

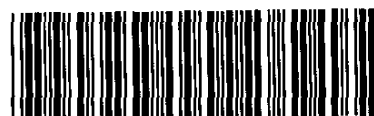
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# **ENSCO CAPITAL LIMITED**

## **Financial Statements**

**For the years ended December 31, 2017 and December 31, 2016**

THURSDAY



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**ENSCO CAPITAL LIMITED**  
**Balance Sheet**  
(In 000's of US Dollars)  
(US GAAP - Unaudited)

Assets	December 31,	
	2017	2016
Current assets		
Cash and cash equivalents	-	-
Short term investments	-	272,000
Revolvers receivable from affiliates	-	2,760,564
Receivables from affiliates	2,978	21,979
Other assets	-	1,888
Total current assets	2,978	3,056,431
Revolver receivable from affiliate	4,441,532	1,189,096
Note receivable from affiliate	751,840	751,840
Receivables from affiliates	657,629	714,632
Total assets	5,853,979	5,711,999
<b>Stockholder's Equity</b>		
Stockholder's equity	5,853,979	5,711,999
Total stockholder's equity	5,853,979	5,711,999

See accompanying notes to financial statements.



**Steven J. Brady**  
Director  
Company registered number: FC029695

March 14, 2018

**ENSCO CAPITAL LIMITED**  
**Statement of Operations**  
(In 000's of US Dollars)  
(US GAAP - Unaudited)

	For the years ended December 31, 2017	2016
	<u>                    </u>	<u>                    </u>
Interest income	142,600	77,842
Foreign exchange gain	<u>53</u>	<u>744</u>
Income before income taxes	142,653	78,586
Provision for income taxes	<u>(673)</u>	<u>(124)</u>
Net income	<u>141,980</u>	<u>78,462</u>

See accompanying notes to financial statements.

**ENSCO CAPITAL LIMITED**  
**Statement of Changes in Stockholder's Equity**  
(In 000's of US Dollars)  
(US GAAP - Unaudited)

For the years ended December 31, 2017 and 2016				
	Common stock	Additional paid-in capital	Retained earnings	Total stockholder's equity
Balances at December 31, 2015	-	2,246,411	354,248	2,600,659
Capital contribution	-	3,032,878	-	3,032,878
Net income	-	-	78,462	78,462
Balances at December 31, 2016	-	5,279,289	432,710	5,711,999
Net income	-	-	141,980	141,980
Balances at December 31, 2017	-	5,279,289	574,690	5,853,979

See accompanying notes to financial statements.

**ENSCO CAPITAL LIMITED**  
**Statement of Cash Flows**  
*(In 000's of US Dollars)*  
**(US GAAP - Unaudited)**

	<b>For the years ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Net income	141,980	87,590
Decrease in other assets	1,888	-
Net cash flows provided by operating activities	<u>143,868</u>	<u>87,590</u>
Cash flows from investing activities:		
Decrease in short-term investments	272,000	-
Decrease/(increase) in receivables from affiliates	76,004	(2,837,287)
(Increase)/decrease in revolvers receivable from affiliates	(491,872)	2,602,093
Net cash flows used in investing activities	<u>(143,868)</u>	<u>(235,194)</u>
Cash flows from financing activities:		
Increase in payables to affiliates	-	147,604
Net cash flows provided by financing activities	<u>-</u>	<u>147,604</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	<u>-</u>	<u>-</u>
 Cash received during the year for interest	 161,603	 55,863
 Non-cash transactions:		
Issuance of share capital	-	3,032,878
Revolving loan notes	-	2,760,563
Short term investments	-	272,000
Revolver receivable from affiliate	-	315

See accompanying notes to financial statements.

**(1) Description of Business**

On May 27, 2010, ENSCO Capital Limited (the Company) was incorporated in the Cayman Islands under the Cayman Islands Companies Law (2009 Revision). The Company is owned 100% by ENSCO Development Limited, a company registered in the Cayman Islands.

The Company's ultimate parent company is Ensco plc, incorporated in the United Kingdom.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Company has prepared these financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP). The Company's functional currency is the US dollar.

The preparation of these financial statements requires the use of estimates and assumptions that affect the assets, liabilities and expenses reported in the financial statements, as well as amounts included in the notes thereto. While the Company uses its best estimates and judgments, actual results could differ from those estimates as future confirming events occur.

