitments from new or existing lenders, to increase the commitments under the Credit Facility by an amount not to exceed $500 million and to extend the maturity of the commitments under the Credit Facility by one additional year.

As of 31 December 2016, we were in compliance in all material respects with our covenants under the Credit Facility. We expect to remain in compliance with our Credit Facility covenants during 2017. We had no amounts outstanding under the Credit Facility as of 31 December 2016 and 2015.

Our access to credit and capital markets depends on the credit ratings assigned to our debt. As a result of recent rating actions by these agencies, we no longer maintain an investment-grade status. Our current credit ratings, and any additional actual or anticipated downgrades in our credit ratings, could limit our available options when accessing credit and capital markets, or when restructuring or refinancing our debt. In addition, future financings or refinancings may result in higher borrowing costs and require more restrictive terms and covenants, which may further restrict our operations. With a credit rating below investment grade, we have no access to the commercial paper market.

Maturities

The descriptions of our senior notes above reflect the original principal amounts issued, which have been subsequently reduced through our tenders, repurchases and exchanges such that the maturities of our debt were as follows (in $ millions):

	Original Principal	2016 Tenders and Repurchases	2016 Debt to Equity Exchange	Principal Outstanding at 31 December 2016	2017 Exchange Offers[1]	Remaining Principal
8.5% Senior notes due 2019	500.0	(62.0)	—	438.0	(145.8)	292.2
6.875% Senior notes due 2020	900.0	(219.2)	—	680.8	(129.8)	551.0
4.7% Senior notes due 2021	1,500.0	(817.0)	—	683.0	(373.9)	309.1
3.0% Senior notes due 2024	849.5	—	—	849.5	—	849.5
4.5% Senior notes due 2024	625.0	(1.7)	—	623.3	—	623.3
8.0% Senior notes due 2024	—	—	—	—	332.0	332.0
5.2% Senior notes due 2025	700.0	(30.7)	—	669.3	—	669.3
7.2% Senior notes due 2027	150.0	—	—	150.0	—	150.0
7.875% Senior notes due 2040	300.0	—	—	300.0	—	300.0
5.75% Senior notes due 2044	1,025.0	—	(24.5)	1,000.5	—	1,000.5
Total	6,549.5	(1,130.6)	(24.5)	5,394.4	(317.5)	5,076.9

(1) As of 31 December 2016, the aggregate amount of principal repurchased with cash of $332.5 million, along with associated premiums, was classified as current maturities of interest bearing debt within creditors: amounts falling due within one year on our consolidated balance sheet.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Interest bearing debt is repayable as follows:

Group	2016 $ millions	2015 $ millions
Interest bearing debt falling due within five years	1,801.8	1,400.0
Interest bearing debt falling due after five years	3,592.6	4,300.0
	5,394.4	5,700.0
Adjustments to recognise 2024 Convertible Notes at fair value, deferred financing costs and unamortised discounts and premiums, net included in interest bearing debt	153.3	168.6
	5,547.7	5,868.6

Company	2016 $ millions	2015 $ millions
Interest bearing debt	2,744.1	3,782.3
Note payables to group companies	1,349.1	751.8
Option element of convertible bond	222.8	-
	4,316.0	4,534.1

Company

	2016 $ millions	2015 $ millions
Interest bearing debt falling due within five years	683.1	-
Interest bearing debt falling due after five years	2,293.1	3,850.0
	2,976.2	3,850.0
Less: deferred financing costs and unamortised discounts included in interest bearing debt	(49.6)	(67.7)
Total interest bearing debt	2,926.6	3,782.3

The company is a party to the convertible senior notes, senior notes and revolving credit agreements disclosed above.

During 2010, the company issued a $751.8 million promissory note due 19 December 2020 to a group company. Interest on the note is payable semiannually at a fixed rate of 4.75%.

In December 2016, Ensco Jersey Finance Limited, a subsidiary of the company, issued $849.5 million convertible senior notes, due 31 January 2024. The convertible senior notes can be settled in the company's shares, cash or a combination of both at the group's discretion. The company is obligated to settle the option element of the convertible senior notes upon conversion by the bondholders. Fair value of the option element is estimated on the basis of quoted market prices.

