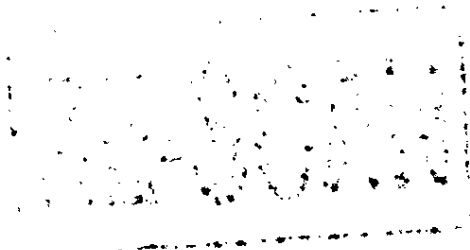


M Registered Number: 08749430

SEADRILL MEXICO UK LTD

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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Seadrill Mexico UK LTD

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Seadrill Mexico UK LTD**Company Information**

DIRECTORS	Ricardo Maldonado Yanez Per Winther Wulff Jon Olav Østhus Christian Whamond
REGISTERED NUMBER	08749430
REGISTERED OFFICE	2 nd Floor Building 11 Chiswick Business Park 566 Chiswick High Road London W4 5YS
INDEPENDENT AUDITOR	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

Seadrill Mexico UK LTD**Directors' Report**

The Directors present their report and the audited financial statements for the year ended 31st December 2016. The financial statements have been prepared under, and comply with, the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The Directors of the Company include:

Ricardo Maldonado Yanez
Per Winther Wulff
Jon Olav Østhus
Christian Whamond

Please refer to note 14 of the financial statements for disclosure of the financial risks.

Results and Dividends

The Company made a loss after taxation of US\$1,388,920 (2015: US\$685,107).

The Directors do not recommend the payment of a dividend.

Current Developments

The Companies ultimate controlling party is Seamex Limited. On 12 September 2017, Seadrill Limited, a significant shareholder of Seamex Limited, entered into a restructuring agreement with secured lenders, bondholders and a consortium of investors. The agreement defers the maturity of secured bank debt by five years with no amortization payments until 2020, converts bonds to equity and delivers new capital to Seadrill.

To implement the restructuring agreement, Seadrill Limited and certain of its subsidiaries have filed prearranged chapter 11 cases in the Southern District of Texas together with the agreed restructuring plan. As part of the chapter 11 cases, "first day" motions were granted, which enable day-to-day operations to continue as usual, including the provision of management services to Seamex Limited.

Seamex Limited recently announced amendments to certain credit facilities have successfully insulated Seamex Limited and its consolidated entities, including the Company, from events of default resulting from Seadrill Limited's use of chapter 11 proceedings to implement its restructuring plan. Seamex Limited did not file chapter 11 cases, and we expect business operations to be largely unaffected by Seadrill's chapter 11 filings.

Statement as to disclosure of information to auditors

Each person who is a Director at the time when this report is approved has confirmed that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Seadrill Mexico UK LTD**Directors' Report (continued)****Small Companies Exemption**

The report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime of the Companies Act 2006.

This Directors' report was approved by the board of Directors and was signed on their behalf by:



Jon Olav Østhus
Director

Seadrill Mexico UK LTD**Directors' Responsibilities Statement**

The Directors are responsible for preparing 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 period. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council and applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Seadrill Mexico UK LTD

Independent Auditor's Report to the Members of Seadrill Mexico UK Ltd

We have audited the financial statements of Seadrill Mexico UK Ltd for the year ended 31 December 2016 which are set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 4, 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 (APB'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 web-site 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 company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Seadrill Mexico UK LTD**Independent Auditor's Report to the Members of Seadrill Mexico UK Ltd continued ...****Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Cassie Forman

Cassie Forman, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

28 September 2017

Seadrill Mexico UK LTD

**Statement of Comprehensive Income
For the year ended 31 December 2016
(Expressed in United States Dollars)**

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
Administrative expenses		<u>(43,781)</u>	<u>(22,782)</u>
Operating Loss	3	(43,781)	(22,782)
Interest receivable and similar income	4	8,868,466	3,996,085
Interest expense from Group Companies	4	(10,301,167)	(4,658,410)
Loss before Taxation		<u>(1,388,920)</u>	<u>(685,107)</u>
Taxation	5	<u>-</u>	<u>-</u>
Total Comprehensive expense for the year		<u>(1,388,920)</u>	<u>(685,107)</u>

There are no items of other comprehensive income in the year.

The notes on pages 10 to 16 form part of these financial statements.

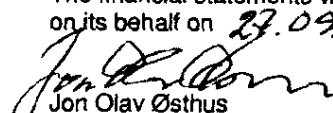
Seadrill Mexico UK LTD

Statement of Financial Position as at 31 December 2016
(Expressed in United States Dollars)

	Note	\$	2016	\$	2015	\$
Fixed Assets						
Investments	6		125,002,000		125,002,000	
Loan receivable	7		255,440,000		255,440,000	
Current Assets						
Other Receivables	7	152,533,467		60,585,941		
Cash and cash equivalents	8	121,468,146		37,684,512		
		<u>274,001,613</u>		<u>98,270,453</u>		
Payables, amounts falling due within one year	9	(230,562,797)		(52,042,717)		
Net Current Assets			<u>43,438,816</u>		<u>46,227,736</u>	
Total Assets Less Current Liabilities			423,880,816		426,669,736	
Payables, amounts falling due in greater than one year	9		(300,965,000)		(302,365,000)	
Net Assets			<u>122,915,816</u>		<u>124,304,736</u>	
Capital and Reserves						
Share capital	10		3,163		3,163	
Share Premium	11		124,998,456		124,998,456	
Accumulated deficit			<u>(2,085,803)</u>		<u>(696,883)</u>	
Total Capital and Reserves			<u>122,915,816</u>		<u>124,304,736</u>	

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the Small Companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27.09.2017.


Jon Olav Østhus
Director

The notes on pages 10 to 16 form part of these financial statements.

Seadrill Mexico UK LTD

**Statement of Changes in Equity
For the year ended 31 December 2016
(Expressed in United States Dollars)**

	Share Capital	Share Premium	Accumulated Deficit	Total
Balance at 31 December 2014	1,619	-	(11,776)	(10,157)
Issue of ordinary shares	1,544	124,998,456	-	125,000,000
Total comprehensive expense for the year	-	-	(685,107)	(685,107)
Balance at 31 December 2015	3,163	124,998,456	(696,883)	124,304,736
Total comprehensive expense for the year	-	-	(1,388,920)	(1,388,920)
Balance at 31 December 2016	3,163	124,998,456	(2,085,803)	122,915,816

The notes on pages 10 to 16 form part of these financial statements.

Seadrill Mexico UK LTD

Notes to the Financial Statements Financial Statements for the year ended 31 December 2016

1. General Information

The Company is a private Company limited by shares, incorporated on 25 October 2013 under the laws of the United Kingdom. Its registered office is situated at 2nd Floor Building 11, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YS. The parent Company is SeaMex Limited, a Company incorporated in the Bermuda.

The financial statements are presented in US Dollar (US\$) to the nearest dollar.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 issued by the Financial Reporting Council.

The financial statements contain information about the Company as an individual undertaking, and do not contain consolidated financial information as the parent of a group. The Company is exempt from the requirement to prepare consolidated financial statements as it, and its subsidiaries, are consolidated through its parent SeaMex Limited, a copy of those financial statements have been filed at Companies House.

