

AMENDING

Registered Number: 08749430

SEADRILL MEXICO UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



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 2nd 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 2017. 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\$350,207 (2016: US\$1,388,920).

The Directors do not recommend the payment of a dividend.

Current Developments

The Company consolidated into the Seamex Group, a joint venture of Fintech Limited and Seadrill Limited (hereafter referred to as "Seadrill"), and as such the Company's going concern assumption is linked to the future of Seadrill. Seadrill 2017 consolidated financial statements, which were filed on 25 April 2018, have been prepared on a going concern basis and contemplate realization of assets and satisfaction of liabilities in the normal course of business, but disclose substantial doubt regarding Seadrill's ability to continue as a going concern.

On 12 September 2017, under a pre-arranged deal with the backing of a large majority of the creditors, Seadrill filed for Chapter 11 proceedings under the U.S. Bankruptcy Code. On 2 July 2018 Seadrill announced that it had emerged from Chapter 11 after successfully completing its reorganization pursuant to its Chapter 11 plan of reorganization (the "Plan"). All conditions precedent to the restructuring contemplated by the Plan being satisfied or otherwise waived.

The Plan has re-profiled Seadrill's debt and provided substantial liquidity. After implementing the plan Seadrill's balance sheet shows total cash of c.\$2.1 billion, secured bank debt of c.\$5.7 billion with the first maturity in 2022 and new Secured Notes of c.\$880 million maturing in 2025.

Given the successful implementation of the Plan, the Board is now of the opinion substantial doubt regarding Seadrill's or the Company's ability to continue as a going concern no longer exists.

Statement as to disclosure of information to auditors

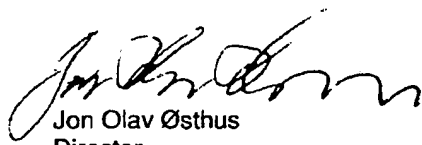
Each person who is a Director at the time when this report is approved has confirmed that:

- (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

28th 2018

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****Opinion**

We have audited the financial statements of Seadrill Mexico UK Ltd (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Seadrill Mexico UK Ltd**Independent Auditor's Report to the Members of Seadrill Mexico UK Ltd (continued)****Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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 strategic report or 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

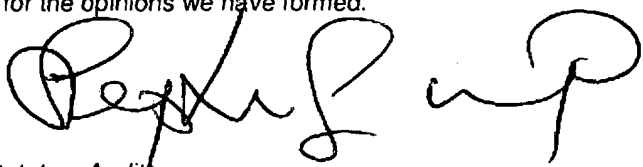
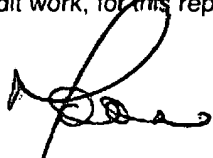
Seadrill Mexico UK Ltd**Independent Auditor's Report to the Members of Seadrill Mexico UK Ltd (continued)****Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.



Geoff Woodhouse, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

28 IX 2018

Seadrill Mexico UK Ltd

Statement of Comprehensive Income
For the year ended 31 December 2017

	<u>Note</u>	<u>2017</u> <u>US\$</u>	<u>2016</u> <u>US\$</u>
Administrative expenses		<u>(36,185)</u>	<u>43,781</u>
Operating (Loss)/Profit	3	(36,185)	43,781
Interest receivable and similar income	4	11,591,772	8,868,466
Interest payable	4	<u>(11,905,794)</u>	<u>(10,301,167)</u>
Loss before Taxation		(350,207)	(1,388,920)
Taxation	5	<u>-</u>	<u>-</u>
Total comprehensive expense for the year		<u>(350,207)</u>	<u>(1,388,920)</u>

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

The notes on pages 11 to 16 form part of these financial statements.

Seadrill Mexico UK Ltd

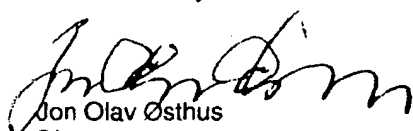
Statement of Financial Position as at 31 December 2017

	Note	US\$	2017 US\$	US\$	2016 US\$	US\$
Fixed Assets						
Investments	6		125,002,000		125,002,000	
Loan receivable	7		255,440,000		255,440,000	
Current Assets						
Other receivables	7	68,970,185		152,533,467		
Cash and cash equivalents	8	139,030,717		121,468,146		
		208,000,902		274,001,613		
Payables, amounts falling due within one year	9	(165,112,293)		(230,562,797)		
Net Current Assets			42,888,609		43,438,816	
Total Assets Less Current Liabilities			423,330,609		423,880,816	
Payables, amounts falling due in greater than one year	9		(300,765,000)		(300,965,000)	
Net Assets			122,565,609		122,915,816	
Capital and Reserves						
Share capital	10		3,163		3,163	
Share Premium	11		124,998,456		124,998,456	
Accumulated deficit			(2,436,010)		(2,085,803)	
Total Capital and Reserves			122,565,609		122,915,816	

The notes on pages 11 to 16 form part of these financial statements.

