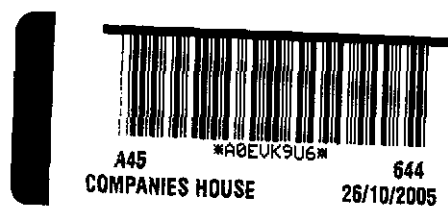


ENSCO U.K. Limited

**Directors' report and financial
statements**

Registered number 4550389

31 December 2004



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Directors and officers

Directors Steven Joseph Brady
 Peter Michael Lazzari
 Ian William Leslie Wilson

Secretary Ian William Leslie Wilson

Auditors KPMG LLP
 37 Albyn Place
 Aberdeen
 AB10 1JB

Solicitors Baker & McKenzie
 100 New Bridge Street
 London
 EC4V 6JA

Registered office 100 New Bridge Street
 London
 EC4V 6JA

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activity

The principal activity of the company is to own and lease drilling rigs to companies engaged in providing drilling services to the offshore oil and gas industry.

Business review

The trend in deteriorating market conditions experienced in 2003 continued through much of 2004 although increased rig utilisation was experienced during 2004 and day rate increases were experienced in the latter part of the year. The current status reflects significant improvement with market conditions contributing to improved financial performance. The North Sea continues to be a protected market in that only the most capable drilling units are certified to work in the Region.

Proposed dividends and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year to be transferred to reserves is \$7,093,000 (2003: \$10,728,000).

Directors and directors' interests

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

Steven J Brady

Ian WL Wilson

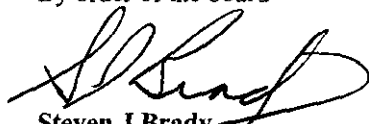
Peter M Lazzari (resigned 1 July 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group companies according to the register of directors' interests.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Steven J Brady
Director

100 New Bridge Street
London
EC44 6JA
20 October 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the company's affairs and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

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

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The director is responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year ended 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

20 October 2005

Profit and loss account
for the year ended 31 December 2004

	Note	Year to 31 December 2004 \$000	1 October 2002 to 31 December 2003 \$000
Turnover	2	28,356	36,907
Cost of sales		(18,013)	(21,740)
Gross profit		10,343	15,167
Administrative income (expenses)		31	(66)
Other operating income		247	224
Operating profit being profit on ordinary activities before taxation	3-5	10,621	15,325
Tax on profit on ordinary activities	6	(3,528)	(4,597)
Profit for the financial period being retained profit for the period	12	7,093	10,728

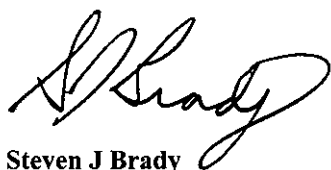
All of the above amounts relate to continuing operations.

The company had no recognised gains or losses other than the profits for the financial periods reported above.

Balance sheet
at 31 December 2004

	Note	2004	2003
		\$000	\$000
Fixed assets			
Tangible assets	7	38,477	37,983
Current assets			
Debtors	8	29,668	29,299
Creditors: amounts falling due within one year	9	(46,800)	(54,873)
Net current liabilities		(17,132)	(25,574)
Provisions for liabilities and charges	10	(3,522)	(1,679)
Net assets		17,823	10,730
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	17,821	10,728
Equity shareholders' funds	13	17,823	10,730

These financial statements were approved by the board of directors on 20 October 2005 and were signed on its behalf by:



Steven J Brady
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements.

As the company is a 100% owned subsidiary of ENSCO International Incorporated, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of ENSCO International Incorporated, within which this company is included, can be obtained from the address given in note 15.

The functional currency of the company is United States Dollars. The dollar is the prevalent currency used within the oil industry and the company has a significant level of dollar assets and financing. The financial statements are therefore presented in US dollars.

Fixed assets and depreciation

Tangible fixed assets are included at their original historic cost, net of depreciation and any provision for impairment. Subsequent offshore drilling rig improvement costs are capitalised as additions to the rig and amortised over the shorter of the estimated economic life of the related improvement costs or remaining life of the rig.

Depreciation is provided on all tangible fixed assets at rates calculated to write the cost of each asset down to an estimated residual value evenly over its expected useful life as follows:

Offshore drilling rigs	6 ² / ₃ %
Other plant and equipment	6 ² / ₃ %

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All exchange differences arising on translation are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Analysis of turnover

Turnover is stated net of value added tax and represents the amounts derived from the provision of services to customers. It is analysed by geographical destination as follows:

	Year to 31 December 2004 \$000	1 October 2002 to 31 December 2003 \$000
United Kingdom	9,856	8,511
Europe, excluding United Kingdom	2,728	8,172
Rest of world	15,772	20,224
	<hr/> 28,356 <hr/>	<hr/> 36,907 <hr/>

All of the company's turnover is derived from its principal activity.