(b) Taxation

Current tax is provided at amounts expected to be paid using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation is provided on timing differences that have originated but not reversed by the balance sheet date on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable profits from which future reversals of the underlying timing differences can be deducted.

No provision is made where the amounts involved are not material.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and is measured at fair value.

(d) Receivables

Short term receivables are measured at transaction price, less any impairment. Other financial assets, are measured initially at fair value, and are measured subsequently at amortised costs using the effective interest method.

(e) Payables

Short term payables are measured at the transaction prices. Other financial liabilities, are measured initially at fair value, and are measured subsequently at amortised cost using effective interest method.

Seadrill Mexico UK LTD

**Notes to the Financial Statements
Financial Statements for the year ended 31 December 2016**

2. Summary of Significant Accounting Policies (continued)

(f) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated to dollars at rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the statement of comprehensive income.

(g) Investment

Investments held as fixed assets are shown at cost less provision for impairment. At the end of each reporting period, the Directors review the carrying value of the investments to determine whether there is an indication that assets have suffered impairment loss. If the recoverable amount of investments is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(h) Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Impairment of investments

Management uses its judgement in selecting a suitable valuation method and make assumptions that are mainly based on judgements. Where there is an indication that the asset has suffered an impairment loss, the recoverable amount of investments is estimated to be less than its carrying amount then the carrying amount of the asset is reduced to its recoverable amount. Management uses its knowledge of the asset to assess the level of impairment to be made.

Recoverability of intercompany receivables

Management assess amounts receivable from group companies at each reporting date. In determining whether balances are not recoverable and whether a loss should be recorded in the statement of comprehensive income, management makes judgments as to whether there are indicators that the assets may not be recoverable. Where there are indicators, the balances are written off.

3. Operating Loss

The operating loss is stated after charging:

	Year ended <u>2016</u> US\$	Year ended <u>2015</u> US\$
Auditors' remuneration (audit services)	14,760	8,844
Auditors' remuneration (other services)	<u>1,965</u>	<u>1,843</u>

Seadrill Mexico UK LTD

**Notes to the Financial Statements
Financial Statements for the year ended 31 December 2016**

4. Interest Income and Expense

Interest Income consists of:

	Year ended <u>2016</u> US\$	Year ended <u>2015</u> US\$
Interest receivable on bank deposits	456,293	82,544
Interest receivable from fellow subsidiaries	8,412,173	3,913,541
	<u>8,868,466</u>	<u>3,996,085</u>

Interest relating to the cash concentration is paid by the bank on the net position as a whole into Seadrill Mexico UK Ltd (please refer to Notes 7 & 9).

Interest Expense consists of:

	Year ended <u>2016</u> US\$	Year ended <u>2015</u> US\$
Interest payable to parent	<u>10,301,167</u>	<u>4,658,410</u>

5. Taxation

The Company is subject to taxation in the UK at a standard rate of 20% (2015: 20.25%)

Factors affecting tax charge for the period:

	Year ended <u>2016</u> US\$	Year ended <u>2015</u> US\$
Loss on ordinary activities before taxation	<u>(1,388,920)</u>	<u>(685,107)</u>
Loss on ordinary activities at 20% (2015: 20.25%)	<u>(277,784)</u>	<u>(138,734)</u>
Losses carried forward	<u>277,784</u>	<u>138,734</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

A deferred tax asset of \$236,116 has not been recognised due to the uncertainty of recoverability of non-trading amounts carried forward.

Seadrill Mexico UK LTD

Notes to the Financial Statements
Financial Statements for the year ended 31 December 2016

6. Investments

	<u>2016</u> US\$	<u>2015</u> US\$
Cost		
At 1 January	125,002,000	2,000
Additions	-	125,000,000
At 31 December 2016	<u>125,002,000</u>	<u>125,002,000</u>

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
SeaMex Holding BV	Ordinary	100%
Seadrill Leasing BV	Ordinary	100%

On 12 November 2013, the Company incorporated SeaMex Holding BV, a new subsidiary limited by shares under Dutch laws. There is a charge held in favour of ING Bank N.V. (London Branch) dated 29 October 2015 which is secured over the company's investment in its subsidiary Seamex Holding B.V.

On 10 December 2013, the Company incorporated Seadrill Leasing BV, a new subsidiary limited by shares under Dutch laws. There are charges held in favour of ING Bank N.V. (London Branch) dated 25 March 2015 which are secured over the company's share collateral, bank account and company assets.

7. Other receivables

	<u>2016</u> US\$	<u>2015</u> US\$
Amounts receivable within one year:		
Amounts due from subsidiaries	31,762,270	29,476,692
Amounts due from fellow subsidiaries	<u>120,771,197</u>	<u>31,109,249</u>
	<u>152,533,467</u>	<u>60,585,941</u>

The above amounts (which primarily form part of a cash concentration arrangement with a non-UK bank) are due from subsidiaries within one year and are unsecured, interest free and repayable on demand.

	<u>2016</u> US\$	<u>2015</u> US\$
Amounts receivable in greater than one year:		
Amounts due from subsidiaries	<u>255,440,000</u>	<u>255,440,000</u>

The above amounts due from subsidiaries greater than one year are subject to monthly interest at Libor plus a margin of 2.6%. Amounts are repayable in 2025.

Seadrill Mexico UK LTD

Notes to the Financial Statements
Financial Statements for the year ended 31 December 2016

8. Cash and cash equivalents

	<u>2016</u> US\$	<u>2015</u> US\$
Cash at bank	62,197,312	20,483,795
Restricted short term cash	59,270,833	17,200,717
	<u>121,468,146</u>	<u>37,684,512</u>

The restricted cash relates to the credit facility in place, please see note 15 for further details.

There is a charge held in favour of ING Bank N.V. (London Branch) dated 22 July 2015 which is secured over the company's bank account held with BNP Paribas (New York Branch).

9. Other Payables

	<u>2016</u> US\$	<u>2015</u> US\$
Amounts payable within one year:		
Amounts due to the parent company	11,969,584	4,558,410
Amounts payable to fellow subsidiaries	218,558,820	47,464,675
Accrued expenses	34,392	19,632
	<u>230,562,797</u>	<u>52,042,717</u>

The above amounts due to the parent company and fellow subsidiaries within one year are unsecured, interest free and repayable on demand. These include amounts forming part of a cash concentration arrangement with a non-UK bank.

	<u>2016</u> US\$	<u>2015</u> US\$
Amounts payable in greater than one year:		
Amounts due to the parent company	<u>300,965,000</u>	<u>302,365,000</u>

Amounts due to the parent company in greater than one year are loans with terms negotiated in 2015 following the external refinancing of the Parent, and accrue interest monthly at Libor plus a margin of 2.6%.