In December 2016, the company issued a $849.5 million promissory note due on 31 January 2024 to Ensco Jersey Finance Limited. Interest is paid semi-annually at a rate of 3.0%.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Notes payable to a group company are repayable as follows:

	2016 $ millions	2015 $ millions
Notes payable to a group company due within five years	751.8	751.8
Note payable to a group company due after five years	849.5	-
	1,601.3	751.8
Less: deferred financing costs and unamortised discounts included in notes payable to group companies	(252.3)	-
Total interest bearing debt	1,349.0	751.8

18 Provisions for liabilities

Group

	Deferred taxation $ millions	Provision for tax uncertainties $ millions	Employee provision $ millions	Total $ millions
At beginning of year	4.4	149.7	18.4	172.5
Utilised during year	-	-	(4.9)	(4.9)
Charge/(credit) to the profit and loss for the year	0.8	(6.8)	3.7	(2.3)
Impact of changes in foreign currency exchange rates	-	-	0.2	0.2
At end of year	5.2	142.9	17.4	165.5

Deferred taxation

The elements of deferred taxation are as follows:

	2016 $ millions	2015 $ millions
Intercompany transfer of rigs	2.1	-
Other timing differences	3.1	4.4
Total deferred tax liabilities	5.2	4.4
Deferred tax asset (see note 15)	(32.4)	(39.3)
	(27.2)	(34.9)

Provision for tax uncertainties

The group's tax positions are evaluated for recognition using a more-likely-than-not threshold. A provision is recognised for those tax positions where the likelihood of payment is greater than 50%.

Notes *(continued)*

18 Provisions for liabilities *(continued)*

Employee provision

We are involved in employee lawsuits and claims arising in the ordinary course of business. The outcome of such lawsuits and claims cannot be predicted with certainty, and the amount of the liability that could arise with respect to such lawsuits and claims has been recognised; nevertheless, there can be no assurances as to the ultimate outcome.

19 Financial instruments

The amounts for all financial assets and financial liabilities carried at amortised cost are as follows:

	2016 $ millions	2015 $ millions
Interest bearing debt	4,673.0	5,868.6
Investment in time deposits	1,442.6	1,180.0
Cash and cash equivalents	1,159.7	121.3
Trade debtors	361.0	582.0

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2016 $ millions	2015 $ millions
Interest bearing debt	874.7	-
SERP assets	27.7	33.1
Unrealised (loss)/gain on foreign currency forward contracts, net	(8.8)	(19.7)

The fair value of the SERP assets was based on quoted market prices. The SERP is a non-qualified plan where eligible employees may defer a portion of their compensation for use after retirement. Assets held in the SERP consist of marketable securities and are measured at fair value based on quoted market prices. SERP assets are held on behalf of employees and are not available for use by the group.

The fair value of the interest bearing debt was based on the quoted market price.

The fair value measurements of our derivatives were based on market prices that are generally observable for similar assets or liabilities at commonly quoted intervals.

20 Called up share capital

	2016 $ millions	2015 $ millions
Allotted, called up and fully paid		
310.3 million (2015: 242.9 million) Class A ordinary shares of U.S. $.10 each	31.0	24.3
50,000 (2015: 50,000) Class B ordinary shares of £1 each	0.1	0.1
	31.1	24.4

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

On 20 April 2016, we closed an underwritten public offering of 65,550,000 Class A ordinary shares at $9.25 per share, inclusive of shares purchased under an underwriters' option. We received net proceeds from the offering of $585.5 million.

Notes *(continued)*

20 Called up share capital (continued)

In October 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares, representing less than one percent of our outstanding Class A ordinary shares, in exchange for $24.5 million principal amount of our 2044 Notes, resulting in a pre-tax gain from debt extinguishment of $8.8 million.

21 Minority interests

Group	2016 $ millions	2015 $ millions
At beginning of year	4.3	7.9
Profit for year attributable to minority interests	6.9	8.9
Contributions from minority interests	1.0	-
Distributions to minority shareholders	(7.8)	(12.5)
At end of year	4.4	4.3

22 Contingent liabilities

Brazil internal investigation

Pride International LLC, formerly Pride International, Inc. ("Pride"), a company we acquired in 2011, commenced drilling operations in Brazil in 2001. In 2008, Pride entered into a drilling services agreement with Petrobras (the "DSA") for ENSCO DS-5, a drillship ordered from Samsung Heavy Industries, a shipyard in South Korea ("SHI"). Beginning in 2006, Pride conducted periodic compliance reviews of its business with Petrobras, and, after the acquisition of Pride, Ensco conducted similar compliance reviews, the most recent of which commenced in early 2015 after media reports were released regarding ongoing investigations of various kickback and bribery schemes in Brazil involving Petrobras.

While conducting our compliance review, we became aware of an internal audit report by Petrobras alleging irregularities in relation to the DSA. Upon learning of the Petrobras internal audit report, our Audit Committee appointed independent counsel to lead an investigation into the alleged irregularities. Further, in June and July 2015, we voluntarily contacted the SEC and the DOJ, respectively, to advise them of this matter and our Audit Committee's investigation. Independent counsel, under the direction of our Audit Committee, has substantially completed its investigation by reviewing and analysing available documents and correspondence and interviewing current and former employees involved in the DSA negotiations and the negotiation of the ENSCO DS-5 construction contract with SHI (the "DS-5 Construction Contract").