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 *Sept. 28, 2018*


Jon Olav Østhus
Director

Seadrill Mexico UK Ltd

Statement of Changes in Equity
For the year ended 31 December 2017

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
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
Total comprehensive expense for the year	-	-	(350,207)	(350,207)
Balance at 31 December 2017	3,163	124,998,456	(2,436,010)	122,565,609

The notes on pages 11 to 16 form part of these financial statements.

Seadrill Mexico UK Ltd

Notes to the Financial Statements for the year ended 31 December 2017

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 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 has 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 the effective interest method.

Seadrill Mexico UK Ltd

Notes to the Financial Statements for the year ended 31 December 2017

2. Summary of Significant Accounting Policies (continued)

(f) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into 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)/Profit

The operating (loss)/profit is stated after charging:

	<u>2017</u> US\$	<u>2016</u> US\$
Auditors' remuneration (audit services)	14,760	14,760
Auditors' remuneration (other services)	<u>-</u>	<u>1,965</u>

Seadrill Mexico UK Ltd

Notes to the Financial Statements for the year ended 31 December 2017

4. Interest Income and Expense

Interest Income consists of:

	Year ended <u>2017</u> US\$	Year ended <u>2016</u> US\$
Interest receivable on bank deposits	1,873,636	456,293
Interest receivable from fellow subsidiaries	9,718,136	8,412,173
	<u>11,591,772</u>	<u>8,868,466</u>

Interest relating to the cash pool 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>2017</u> US\$	Year ended <u>2016</u> US\$
Interest payable to parent	<u>11,905,794</u>	<u>10,301,167</u>

5. Taxation

The Company is subject to taxation in the UK at a standard rate of 19.25% (2016: 20%).

Factors affecting tax charge for the period:

	Year ended <u>2017</u> US\$	Year ended <u>2016</u> US\$
Loss on ordinary activities before taxation	<u>(350,207)</u>	<u>(1,388,920)</u>
Loss on ordinary activities at 19.25% (2016: 20%)	(67,415)	(277,784)
Losses carried forward	<u>67,415</u>	<u>277,784</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

A deferred tax asset of \$413,737 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 for the year ended 31 December 2017

6. Investments

	<u>2017</u> US\$	<u>2016</u> US\$
Cost		
At 1 January	125,002,000	125,002,000
Additions		
At 31 December	<u>125,002,000</u>	<u>125,002,000</u>

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
SeaMex Holding BV	Netherlands	Ordinary	100%
Seadrill Leasing BV	Netherlands	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>2017</u> US\$	<u>2016</u> US\$
Amounts receivable within one year:		
Amounts due from subsidiaries	46,924,697	31,761,712
Amounts due from fellow subsidiaries	<u>22,045,488</u>	<u>120,771,755</u>
	<u>68,970,185</u>	<u>152,533,467</u>

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

	<u>2017</u> US\$	<u>2016</u> US\$
Amounts receivable in greater than one year:		
Amounts due from fellow subsidiaries	<u>255,440,000</u>	<u>255,440,000</u>

The above amounts due from fellow group companies 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 for the year ended 31 December 2017

8. Cash and Cash Equivalents

	<u>2017</u> US\$	<u>2016</u> US\$
Cash at bank	89,030,717	62,197,313
Restricted short term cash	50,000,000	59,270,833
	<u>139,030,717</u>	<u>121,468,146</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>2017</u> US\$	<u>2016</u> US\$
Amounts payable within one year:		
Amounts due to the parent company	21,394,217	11,969,584
Amounts due to subsidiaries	125,492,132	215,568,828
Amounts due to fellow subsidiaries	12,837,027	-
Trade payables	268	-
Other payables	5,371,153	2,989,993
Accrued expenses	17,496	34,392
	<u>165,112,293</u>	<u>230,562,797</u>

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

	<u>2017</u> US\$	<u>2016</u> US\$
Amounts payable in greater than one year:		
Amounts due to the parent company	<u>300,765,000</u>	<u>300,965,000</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>2017</u> US\$	<u>2016</u> US\$
Authorised, allotted, called up and fully paid 2,000 ordinary shares of £1 each (2016: 2,000)	<u>3,163</u>	<u>3,163</u>

11. Share Premium

	<u>2017</u> US\$	<u>2016</u> US\$
At 31 December	<u>124,998,456</u>	<u>124,998,456</u>

Seadrill Mexico UK Ltd

Notes to the Financial Statements for the year ended 31 December 2017

12. Related Parties

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.

The balances with related parties have been disclosed in notes 7 and 9.

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 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.

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 2017, 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 2017, 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.