10. Share Capital

	<u>2016</u> US\$	<u>2015</u> US\$
Authorised, allotted, called up and fully paid 2,000 ordinary shares of £1 each (2015: 2,000)	<u>3,163</u>	<u>3,163</u>

11. Share Premium

	<u>2016</u> US\$	<u>2015</u> US\$
At 1 January	124,998,456	-
Premium on shares issued during the year	-	124,998,456
At 31 December	<u>124,998,456</u>	<u>124,998,456</u>

Seadrill Mexico UK LTD

Notes to the Financial Statements **Financial Statements for the year ended 31 December 2016**

12. Related Party Transactions

As at 31 December 2016 the Company had amounts receivable from / (payable to) the following group undertakings that relate to transactions in the normal course of business and balances are as follows:

	2016 USD	2015 USD
SeaMex Ltd (Bermuda)	(312,934,584)	(306,923,410)
Seadrill Mexico Holding Ltd (Bermuda)	559	(522)
SeaMex Holding BV	25,048,603	24,988,207
Seadrill leasing BV	(50,095,225)	(3,689,282)
Seadrill Holding Mexico SA de CV	(203,265)	3,726,692
Seadrill Jackup Operations de Mexico S. de R.L. de CV (Mexico)	6,713,109	12,015
Seadrill Oberon de Mexico S. de R.L. de CV (Mexico)	(36,383,189)	(13,995,622)
Seadrill Intrepid de Mexico S. de R.L. de CV (Mexico)	(39,277,627)	(2,519,897)
Seadrill Defender de Mexico S. de R.L. de CV (Mexico)	(33,095,949)	(5,633,911)
Seadrill Courageous de Mexico S. de R.L. de CV (Mexico)	(30,856,137)	(1,701,579)
Seadrill Titania de Mexico S. de R.L. de CV (Mexico)	(25,657,435)	(19,174,084)
Seadrill Oberon (S) Pte Ltd (Singapore)	82,222,614	62,460,881
Seadrill Intrepid (S) Pte Ltd (Singapore)	68,681,986	51,748,714
Seadrill Defender (S) Pte Ltd (Singapore)	69,610,986	52,621,459
Seadrill Courageous (S) Pte Ltd (Singapore)	66,921,700	50,183,348
Seadrill Titania (S) Pte Ltd (Singapore)	88,773,909	69,534,847

In accordance with FRS 102 Section 33.1A the Company has taken advantage of the exemption available not to disclose details of transactions with members of the group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

13. Controlling Party

At the reporting date, the Company is a subsidiary undertaking of SeaMex Limited a Company incorporated in Bermuda and this company is a joint venture with no ultimate controlling party.

SeaMex Limited Financial Statements have been filed with the Companies House.

14. Financial Risk Management

The Company's key financial risks arising from its financial instruments are:

- Credit risk; and
- Foreign exchange risk

Seadrill Ltd has overall responsibility for recommendation of the establishment and oversight of the Company's risk management framework. The Seamex Group is responsible for developing and monitoring the Group's risk management strategy and policies.

Seadrill Mexico UK LTD**Notes to the Financial Statements
Financial Statements for the year ended 31 December 2016****14. Financial Risk Management (continued)****Credit risk**

The Company has no primary exposure to credit risk, other than amounts due from subsidiaries. It is company policy to deposit short term cash investments with major institutions.

Foreign exchange risk

At 31 December 2016, the Company has no external financial commitments. The Company's primary exposure to exchange rate risk relates to administrative costs which are mainly denominated in Sterling. However these are not material.

15. Commitments

At 31 December 2016 the entity has a commitment to provide support up to the value of a \$750m revolving credit facility granted by the parent company, SeaMex Ltd (Bermuda) to fellow group entities; Seadrill Oberon (S) Pte Ltd., Seadrill Intrepid (S) Pte Ltd, Seadrill Defender (S) Pte Ltd, Seadrill Courageous (S) Pte Ltd, and Seadrill Titania (S) Pte Ltd.

SEAMEX LTD.

CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended
December 31, 2016**

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SeaMex Ltd.

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Consolidated Statement of Cash Flows for the year ended December 31, 2016 and period ended December 31, 2015 F-4

Consolidated Statement of Changes in Equity for the year ended December 31, 2016 and period ended December 31, 2015 F-5

Notes to the Consolidated Financial Statements F-6

Independent Auditor's Report

To the Board of Directors of SeaMex Ltd.

We have audited the accompanying consolidated financial statements of SeaMex Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and December 31, 2015, and the related consolidated statements of operations, statement of changes in equity and statement of cash flows for the periods then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeaMex Ltd. and its subsidiaries as of December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, there are clauses within the Company's senior secured credit facility under which an event of default by Seadrill Limited under its financing agreements could cause amounts under the Company's loan agreement to be accelerated and become due and payable. The existence of these factors and the other matters discussed in Note 1 raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



PricewaterhouseCoopers LLP
Uxbridge
June 30, 2017

SeaMex Ltd.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In \$ millions)

	Note	Year ended December 31, 2016	Period from March 10, 2015 to December 31, 2015
Operating revenues			
Contract revenues		275.1	232.4
Other revenues		4.8	5.1
Total operating revenues	3	279.9	237.5
Operating expenses			
Vessel and rig operating expenses		(79.5)	(89.6)
Depreciation and amortization		(42.9)	(34.3)
Amortization of favorable contracts		(22.6)	(18.8)
General and administrative expenses		(15.9)	(16.1)
Total operating expenses		(160.9)	(158.8)
Operating income		119.0	78.7
Financial and other items			
Interest income		0.5	—
Interest expense		(46.4)	(22.5)
Loss on derivative financial instruments		(2.8)	(3.0)
Foreign exchange loss		(1.8)	(3.6)
Other items		(0.5)	(0.2)
Total financial and other items		(51.0)	(29.3)
Income before income taxes		68.0	49.4
Income tax expense	4	(39.9)	(25.3)
Net income		28.1	24.1

A statement of Other Comprehensive Income has not been presented as there are no items recognized in Other Comprehensive Income.

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

SeaMax Ltd.

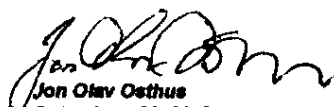
CONSOLIDATED BALANCE SHEETS

(In \$ millions)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		81.3	24.8
Restricted cash		59.3	17.2
Accounts receivables, net	6	127.9	139.7
Amount due from related parties	13	2.2	0.4
Other current assets	7	25.4	38.8
Total current assets		296.1	220.9
Non-current assets			
Drilling units and equipment	5	1,034.6	1,073.0
Deferred tax assets	4	4.9	6.3
Other non-current assets	8	55.7	78.3
Total non-current assets		1,095.2	1,157.6
Total assets		1,391.3	1,378.5
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	9	80.2	80.5
Trade accounts payable		4.6	1.6
Short-term amounts due to related parties	13	17.8	78.0
Other current liabilities	10	42.5	18.5
Total current liabilities		145.1	178.6
Non-current liabilities			
Long-term debt	9	468.6	549.8
Long-term amounts due to related parties	13	347.8	250.0
Deferred tax liabilities	4	1.7	—
Total non-current liabilities		818.1	799.8
Equity			
Venturers' capital		375.9	375.9
Retained earnings		52.2	24.1
Total equity		428.1	400.0
Total liabilities and equity		1,391.3	1,378.5

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

Approved on behalf of the Board of Directors by:


Jon Olav Osthus
Date: June 30, 2017

SeaMex Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In \$ millions)