To date, our Audit Committee has found no evidence that Pride or Ensco or any of their current or former employees were aware of or involved in any wrongdoing, and our Audit Committee has found no evidence linking Ensco or Pride to any illegal acts committed by our former marketing consultant, who provided services to Pride and Ensco in connection with the DSA. Independent counsel has continued to provide the SEC and DOJ with updates throughout the investigation, including detailed briefings regarding its investigation and findings. On 21 December 2015, we entered into a one-year tolling agreement with the DOJ. On 7 March 2016, we entered into a one-year tolling agreement with the SEC.

Subsequent to initiating our Audit Committee investigation, Brazilian court documents connected to the prosecution of former Petrobras directors and employees as well as certain other third parties, including our former marketing consultant, referenced the alleged irregularities cited in the Petrobras internal audit report. Our former marketing consultant has entered into a plea agreement with the Brazilian authorities. On 10 January 2016, Brazilian authorities filed an indictment against a former Petrobras director. This indictment states that the former Petrobras director received bribes paid out of proceeds from a brokerage agreement entered into for purposes of intermediating a drillship construction contract between SHI and Pride, which we believe to be the DS-5 Construction Contract. The parties to the brokerage agreement were a company affiliated with a person acting on behalf of the former Petrobras director, a company affiliated with our former marketing consultant, and SHI. The indictment alleges that amounts paid by SHI under the brokerage agreement ultimately were used to pay bribes to the former Petrobras director. The indictment does not state that Pride or Ensco or any of their current or former employees were involved in the bribery scheme or had any knowledge of the bribery scheme.

Notes *(continued)*

22 Contingent liabilities *(continued)*

Brazil internal investigation (continued)

On 4 January 2016, we received a notice from Petrobras declaring the DSA void effective immediately. Petrobras' notice alleges that our former marketing consultant both received and procured improper payments from SHI for employees of Petrobras and that Pride had knowledge of this activity and assisted in the procurement of and/or facilitated these improper payments. We disagree with Petrobras' allegations. See "DSA Dispute" below for additional information.

Outside of Petrobras' allegations, we have not been contacted by any Brazil governmental authority regarding alleged wrongdoing by Pride or Ensco or any of their current or former employees related to this matter. We cannot predict whether any U.S., Brazilian or other governmental authority will seek to investigate Pride's involvement in this matter, or if a proceeding were opened, the scope or ultimate outcome of any such investigation. If the SEC or DOJ determines that violations of the FCPA have occurred, or if any governmental authority determines that we have violated applicable anti-bribery laws, they could seek civil and criminal sanctions, including monetary penalties, against us, as well as changes to our business practices and compliance programmes, any of which could have a material adverse effect on our business and financial condition. Although our internal investigation is substantially complete, we cannot predict whether any additional allegations will be made or whether any additional facts relevant to the investigation will be uncovered during the course of the investigation and what impact those allegations and additional facts will have on the timing or conclusions of the investigation. Our Audit Committee will examine any such additional allegations and additional facts and the circumstances surrounding them.

DSA dispute

As described above, on 4 January 2016, Petrobras sent a notice to us declaring the DSA void effective immediately, reserving its rights and stating its intention to seek any restitution to which it may be entitled. We disagree with Petrobras' declaration that the DSA is void. We believe that Petrobras has repudiated the DSA and have therefore accepted the DSA as terminated on 8 April 2016 (the "Termination Date"). At this time, we cannot reasonably determine the validity of Petrobras' claim or the range of our potential exposure, if any. As a result, there can be no assurance as to how this dispute will ultimately be resolved.

We did not recognise turnover for amounts owed to us under the DSA from the beginning of the fourth quarter of 2015 through the Termination Date, as we concluded it is not probable that the economic benefits associated with the drilling services provided will flow to the group. Additionally, our receivables from Petrobras related to the DSA from prior to the fourth quarter of 2015 are fully reserved in our consolidated balance sheet as of 31 December 2016. We have initiated arbitration proceedings in the UK against Petrobras seeking payment of all amounts owed to us under the DSA, in addition to any other amounts to which we are entitled, and intend to vigorously pursue our claims. Petrobras subsequently filed a counterclaim seeking restitution of certain sums paid under the DSA less value received by Petrobras under the DSA. We have also initiated separate arbitration proceedings in the UK against SHI for any losses we have incurred in connection with the foregoing. SHI subsequently filed a statement of defense disputing our claim. There can be no assurance as to how these arbitration proceedings will ultimately be resolved.