**(b) Cash Equivalents**

The Company considers all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents.

**(c) Short Term Investments**

The Company considers all highly liquid instruments with original maturities between three months and twelve months at the time of purchase to be short term investments.

**(d) Related Parties**

The Company has an extensive and ongoing relationship with Ensco and its affiliates. Substantially, all transactions are with related parties.

**(e) Interest Income**

Interest income is recognized as it accrues using the effective interest method.

**(f) Income Taxes**

Income tax expense comprises of current and deferred tax. Current and deferred taxes are recognized in income or expense except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable income nor loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the rates that are expected to be applied to temporary differences

when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### **(3) Stockholder's Equity**

The Company has 50,000 shares authorized and 402 shares issued of \$1.00 par value common stock. The Company may, by a resolution of directors, declare and pay dividends in money, shares, or other property, but dividends shall only be declared and paid out of surplus. No dividends shall be declared and paid unless the directors determine that immediately after the payment of the dividend the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business. No dividends were declared or paid in 2017 or 2016.

During 2016, the Company issued 301 shares in exchange for two notes receivable with affiliated companies for a total amount of \$3.0 billion and \$272.0 million of short term investments.

### **(4) Income Taxes**

The Company is a member of a consolidated group of UK tax resident companies with UK taxable permanent establishments. Tax losses are surrendered by those companies with UK tax losses to those companies with UK taxable income for no consideration. As a result, a company with UK taxable income will not recognize any tax expense and a company with tax losses will not recognize any tax benefits. The Company is not subject to tax in jurisdictions outside the UK.



(5) **Related Parties**

A summary of related-party transactions is presented below:

**(a) *Revolvers Receivable from Affiliates (Current)***

The Company's revolvers receivable from affiliates (current) are as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	\$000	\$000
ENSCO Universal Limited	-	1,289,723
EnSCO Intercontinental GmbH	-	1,470,841
	<u>-</u>	<u>2,760,564</u>

On August 22, 2016, the Company was novated a \$1.3 billion revolving loan note from Ensco Universal Limited. The revolving loan note is governed by the terms of the Ensco Universal Limited revolving loan agreement. Interest is paid quarterly at the LIBO rate plus 1.53%. The revolving loan note is due on demand, but no later than August 19, 2021. The revolving loan note was repaid in 2017.

On August 22, 2016, the Company was novated a \$1.5 billion revolving loan note from Ensco Intercontinental GmbH. The revolving loan note is governed by the terms of the Ensco Intercontinental GmbH revolving loan agreement. Interest is paid quarterly at 2.25%. The revolving loan note is due on demand, but no later than December 14, 2020. The revolving loan note was repaid in 2017.

**(b) *Revolver Receivable from Affiliate (Long Term)***

The Company's revolver receivable from affiliates (long term) is as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	\$000	\$000
ENSCO Global Limited	4,441,532	1,189,096
	<u>4,441,532</u>	<u>1,189,096</u>

On March 1, 2016, the Company entered into a revolving loan agreement with ENSCO Global Limited. The maximum borrowing capacity under the agreement is \$5.0 billion. Interest is received quarterly in arrears at the LIBO rate plus 1.5%. The borrowings under the agreement are due on demand, but no later than February 28, 2021. The Company has agreed to not call the debt prior to July 31, 2019.

**(c) Note Receivable from Affiliate (Long Term)**

The Company's note receivable from affiliate (long term) is as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	\$000	\$000
Ensco plc	751,840	751,840
	<u>751,840</u>	<u>751,840</u>

On May 25, 2011, the Company entered into a note receivable with Ensco plc. The borrowing under the agreement is due on December 19, 2020. Interest is received semiannual at a rate of 4.75%.

**(d) Receivables from Affiliates (Long Term)**

The Company's receivables from affiliates (long term) are as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	\$000	\$000
ENSCO Development Limited	-	678,920
ENSCO International Ltd	657,629	35,712
	<u>657,629</u>	<u>714,632</u>

The receivables are non-interest bearing and have no maturity date.

**(6) Fair Value of Financial Instruments**

The estimated fair values of the Company's financial instruments approximate their carrying values at each balance sheet date.

**(7) Subsequent Events**

No subsequent events have occurred that require disclosure.