	Year ended December 31, 2016	Period from March 10, 2015 to December 31, 2015
Cash Flows from Operating Activities		
Net income	28.1	24.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42.9	34.3
Amortization of deferred loan charges	2.9	2.0
Amortization of favorable contracts	22.6	18.8
Unrealized gain related to derivative financial instruments	(0.5)	(0.5)
Deferred income tax	2.1	2.7
Unrealized (gain)/loss on foreign exchange	(1.3)	3.2
Changes in operating assets and liabilities, net of effect of acquisitions and disposals		
Trade accounts receivable	11.8	(124.9)
Trade accounts payable	6.4	(4.0)
Related party receivables	(1.8)	90.7
Related party payables	37.6	13.0
Other assets	9.6	(5.8)
Other liabilities	26.7	(25.7)
Net cash provided by operating activities	187.1	27.9
Cash Flows from Investing Activities		
Additions to drilling units and equipment	(4.5)	—
Change in restricted cash	(42.1)	(17.2)
Net cash used in investing activities	(46.6)	(17.2)
Cash Flows from Financing Activities		
Proceeds from debt	—	165.0
Repayments of debt	(83.3)	(109.3)
Debt fees paid	(0.8)	(0.7)
Proceeds from debt to related parties	—	76.0
Repayments of debt to related parties	—	(193.0)
Contribution from joint venturers	—	38.0
Net cash used in financing activities	(84.1)	(24.0)
Effect of exchange rate changes on cash	0.1	—
Net increase/ (decrease) in cash and cash equivalents	56.5	(13.3)
Cash and cash equivalents at beginning of the period	24.8	38.1
Cash and cash equivalents at the end of period	81.3	24.8
Supplementary disclosure of cash flow information		
Interest paid, net of capitalized interest	20.2	14.3
Taxes paid	21.6	35.4

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

SeaMex Ltd

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In \$ millions)

	Venturers' capital	Retained earnings	Total equity
Fair value of net assets acquired at formation	337.9	—	337.9
Additional Equity contribution	38.0	—	38.0
Net income	—	24.1	24.1
Balance at December 31, 2015	375.9	24.1	400.0
Net income	—	28.1	28.1
Balance at December 31, 2016	375.9	52.2	428.1

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

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

SeaMex Ltd. ("SeaMex", the "JV" or the "Company") is a joint venture, that owns and operates five jack-up drilling units located in Mexico under contract with Petróleos Mexicanos ("Pemex"). Seadrill Limited ("Seadrill") and an investment fund controlled by Fintech Investment Limited ("Fintech"), have a 50% ownership stake in SeaMex, respectively. The JV's Board of Directors consist of two directors appointed by each of Seadrill and Fintech.

The JV currently holds the following jack-up drilling rigs: *West Oberon, West Intrepid, West Defender, West Courageous* and *West Titania*.

Basis of presentation

The Consolidated Financial Statements are presented in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The amounts are presented in United States dollar ("US dollar" or "\$") rounded to the nearest million, unless otherwise stated.

The Company's consolidated financial statements have been prepared on a going concern basis and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Company's going concern assumption is based on management's ability to insulate the Company from events of default that may occur on account of Seadrill Limited's ("Seadrill") restructuring efforts and to address near-term refinancing requirements.

Our short-term liquidity requirements relate to servicing our debt amortizations, interest payments and funding working capital requirements. We believe our current resources, including available cash and cash generated from operations, provided by our current contract backlog, are sufficient to meet our working capital requirements and other obligations as they fall due for at least the next twelve months after the date the financial statements are issued in circumstances other than cross acceleration as described below.

There are clauses within the Company's senior secured credit facility under which an event of default by Seadrill under its financing agreements could cause amounts under the Company's loan agreement to be accelerated and become due and payable.

In order to address this risk, SeaMex is actively working with its lenders to amend the terms of its loan agreement to remove this link. Until such a time as an agreement is reached, uncertainty remains and therefore substantial doubt exists over the Company's ability to continue as a going concern for twelve months after the date the financial statements are issued.

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

Basis of consolidation

Investments in companies in which SeaMex directly or indirectly hold more than 50% of the voting control are consolidated in the Consolidated Financial Statements. The Consolidated Financial Statements include the assets and liabilities of the Company, its majority owned and controlled subsidiaries. Intercompany transactions and internal sales have been eliminated on consolidation. Unrealized gains and losses arising from transactions with associates are eliminated to the extent of the Company's interest in the entity.

Note 2 – Significant Accounting Policies

Use of estimates

Preparation of the Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparation of these Consolidated Financial Statements include estimates of future cash flows and applicable discount rates used in calculating fair values of net assets acquired on formation.

Contract revenue

A substantial majority of the Company's revenues are derived from dayrate based drilling contracts. Dayrate based revenues are recognized ratably over the contract period when services are rendered. Under some contracts, the Company is entitled to additional payments for meeting or exceeding certain performance targets. Such additional payments are recognized when any contingencies are resolved or upon completion of the drilling program.

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fees received from customers under drilling contracts for capital upgrades are deferred and recognized over the contract term, excluding option periods not exercised.

Reimbursements received for the purchases of supplies, personnel services and other services provided on behalf of and at the request of our customers in accordance with a contract or agreement are recorded as revenue. The related costs are recorded as reimbursable expenses in the same period.

We record our tax-assessed revenue transactions on a net basis in our Consolidated Statement of Operations.

Other revenues

A favorable or unfavorable drilling contract is a contract that has a dayrate which differs from prevailing market rates at the time of acquisition, in a business combination. The JV identified certain favorable contracts at the time of acquisition of drilling units from Seadrill, upon formation. The net present value of such contracts are recorded as asset at the formation date and are subsequently being recognized as revenue over the contract terms.

Related party revenues relate to management support and administrative services provided to Seadrill.

Mobilization and demobilization expenses

Mobilization costs incurred as part of a drilling contract are capitalized and recognized as expense over the contract term, excluding option periods not exercised by our customers. The costs of relocating drilling units that are not under contract are expensed as incurred.

Demobilization costs are costs related to the transfer of a vessel or drilling rig to a safe harbor or different geographic area and are expensed as incurred.

Vessel and Rig Operating Expenses

Vessel and rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked, and include the remuneration of offshore crews and related costs, supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel and are expensed as incurred.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized under drilling units and amortized over the anticipated period between overhauls, which is generally 5 years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation and amortization expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Foreign currencies

The Company and the majority of its subsidiaries use the U.S. dollars as their functional currency because the majority of their revenues and expenses are denominated in U.S. dollars. Accordingly, the Company's reporting currency is also U.S. dollars.

Transactions in foreign currencies are translated into US dollars at the rates of exchange in effect at the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the Consolidated Statement of Operations.

Current and non-current classification

Assets and liabilities (excluding deferred taxes) are classified as current assets and liabilities respectively, if their maturity is within twelve months of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

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

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with original maturities of three months or less.

Restricted cash

Restricted cash represents minimum deposits which must be maintained in accordance with contractual arrangements. Restricted cash amounts with maturities longer than twelve months are classified as non-current assets.