Customer dispute

A customer filed a lawsuit in Texas federal court against one of our subsidiaries claiming damages based on allegations that our subsidiary breached and was negligent in the performance of a drilling contract during the period beginning in mid-2011 through May 2012. The customer's recently issued court documents allege damages of approximately $45 million. Although we are vigorously defending this lawsuit, we do not have sufficient information at this time to provide a reasonable estimate of potential liability, if any. As a result, there can be no assurance as to how this dispute will ultimately be resolved.

22 Contingent liabilities *(continued)*

Asbestos litigation

We and certain subsidiaries are currently named as defendants, along with numerous third-party companies as co-defendants, in multi-party lawsuits filed in Mississippi and Louisiana by approximately 32 plaintiffs. The lawsuits seek an unspecified amount of monetary damages on behalf of individuals alleging personal injury or death, primarily under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the 1960s through the 1980s.

During 2013, we reached an agreement in principle with 58 plaintiffs to settle lawsuits filed in Mississippi for a nominal amount. The settlement documents for these lawsuits have been processed, and the cases have been dismissed.

We intend to vigorously defend against the remaining lawsuits and have filed responsive pleadings preserving all defences and challenges to jurisdiction and venue. We expect final disposition of these lawsuits to be immaterial to our financial position, operating results and cash flows.

Other matters

In addition to the foregoing, we are named defendants or parties in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

In the ordinary course of business with customers and others, we have entered into letters of credit to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit outstanding as of 31 December 2016 totaled $55.5 million and are issued under facilities provided by various banks and other financial institutions. Obligations under these letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement. As of 31 December 2016, we had not been required to make collateral deposits with respect to these agreements.

23 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, related to the group's newbuild rig construction and rig enhancement projects are as follows:

Group

	2016 $ millions	2015 $ millions
Contractual commitments	532.3	705.0

The actual timing of these expenditures may vary based on the completion of various construction milestones, which are, to a large extent, beyond the group's control.

Notes *(continued)*

23 Commitments *(continued)*

Annual commitments under non-cancellable operating leases at the end of the financial year are as follows:

Group

	2016 Offices and equipment $ millions	2015 Offices and equipment $ millions
Operating lease obligations which occur:		
Within one year	27.6	45.3
In the second to fifth years inclusive	57.8	51.0
Over five years	37.4	53.4
	122.8	149.7

Company

	2016 Office and equipment $ millions	2015 Office and equipment $ millions
Operating lease obligations which occur:		
Within one year	1.0	1.3
In the second to fifth years inclusive	2.7	3.8
Over five years	-	-
	3.7	5.1

24 Employee compensation schemes

Share based payments

Our shareholders approved the 2012 Long-Term Incentive Plan (the "2012 LTIP") effective 1 January 2012, to provide for the issuance of non-vested share awards, share option awards and performance awards (collectively "awards"). Under the 2012 LTIP, as amended, 27.5 million shares were reserved for issuance as awards to officers, non-employee directors and key employees who are in a position to contribute materially to our growth, development and long-term success. As of 31 December 2016, there were 16.0 million shares available for issuance as awards under the 2012 LTIP. Awards may be satisfied by newly issued shares, including shares held by a subsidiary or affiliated entity, or by delivery of shares held in an affiliated employee benefit trust at the company's discretion.

Non-vested share awards and units

Grants of non-vested share awards and non-vested share units (including certain share units to be settled in cash, collectively the "share awards") generally vest at rates of 20% or 33% per year, as determined by a committee or subcommittee of the Board of Directors at the time of grant. During 2016, we granted 3.4 million non-vested share units to our employees pursuant to the 2012 Long-Term Incentive Plan, which will be settled in cash upon vesting, and an additional 1.1 million non-vested share awards that will be settled in shares. Our non-vested share awards have voting and dividend rights effective on the date of grant, and our non-vested share units have dividend rights effective on the date of grant. Compensation expense for non-vested share awards and non-vested share units to be settled in shares is measured at fair value on the date of grant and recognised on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for non-vested share units to be settled in cash is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. The amount of compensation cost recognised is based on the share awards ultimately expected to vest and, therefore, reduced for estimated forfeitures.

Notes *(continued)*

24 Employee compensation schemes *(continued)*

Grants of share awards

Group

	2016	2015
Number of share awards granted (thousands)	4,542	2,116
Weighted-average grant-date fair value of share awards granted (dollars per share)	\$9.84	\$23.95

Share award related compensation cost recognised during 2016 was \$39.6 million (2015: \$37.3 million).