3 Profit on ordinary activities before taxation

	Year to 31 December 2004 \$000	1 October 2002 to 31 December 2003 \$000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation written off tangible fixed assets: owned	2,599	1,903
Exchange losses	-	64
Auditors' remuneration: audit	-	6
<i>after crediting</i>		
Exchange gains	20	-
Profit on sale of tangible fixed assets	5	9
	<hr/> 20 <hr/>	<hr/> 9 <hr/>

The company's audit fee in 2004 was borne on its behalf by a fellow group undertaking.

4 Remuneration of directors

None of the directors received any remuneration from the company during the year nor during the previous financial period.

5 Staff numbers and costs

The company had no employees during the year nor during the previous financial period.

Notes (continued)

6 Taxation

Analysis of charge in year

	Year to 31 December 2004 \$000	\$000	1 October 2002 to 31 December 2003 \$000	\$000
<i>UK corporation tax</i>				
Current tax on income for the period	156		1,886	
Adjustment in respect of prior period	288		-	
		444		1,886
<i>Foreign tax</i>				
Current tax on income for the period	1,187		1,032	
Adjustment in respect of prior period	54		-	
		1,241		1,032
Total current tax		1,685		2,918
<i>Deferred tax</i>				
Origination of timing differences		1,843		1,679
Tax on profit on ordinary activities		3,528		4,597

The adjustments to UK corporation tax and foreign tax in respect of the prior period include exchange movements arising on prior year tax liabilities denominated in currencies other than US dollars.

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	\$000	\$000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	10,621	15,325
Current tax at 30%	3,186	4,597
<i>Effects of:</i>		
Difference between depreciation and capital allowances for the period	(1,843)	(1,679)
Adjustment in respect of prior period: UK corporation tax	288	-
Adjustment in respect of prior period: Foreign tax	54	-
Total current tax charge (see above)	1,685	2,918

Notes (continued)

7 Tangible fixed assets

	Offshore drilling rigs \$000	Assets in course of constru- ction \$000	Other plant and equipment \$000	Total \$000
<i>Cost</i>				
At beginning of year	37,619	132	2,135	39,886
Additions	-	3,169	-	3,169
Reclassifications	535	(2,784)	2,249	-
Disposals	(285)	-	-	(285)
At end of year	37,869	517	4,384	42,770
<i>Depreciation</i>				
At beginning of year	1,809	-	94	1,903
Charge for year	2,425	-	174	2,599
Disposals	(209)	-	-	(209)
Reclassifications	90	-	(90)	-
At end of year	4,115	-	178	4,293
<i>Net book value</i>				
At 31 December 2004	33,754	517	4,206	38,477
At 31 December 2003	35,810	132	2,041	37,983

8 Debtors

	2004 \$000	2003 \$000
Amounts owed by parent company	28,117	-
Amounts owed by fellow subsidiary undertakings	1,551	29,299
	29,668	29,299

9 Creditors: amounts falling due within one year

	2004 \$000	2003 \$000
Amounts owed to parent undertakings	102	13,443
Amounts owed to fellow subsidiary undertakings	44,488	37,904
Corporation tax	2,053	2,918
Accruals and deferred income	157	608
	46,800	54,873

Notes (continued)

10 Provisions for liabilities and charges

	Deferred taxation \$000
At beginning of year	1,679
Charge to profit and loss account	1,843
	<hr/>
At end of year	3,522
	<hr/>

The deferred tax liability at the period end is calculated at 30% and wholly relates to accelerated capital allowances.

11 Called up share capital

	2004 \$000	2003 \$000
<i>Authorised, allotted, called up</i>		
Equity: 1,000 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

12 Profit and loss account

	2004 \$000	2003 \$000
At beginning of period	10,728	-
Profit for the financial period	7,093	10,728
	<hr/>	<hr/>
At end of year	17,821	10,728
	<hr/>	<hr/>

13 Reconciliation of movements in shareholders' funds

	2004 \$000	2003 \$000
Profit for the financial year	7,093	10,728
New share capital subscribed	-	2
	<hr/>	<hr/>
Net addition to shareholders' funds	7,093	10,730
Opening shareholders' funds	10,730	-
	<hr/>	<hr/>
Closing shareholders' funds	17,823	10,730
	<hr/>	<hr/>

14 Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2004 \$000	2003 \$000
Contracted	100	-
	<hr/>	<hr/>

Notes *(continued)*

15 Ultimate parent company

The company's immediate parent company is ENSCO Offshore International Company, a company registered in the Cayman Islands. Its ultimate parent company, which is its ultimate controlling party, is ENSCO International Inc. incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by ENSCO International Inc. The consolidated accounts of this company are available to the public and may be obtained from ENSCO International Incorporated, Investors Relations Dept, 500 North Akard Street, Suite 4300, Dallas, Texas 75201-3331.

The smallest group in which the results of the company are consolidated is that headed by ENSCO Offshore International Company. The consolidated accounts of this company are not available to the public.