Receivables

Receivables, including accounts receivable, are recorded in the Consolidated Balance Sheet at their nominal amount less an allowance for doubtful accounts. The Company establishes reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, the Company considers the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off.

Drilling units

Rigs and related equipment are recorded at purchase price valuation less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated residual value is taken to be offset by any decommissioning costs that may be incurred. The estimated economic useful life of the Company's rigs, when new, is 30 years.

Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

Cost of property and equipment sold or retired, with the related accumulated depreciation and write-downs are removed from the Consolidated Balance Sheet, and resulting gains or losses are included in the Consolidated Statement of Operations.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and is depreciated over its estimated remaining useful life. The estimated economic useful life of Equipment, when new, is between 3 and 5 years depending on the type of asset.

Impairment of long-lived assets

The carrying value of long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company first assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, the Company then compares the carrying value of the intangible asset with the discounted future net cash flows, using relevant weighted average cost of capital ("WACC") to determine an impairment loss to be recognized during the period.

Favorable drilling contracts - intangible assets

Favorable drilling contracts are recorded as an intangible asset at fair value on the date of acquisition less accumulated amortization. The amortization is recognized in the statement of operations under "amortization of favorable contracts". The amounts of these assets are amortized on a straight-line basis over the estimated remaining economic useful life or contractual period.

Derivative Financial Instruments and Hedging Activities

The Company's primary derivative instruments are interest-rate swap agreements, which are recorded at fair value. Changes in the fair value of these derivatives, which have not been designated as hedging instruments, are recorded as a gain or loss as a separate line item within financial items in our Consolidated Statement of Operations.

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income taxes

SeaMex Ltd. is a Bermuda company that has a number of subsidiaries and affiliates in various jurisdictions. Currently, the Company and its Bermudan subsidiary are not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempt companies. The Company and its Bermudan subsidiary have received written assurance from the Minister of Finance in Bermuda that they will be exempt from taxation until March 2035. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income and statutory tax rates in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned.

The determination and evaluation of our annual group income tax provision involves interpretation of tax laws in various jurisdictions in which we operate and requires significant judgment and use of estimates and assumptions regarding significant future events, such as amounts, timing and character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognize tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedence.

Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year. While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed, or from tax audit adjustments.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the Consolidated Balance Sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Deferred charges

Loan related costs, including debt issuance, arrangement fees and legal expenses, are capitalized and presented in the Consolidated Balance Sheet as a direct deduction from the carrying amount of the related debt liability, and amortized over the term of the related loan and the amortization is included in interest expense.

Provisions

A provision is recognized in the Consolidated Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Related parties

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

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recently Adopted Accounting Standards

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides new authoritative guidance with regards to management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The ASU was effective for all entities in the first annual period ending after December 15, 2016 (December 31, 2016 for calendar year-end entities) and for annual periods and interim periods thereafter. The Company has adopted the standard from December 31, 2016. Management have performed an assessment of the entity's ability to continue as a going concern and concluded that no substantial doubt exists. Further disclosure is included in the "Basis of preparation" section of Note 1.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. This new standard supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The new standard also requires additional qualitative and quantitative disclosures. In April 2015 the FASB proposed to defer the effective date of the guidance by twelve months. Based on this proposal, public entities would need to apply the new guidance for annual and interim periods beginning after December 15, 2017, and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as at the date of adoption. Early adoption is not permitted until periods beginning after December 15, 2016.

During 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which do not change the core principle of the Standard Update, but instead clarify the implementation guidance and provide narrow-scope improvements. In December 2016, the FASB also issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which includes additional guidance for disclosures related to remaining performance obligations. Based on the analysis to date, the Company has assessed there is significant interaction between ASC 606 and ASC 842 relating to Leases; therefore, the Company expects to adopt the updates concurrently, effective January 1, 2018. The Company continues to make significant progress on its review of the standard to determine the effect the requirements may have on its consolidated financial statements, according to its contract-specific facts and circumstances.

The Company is consulting with other drilling companies on business assumptions, processes, systems and controls to fully determine recognition and disclosure under the new standard. At present, the Company does not expect the pattern of revenue recognition under the new guidance to materially differ from its current revenue recognition pattern and expects to transition using a modified retrospective approach whereby it will record the cumulative effect of applying the new standard to all outstanding contracts as at January 1, 2018 as an adjustment to opening retained earnings. The Company's initial assessment may change as it continues to refine these assumptions.

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted, using a modified retrospective application. The Company has started assessing the impact of this standard update on its consolidated financial statements and related disclosures and has determined that its drilling contracts contain a lease component. The adoption of this standard will result in increased disclosure of the Company's leasing arrangements and may affect the way the Company recognizes revenues associated with the lease and revenue components, according to its contract-specific facts and circumstances. The standard update could also introduce variability to the timing of the Company's revenue recognition compared to current accounting standards. Based on the analysis to date, the Company has assessed there is significant interaction between ASC 606 relating to revenue recognition from contracts with customers and ASC 842; therefore, the Company expects to adopt the updates concurrently, effective January 1, 2018, using the modified retrospective approach.

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company is consulting with other drilling companies on business assumptions, processes, systems and controls to fully determine recognition and disclosure under the new standard. The Company continues to make significant progress on its review of the standard to determine the effect the requirements could have on its consolidated financial statements and may change its initial assessment as it continues to refine these requirements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as at the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact of this standard update on its Consolidated Financial Statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* based on a consensus of the Emerging Issues Task Force (EITF), to address the classification of certain cash receipts and cash payments on the Consolidated Statement of Cash Flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance will be effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. Entities are generally required to apply the guidance retrospectively. The Company is in the process of evaluating the impact of this standard upon its Consolidated Financial Statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Income taxes Intra-Entity Transfers of Assets other than Inventory*, which requires companies to recognize the income tax effects of intercompany sales or transfers of assets, other than inventory, in the Consolidated Statement of Operations as income tax expense (or benefit) in the period of sale or transfer occurs. The exception to recognizing the income tax effects of intercompany sales or transfers of assets remains in place for intercompany inventory sales and transfers, i.e. companies will still be required to defer the income tax effects of intercompany inventory transactions. The standard will be effective for annual periods beginning after December 15, 2016, with early adoption permitted as at the beginning of an annual period. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to address classification of activity related to restricted cash and restricted cash equivalents in the cash flows. The standard eliminates the presentation of transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the Consolidated Statement of Cash Flows. When cash, cash equivalents and restricted cash equivalents are presented in more than one line item on the balance sheet, a reconciliation of the totals in the cash flows to the related captions in the balance sheet are required, either on the face of the cash flow or in the notes to the Consolidated Financial Statements. Additional disclosures are required for the nature of the restricted cash and restricted cash equivalents. The standard will be effective for fiscal years beginning after 15 December 2017, and interim periods within those years. Early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its Consolidated Financial Statements and related disclosures.

Note 3 – Segment information

Operating segments

The Company's performance is reviewed by the Chief Operating Decision Maker as one single business segment, drilling units.

In the year ended December 31, 2016 and the period ended December 31, 2015, the Company had one customer with external contract revenues, PEMEX.