Share option awards

Share option awards ("options") granted to officers and employees generally become exercisable in 25% increments over a four-year period or 33% increments over a three-year period and, to the extent not exercised, expire on the seventh anniversary of the date of grant. Options granted to non-employee directors are immediately exercisable and, to the extent not exercised, expire on the seventh anniversary of the date of grant. The exercise price of options granted under the 2012 LTIP equals the market value of the underlying shares on the date of grant. As of 31 December 2016, options granted to purchase 282,233 shares with a weighted-average exercise price of \$41.34 were outstanding under the 2012 LTIP and predecessor or acquired plans. No options have been granted since 2011, and there were no unrecognised compensation costs related to options as of 31 December 2016.

Performance awards

Under the 2012 LTIP, performance awards may be issued to our senior executive officers. Performance awards granted during 2014, 2015 and 2016 are payable in Ensco shares upon attainment of specified performance goals based on relative total shareholder return ("TSR") and relative return on capital employed ("ROCE"). The performance goals are determined by a committee or subcommittee of the Board of Directors.

Performance awards generally vest at the end of a three-year measurement period based on attainment of performance goals. Our performance awards are classified as equity awards with compensation expense recognised on a straight-line basis over the requisite service period. The estimated probable outcome of attainment of the specified performance goals is based on historical experience, and any subsequent changes in this estimate for the relative ROCE performance goal are recognised as a cumulative adjustment to compensation cost in the period in which the change in estimate occurs.

The aggregate grant-date fair value of performance awards granted during 2016 and 2015 totaled \$6.1 million and \$8.3 million, respectively. The aggregate fair value of performance awards vested during 2016 and 2015 totaled \$2.8 million and \$4.6 million, respectively.

During the years ended 31 December 2016 and 2015, we recognised \$3.1 million and \$2.9 million of compensation expense for performance awards, respectively. As of 31 December 2016, there was \$7.9 million of total unrecognised compensation cost related to unvested performance awards, which is expected to be recognised over a weighted-average period of 1.9 years.

Notes *(continued)*

24 Employee compensation schemes *(continued)*

Savings plans

We have savings plans, which cover eligible employees, as defined within each plan. We generally make matching cash contributions to the plans. We match 100% of the amount contributed by the employee up to a maximum of 5% of eligible salary. Matching contributions totaled $16.7 million and $18.9 million for the years ended 31 December 2016 and 2015, respectively. Any additional discretionary contributions made into the plans require approval of the Board of Directors and are generally paid in cash. We recorded additional discretionary contribution provisions of $19.2 million and $27.5 million for the years ended 31 December 2016 and 2015, respectively. Matching contributions and additional discretionary contributions become vested in 33% increments upon completion of each initial year of service with all contributions becoming fully vested subsequent to achievement of three or more years of service. We have 1.0 million shares reserved for issuance as matching contributions under the Ensco Savings Plan.

25 Earnings per share

The calculation of basic earnings/(loss) per share was based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted-average number of ordinary shares outstanding of 279.1 million (2015: 232.2 million).

The calculation of diluted earnings/(loss) per share was based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares of 279.1 million (2015: 232.2 million).

The following table is a reconciliation of earnings/(loss) for the financial year attributable to Ensco shares used in our basic and diluted earnings/(loss) per share computations for years ended 31 December 2016 and 2015:

	2016 $ millions	2015 $ millions
Profit/(loss) for the financial year	838.3	(3,795.8)
Profit from the financial year allocated to non-vested share awards	16.6	(2.0)
Profit/(loss) for the financial year attributable to Ensco shares	821.7	(3,797.8)

The following table is a reconciliation of the weighted-average shares used in our basic and diluted earnings/(loss) per share computations for years ended 31 December 2016 and 2015:

	2016 millions	2015 millions
Weighted-average shares - basic	279.1	232.2
Potentially dilutive shares	-	-
Weighted-average shares - diluted	279.1	232.2

Antidilutive share options totaling 0.5 million and 0.8 million for the years ended 31 December 2016 and 2015, respectively, were excluded from the computation of diluted EPS.

26 Post balance sheet events

On 17 March 2017, the company paid a dividend in the amount of $3.0 million ($0.01 per share).

In January 2017, through a private-exchange transaction, we repurchased $649.5 million of outstanding debt with $332.5 million of net proceeds from the December 2016 exchangeable senior notes offering and $332.0 million of newly issued 8.0% senior notes due 2024. During the first quarter, we expect to recognise a pre-tax loss on the Exchange Offers of approximately $6.0 million, net of premiums and transaction costs.