Geographic segment data

For the year ended December 31, 2016 and period ended December 31, 2015, all of the Company's revenues are generated in one geographic location, Mexico. During the same periods all of the Company's operating drilling units were located in one geographic location, Mexico.

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Taxation

Income taxes consist of the following:

<i>(In \$ millions)</i>	Year Ended December 31, 2016	Period from March 10, 2015 to December 31, 2015
Current tax expense:		
Bermuda	—	—
Foreign	37.8	21.1
Deferred tax expense:		
Bermuda	—	—
Foreign	2.1	4.2
Total tax expense	39.9	25.3
Effective tax rate	58.7%	51.2%

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

Income taxes for the year ended December 31, 2016 and period ended December 31, 2015 differed from the amount computed by applying the statutory income tax rate of 0% as follows:

<i>(In \$ millions)</i>	Year Ended December 31, 2016	Period from March 10, 2015 to December 31, 2015
Income taxes at statutory rate	—	—
Effect of taxable income in various countries	39.9	25.3
Total	39.9	25.3

Deferred Income Taxes

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

The net deferred tax asset consists of the following:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Property, plant and equipment	0.8	2.2
Provisions	4.1	4.1
Net operating losses carried forward	4.3	0.7
Gross deferred tax asset	9.2	7.0
Valuation allowance related to net operating losses carried forward	(4.3)	(0.7)
Net deferred tax asset	4.9	6.3

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The net deferred tax liabilities consist of the following:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Dividend withholding	(1.7)	—
Gross and net deferred tax liability	(1.7)	—

Net deferred taxes are classified as follows:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Long-term deferred tax asset	4.9	6.3
Long-term deferred tax liability	(1.7)	—
Net deferred tax asset	3.2	6.3

Future taxable income justifies the inclusion of tax loss carry-forwards in the calculation of net deferred taxes.

Note 5 – Drilling units

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Cost	1,111.8	1,107.3
Accumulated depreciation	(77.2)	(34.3)
Net book value	1,034.6	1,073.0

Depreciation expense on drilling units was \$42.9 million for the year ended December 31, 2016 and \$34.3 million for the period ended December 31, 2015.

Note 6 – Accounts receivable

Accounts receivable are presented net of allowances for doubtful accounts. There were no provisions related to allowances for doubtful accounts as at December 31, 2016 and December 31, 2015.

Note 7 – Other current assets

Other current assets include:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Prepaid expenses	0.9	2.0
VAT	—	9.4
Withheld business taxes and other tax receivables	—	0.9
Taxes receivable	—	2.8
Favorable contracts	22.5	22.5
Unrealized gain on derivative financial instruments	1.1	0.5
Other	0.9	0.7
Total other current assets	25.4	38.8

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Other non-current assets

Other non-current assets consist of the following:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Favorable contracts	55.7	78.3
Total other non-current assets	55.7	78.3

Note 9 – Debt

As of December 31, 2016 and December 31, 2015, the Company had the following debt amounts outstanding:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Credit facilities:		
\$750m Senior Secured Credit Facility	557.4	640.7
Total external credit facilities	557.4	640.7
Less: current portion of external debt principal	(83.3)	(83.3)
Long-term portion of external debt principal	474.1	557.4
Related party debt:		
\$250m Seller's credit	250.0	250.0
\$45m loan facility	45.0	—
Total related party debt	295.0	250.0
Less: current portion of related party debt	—	—
Long-term portion of related party debt	295.0	250.0

Related party debt is included within "Long term amounts due to related parties" in the Consolidated Balance Sheets
The outstanding debt as at December 31, 2016 is repayable as follows:

<i>(In \$ millions)</i>	As at December 31, 2016
Year ended December 31, 2017	83.3
Year ended December 31, 2018	83.3
Year ended December 31, 2019	685.8
Year ended December 31, 2020	—
Year ended December 31, 2021	—
Year ended December 31, 2022 and thereafter	—
Total debt principal	852.4

The tables below show the debt issuance costs that are netted against the current and long-term external debt for each of the periods presented:

As at December 31, 2016

<i>(In \$ millions)</i>	Principal outstanding	Less: Debt Issuance Costs	Total Debt
Current portion of long-term debt	83.3	(3.1)	80.2
Long-term debt	474.1	(5.5)	468.6
Total external debt	557.4	(8.6)	548.8

SeaMex Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2015

	Principal outstanding	Less: Debt Issuance Costs	Total Debt
<i>(In \$ millions)</i>			
Current portion of long-term debt	83.3	(2.8)	80.5
Long-term debt	557.4	(7.8)	549.6
Total external debt	640.7	(10.6)	630.1

The significant developments relating to the Company's debt in the year ended December 31, 2016 are explained below.

\$750 million senior secured credit facility

Post formation, in March 2015 the Company entered into a \$750 million senior secured credit facility with a syndicate of banks. The facility has a floating interest rate of LIBOR plus a margin of 2.60%. There was an initial drawing of \$585.0 million to fund the purchase of the West Courageous, West Intrepid, West Oberon and West Defender from Seadrill Limited. A further \$165.0 million was subsequently drawn in June 2015 to fund the acquisition of the West Titania, also from Seadrill Limited. All five jack-up drilling units are pledged as security. The net book value at December 31, 2016 of the units pledged as security is \$1,034.0 million.

Attached to the \$750 million senior secured credit facility are a series of financial covenants, which are reported on a quarterly basis. This includes restrictions on minimum liquidity, leverage ratio, Debt Service Cover Ratio ("DSCR") and Equity ratio, which are discussed in further detail below:

- Minimum Liquidity - must not fall below \$50.0 million;
- Minimum Market Value Clause ("MVC") - market value of the drilling rigs in aggregate shall be at least 125% of the outstanding debt amount up until Q1 2017 and 135% thereafter;
- Leverage Ratio - must not, at the end of each quarter, exceed a ratio of 5.0:1.0 until December 31, 2016 and thereafter a ratio of 4.5:1.0;
- DSCR - must not be less than 1.15x at the end of each quarter; and
- Equity Ratio - must not fall below 30% at the end of each quarter until Q1 2018 and thereafter must not fall below 35%.

During December 2015, SeaMex negotiated amendments to the bank covenants with its banking group. Key amendments were summarized below:

- Minimum liquidity covenant reduced from \$50m to \$20m for the period between December 24, 2015 to April 30, 2016; and
- A waiver of certain conditions relating to the MVC testing date at December 31, 2015, whereby it has been agreed that any shortfall amount as a result of the market valuation of the rigs as at that date will not become due until June 30, 2016. Therefore no prepayment of the loan is required as a result of the market value shortfall at year end (Based on December 2015 valuations, this amount is approximately \$51m).

During September 2016, SeaMex negotiated amendments to the bank covenants with its banking group. Key amendments were summarized below:

- The Equity ratio` is adjusted to remove the value adjustments element from the Equity Ratio calculation until June 30, 2017.
- The MVC is amended to remove the prepayment obligation required to remedy this covenant during this period. Instead, SeaMex would pledge any shortfall amount determined on the MVC testing dates in a retention account.

The Company is in compliance with all covenants as at December 31, 2016.

\$250 million seller's credit

During March 2015, Seadrill Limited provided the Company with a \$250 million Seller's credit facility as part of the settlement for the sale of assets to the Company. The Seller's credit is subordinated to the \$750 million senior secured credit facility above. For further details, please refer to Note 13 "Related Party Transactions".

\$45 million loan facility

In November 2016, the terms attached to the \$45.0 million funding from Seadrill were formalized, with an effective date of May 2015. The funding was provided on formation of the JV to fund short term working capital requirements. The loan facility is subordinated to the \$750 million senior secured credit facility above. For further details, please refer to Note 12 "Related Party Transactions".

SeaMex Limited
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\$20 million revolving credit facility

In January 2016, Seadrill made available a fully-subordinated unsecured credit facility of \$20 million which will expire at the anniversary of the first drawdown of this amount or a portion thereof. The facility is to be provided by both Seadrill and Fintech at a ratio of 50.0% each. The facility bore interest at a rate of LIBOR plus a margin of 6.5%. The facility was intended to be repayable once SeaMex had complied with certain conditions with regards to its lenders, however remained undrawn. This matured at the end of December 2016.

Note 10 – Other current liabilities

Other current liabilities comprised the following:

<i>(In \$ millions)</i>	December 31, 2016	December 31, 2015
Employee withheld taxes, social security and vacation payment	5.4	5.6
VAT	14.1	1.9
Withheld business taxes	13.9	4.7
Taxes payable	4.4	—
Accrued expenses	4.5	6.4
Other current liabilities	0.2	0.2
Total other current liabilities	42.5	18.8

Note 11 – Common shares

	December 31, 2016	December 31, 2015
<i>All shares are common shares of \$2.00 par value each</i>	\$	\$
Authorized share capital	1,000	1,000
Issued and fully paid share capital	1,000	1,000
Outstanding common shares in issue	1,000	1,000

All issued and fully paid share capital is split equally between Seadrill Limited and Fintech Investment Limited. This is disclosed as "Venturers' capital" in the Consolidated Balance Sheet.

Note 12 – Risk management and financial instruments

The Company is exposed to various market risks, including interest rate, foreign currency exchange and concentration of credit risks. The Company may enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Interest rate risk management

The Company has interest rate swap agreements to limit the interest rate risk exposure to the Company for its \$750 million senior secured credit facility. Please refer to Note 9 "Debt" for details of the credit facility. For details on the interest rate risk management please refer to the section below.

Interest rate swap agreements

The Company's exposure to interest rate risk relates to the \$750 million senior secured credit facility, \$250 million seller's credit, obtained to fund the initial rig acquisition from Seadrill and the \$45 million loan facility obtained for general working capital purposes from Seadrill. This exposure is managed through the use of interest rate swaps. The Company's objective is to minimize exposure to fluctuating interest rates by using interest rate swaps to obtain a fixed interest rate on a portion of its floating rate debt. The extent to which the Company utilizes interest rate swaps and other derivatives to manage its interest rate risk is determined by the net debt exposure. The borrower also has an obligation under the loan agreement to ensure that they maintain a hedge of at least 70% of their outstanding loans at all times.

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At December 31, 2016, the combined total fair value of the interest rate outstanding as at December 31, 2016 amounted to a gross and net asset of \$1.1 million (December 31, 2015: \$0.5 million). This is classified within other current assets in the Company's balance sheet as of December 31, 2016 and December 31, 2015. These agreements do not qualify for hedge accounting, and accordingly any changes in the fair values of the swap agreements are included in the consolidated statement of operations under "loss on derivative financial instruments".

<i>(In \$ millions)</i>	Year ended December 31, 2016	Period Ended December 31, 2015
Losses recognized in Consolidated Statement of Operations relating to financial instruments	\$'M	\$'M
Interest rate swap agreements not qualified as hedge accounting	(2.8)	(3.0)
Total losses recognized	(2.8)	(3.0)

The counterparties to the above agreements are reputable financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts, but this risk is considered remote as the counterparties are reputable financial institutions which have all provided loan finance to the Company and the interest rate swaps are related to those financing arrangements. ASC 820 requires counterparty credit risk to be included in the determination of the fair value of our interest rate swap portfolio, and any related changes in fair value as a result of changes in counterparty credit risk are recognized in the Consolidated Statements of Operations in the line item "Loss on derivative financial instruments". The calculation of the credit risk in the swap values is subject to a number of assumptions including an assumed Credit Default Swap rate based on our traded debt, plus a curve profile and recovery rate.

Foreign exchange risk management

The Company and all of its subsidiaries use the US dollar as their functional currency because the majority of their revenues and expenses are denominated in US dollars. The Company's reporting currency is also US dollars. The Company does, however, earn revenue and incur expenses in other currencies and there is thus a risk that currency fluctuations could have an adverse effect on the value of our cash flows.

The Company's foreign currency risk arises from:

- the measurement of monetary assets and liabilities denominated in foreign currencies converted to US Dollars, with the resulting gain or loss recorded as "Foreign exchange gain/(loss)"; and
- the impact of fluctuations in exchange rates on the reported amounts of the Company's revenues and expenses which are denominated in foreign currencies.

Although there are transactions completed by the Company in the functional currency of the operating entities, Mexican Peso, this does not amount to a sufficient foreign exchange exposure to warrant a foreign exchange hedging instrument. The Company does not use foreign currency forward contracts or other derivative instruments related to foreign currency exchange risk.

Credit risk

The Company has financial assets which expose the Company to credit risk arising from possible default by a counterparty. The Company considers the counterparties to be creditworthy and does not expect any significant loss to result from non-performance by such counterparties. The Company in the normal course of business does not demand collateral from its counterparties.

Concentration of Credit Risk

There is a concentration of credit risk with respect to revenue as the Company generates all its revenue from one customer. Ongoing credit evaluations of the Company's customer are performed and do not require collateral in the Company's business agreements. Reserves for potential credit losses are maintained when necessary.

There is a concentration of credit risk with respect to deposits with banks and financial institutions as the Company deposits most of its cash with

The Group has no significant concentration of credit risk towards any single financial institution and has policies that limit the amount of credit exposure to individual institutions.

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Fair values of financial instruments

The carrying value and estimated fair value of the Company's financial instruments were as follows:

	December 31, 2016		December 31, 2015	
(In \$ millions)	Fair value	Carrying value	Fair value	Carrying value
Cash and cash equivalents	81.3	81.3	24.8	24.8
Restricted cash	59.3	59.3	17.2	17.2
\$750m Senior Secured Credit Facility	557.4	557.4	640.7	640.7
Related party loans	295.0	295.0	250.0	250.0

US GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 input utilizes unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, other than quoted prices, such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The carrying value of cash and cash equivalents and restricted cash, which are highly liquid, is a reasonable estimate of fair value and categorized at level 1 on the fair value measurement hierarchy.

The fair value of the \$750 million senior secured credit facility is estimated to be equal to the carrying value since it bears variable interest rates, which are reset regularly, usually every one to six months. This debt is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance plus accrued interest. We have categorized this at level 2 on the fair value measurement hierarchy.

The fair value of the loans provided by Seadrill is estimated to be equal to the carrying value as the loans were entered into at market rates and bear a variable interest rate. The debt is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance. We have categorized this at level 2 on the fair value measurement hierarchy.

The fair values of interest rate swaps are calculated using well-established independent valuation techniques applied to contracted cash flows and LIBOR interest rates as of December 31, 2016 and December 31, 2015 and are categorized at level 1 on the fair value measurement hierarchy.

Note 13 – Related party transactions

The Company has entered into certain agreements with affiliates of Seadrill to provide certain management and administrative services, as well as technical and commercial management services.

Both Seadrill and Fintech, the JV Partners, have also provided financing arrangements as described within this note below.

Net (expense)/income with related parties consist of the following:

(In \$ millions)	December 31, 2016	Period from March 10, 2015 to December 31, 2015
Management and administrative fees to Seadrill Management Ltd. (a)	(7.0)	(6.8)
Management fee income from Seadrill Jack Up Operations De Mexico (a)	4.8	5.1
Interest expense on related party loans (b)	(23.3)	(5.3)

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(Payables)/receivables with related parties consist of the following:

(In \$ millions)	December 31, 2016	December 31, 2015
\$250.0 million Seller's credit (b)	(250.0)	(250.0)
\$45.0 million loan facility (b)	(45.0)	(45.0)
Short term other payables (c)	(17.8)	(33.0)
Long term other payables (c)	(52.8)	—
Other receivables (c)	2.2	0.4

(a) Management and administrative service agreements

In connection with the JV agreement, SeaMex, entered into a management support agreement with Seadrill Management Ltd, a wholly owned subsidiary of Seadrill Limited, pursuant to which Seadrill Management Ltd provides SeaMex certain management and administrative services. The services provided by Seadrill Management Ltd are charged at cost plus management fee to be agree upon from time to time by the parties and typically range between 4.85% to 8%. The Company may terminate the agreement by providing 60 days written notice to Seadrill Management Ltd.

Seadrill Jack Up Operations De Mexico S. de RL de CV, which is a 100% owned subsidiary of SeaMex and provides support services to the rigs acquired by the JV, continued to provide management services to Seadrill in respect of the rigs *West Pegasus*, *West Freedom* and *West Castor* and charge a fee which typically ranges from 4.85% to 8% plus costs incurred in connection with managing these rigs on its behalf.

These amounts are included in "General and administrative expenses" and "Other revenues" within the Consolidated Statement of Operations, respectively.

(b) Related party loan facilities and interest expense

\$250.0 million Seller's credit - In March 2015, SeaMex borrowed \$250.0 million as Seller's credit from Seadrill as part of the settlement of the purchase of assets from Seadrill. The Seller's credit is divided into two facilities, (a) a term loan facility for an amount up to \$230.0 million and (b) a revolving loan facility of up to \$20.0 million. Both facilities bear interest at a rate of LIBOR plus a margin of 6.50% and mature in December 2019. Interest on the Seller's credit is payable quarterly in arrears. In 2015 Seadrill agreed to forgive accrued interest of \$10 million against the Seller's credit in relation to the contract extension of the *West Pegasus* with Pemex. The loan facility is subordinated to the \$750 million senior secured credit facility discussed in Note 9 "Debt".

\$45.0 million loan facility - In November 2016, the terms attached to the \$45.0 million funding from Seadrill were formalized, with an effective date of May 2015. The funding was provided on formation of the JV to fund short term working capital requirements. The facility bears interest at a rate of LIBOR plus a margin of 6.5% payable quarterly in arrears. Interest of \$5.3 million from the effective date was recognized on formalization of the loan. The loan facility is subordinated to the \$750 million senior secured credit facility discussed in Note 9 "Debt". In the year ended December 31, 2015 this balance was classified within "Short-term amounts due to related parties" on the Consolidated Balance Sheet as there were no formal terms.

\$20 million revolving credit facility - In January 2016, Seadrill made available a fully-subordinated unsecured credit facility of \$20 million which will expire at the anniversary of the first drawdown of this amount or a portion thereof. The facility is to be provided by both Seadrill and Fintech at a ratio of 50.0% each. The facility bore interest at a rate of LIBOR plus a margin of 6.5%. The facility was intended to be repayable once SeaMex had complied with certain conditions with regards to its lenders, however remained undrawn. This matured at the end of December 2016.

\$162 million consideration receivable - In June 2015 the Company agreed to pay an amount of \$162 million to Seadrill in consideration for the acquisition of the *West Titania*. This amount was paid in full during July 2015.

(c) Receivables and Payables – Receivables and payables with the JV Partners are comprised of management fees, advisory and administrative services, and other items including accrued interest and deferred revenue. Any trading balances with Seadrill are unsecured and are intended to be settled in the ordinary course of business.

(d) Capital contributions - There were no capital contributions received in the year ended December 31, 2016. In the period ended December 31, 2015, both the JV Partners each made an additional \$19 million of equity investment in the Company whilst retaining their 50% share in the JV.

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(e) *Guarantees* - During the latter part of 2015, the Company experienced issues regarding the delayed payment of invoices by its sole customer. The customer did not dispute the invoices and was not believed to have any liquidity concerns. The amounts were therefore deemed fully recoverable. However, in order to ease the resulting cash flow impact on the JV, Seadrill and Fintech, its Joint Venture Partners, agreed to provide certain support to the JV. Simultaneously, the JV's lenders provided a short term amendment to its bank facilities to provide some additional flexibility. All amounts outstanding at December 31, 2015 were fully recovered from the customer in 2016.

Seadrill and Fintech provided a Joint and Several guarantee for potential prepayment deficits that the JV might face under its loan agreements. The total guarantee for potential prepayment deficits as of December 31, 2015 was approximately \$51.0 million. This guarantee was released in September 2016 as part of the Company's recent amendment to the \$750m senior secured credit facility. Refer to Note 9 for further details of these amendments.

Seadrill provided performance guarantees for the JV's drilling units, up to a total of \$30.0 million as at December 31, 2016 (December 31, 2015: \$30.0 million).

Note 14 – Commitments and contingencies

Legal Proceedings

From time to time we are a party, as plaintiff or defendant, to lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the construction or operation of our drilling units, in the ordinary course of business or in connection with our acquisition or disposal activities. We believe that the resolution of such claims will not have a material impact individually or in the aggregate on our operations or financial condition. Our best estimate of the outcome of the various disputes has been reflected in our Consolidated Financial Statements as at December 31, 2016.

Operating Lease Commitments

The Company has operating leases relating to premises, the most significant being its offices in Ciudad del Carmen, Mexico. In the year ended December 31, 2016 and period ended December 31, 2015 rental expenses amounted to \$0.9 million and \$0.9 million respectively. Future minimum rental payments are as follows:

(In \$ millions)

Year ended December 31, 2017	0.9
Year ended December 31, 2018	0.7
Year ended December 31, 2019	0.7
Year ended December 31, 2020	0.1
Year ended December 31, 2021	—
Year ended December 31, 2022 and thereafter	—
Total	2.4

Note 15 – Subsequent Events

The Company has evaluated subsequent events after the balance sheet date through the date the Consolidated Financial Statements became approved. There have been no significant subsequent events not described herein.