ENSCO U.K. Limited

Directors' report and financial statements

Registered number 4550389

31 December 2012

Contents

Directors and officers

Directors	Paul Mark Walker Julian Richard Hall Derek Andrew Sangster
Secretary	Paul Mark Walker
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 directors' report and financial statements for the year ended 31 December 2012

Principal activity
The principal activity of the company is the leasing of drilling rigs to other fellow subsidiaries of Ensco plc that provide drilling services to the offshore oil and gas industry

Business review
ENSCO U K Limited ("the Company") is currently actively involved in the lease of three drilling rigs and continues to seek further worldwide leasing opportunities Of the three rigs only one relates to an ongoing hire agreement, the two other charter hires were completed during January and February 2013

On 1 May 2012, the Company's immediate parent company, Ensco Overseas Limited, transferred two drilling rigs valued $1,271,000,000 to the Company in consideration for the issue of one £1 ordinary share issued at a premium of $1,270,999,999

The Company then sold the two drilling rigs acquired to a fellow Ensco plc group company, Ensco Worldwide Investments Limited, at no gain/loss This transaction resulted in an intercompany promissory note of $1,271,000,000 due to the Company from Ensco Worldwide Investments Limited Interest will be payable on the unpaid principal balance at 3 8% and is paid semi-annually in arrears on 30 June and 31 December The entire principal balance is due and payable on 1 May 2022

The Company does not currently own drilling rigs and must lease rigs from a related party which are then leased to the related party performing the contract on a cost plus basis so the related party rig owner, related party performing the third party drilling contract or the third party customer bears all the risks and costs associated with the drilling of wells Demand for drilling rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies, which is beyond the Company's control

The markets for the Company's contract drilling services are cyclical Offshore exploration and development spending may fluctuate substantially from year to year Such spending fluctuations result from many factors, including

- demand for oil and natural gas,
- regional and global economic conditions and changes therein,
- political, social and legislative environments in major oil and natural gas producing countries,
- production and inventory levels and related activities of the Organization of Petroleum Exporting Countries ("OPEC") and other oil and natural gas producers,
- technological advancements that impact the methods or cost of oil and natural gas exploration and development,
- disruption to exploration and development activities due to hurricanes and other severe weather conditions and the risk thereof, and
- the impact that these and other events, whether caused by economic conditions, international or national climate change regulations or other factors, may have on the current and expected future prices of oil and natural gas

Dividends
No dividends have been paid or proposed in respect of the year ended 31 December 2012 *(2011 $nil)* The profit for the year to be transferred to reserves is $33,918,000 *(2011 $1,271,000)*

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

Paul Mark Walker	
Julian Richard Hall	(Appointed 3 June 2013)
Steven Joseph Brady	(Resigned 3 June 2013)
Herman Elmo Malone, Jr	(Resigned 6 August 2013)
Derek Andrew Sangster	(Appointed 6 August 2013)

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Paul Mark Walker
Company Secretary
26 September 2013

100 New Bridge Street
London
EC4V 6JA

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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

KPMG

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

We have audited the financial statements of ENSCO U K Limited for the year ended 31 December 2012 set out on pages 6 to 12 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/apb/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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

David Day

David Derbyshire (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom
27 September 2013

Profit and loss account
for the year ended 31 December 2012

	Note	2012 $000	2011 $000
Turnover	*2*	**145,747**	63,946
Cost of sales		**(144,026)**	(62,668)
Gross profit		**1,721**	1,278
Administrative income		**(2)**	1
Operating profit	*3-5*	**1,719**	1,279
Interest receivable and similar income	*6*	**32,199**	-
Profit on ordinary activities before taxation		**33,918**	1,279
Tax on profit on ordinary activities	*7*	**-**	(8)
Profit for the financial year	*11*	**33,918**	1,271

All of the above amounts relate to continuing operations

The Company had no recognised gains or losses other than the profits for the financial years reported above

Movement in reserves is set out in note 11

The accompanying notes on pages 8 to 12 form an integral part of these financial statements

Balance sheet
at 31 December 2012

	Note	2012 $000	2012 $000	2011 $000	2011 $000
Current assets					
Debtors (including $1,271,000,000 *(2011 $nil)* due after more than one year)	*8*	**1,628,241**		89,969	
Creditors: amounts falling due within one year	*9*	**(314,236)**		(80,882)	
Net current assets			**1,314,005**		9,087
Total assets less current liabilities			**1,314,005**		9,087
Net assets			**1,314,005**		9,087
Capital and reserves					
Called up share capital	*10*		**2**		2
Share premium account	*11*		**1,271,000**		-
Profit and loss account	*11*		**43,003**		9,085
Shareholder's funds	*12*		**1,314,005**		9,087

The accompanying notes on pages 8 to 12 form an integral part of these financial statements

These financial statements were approved by the board of directors on 26 September 2013 and were signed on its behalf by

Paul Mark Walker
Director

Notes

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 UK Accounting Standards (UK Generally Accepted Accounting Practice) and under the historical cost accounting rules

The Company has taken advantage of the exemption from the requirement to prepare a cash flow statement in accordance with FRS 1 "Cash Flow Statements," as it was a wholly owned subsidiary undertaking of Ensco plc throughout the year and its cash flows are included within the consolidated cash flow statement of that company

As the Company is a wholly owned subsidiary of Ensco plc, 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 plc, within which this company is included, can be obtained from the address given in note 14

The functional currency of the Company is the United States Dollar (Dollar) The Dollar is the prevalent currency used within the oil industry and the Company has a significant level of Dollar denominated assets and financing The financial statements are therefore presented in the Dollar

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2 After making enquiries, the directors have a reasonable expectation that the Company, as part of the Ensco plc group, has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Foreign currencies

Transactions in foreign currencies are recorded using the rates of exchange at the date of the transactions Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date All exchange differences arising on translation and settlement of the transactions are recorded in 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

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of an issuance are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholder's funds are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Turnover

Turnover represents the amounts derived from the provision of drilling rig services to a fellow subsidiary Turnover is recognised on an accruals basis on delivery of the related services Turnover is recorded at the fair value of consideration receivable, net of Value Added Tax

2 Analysis of turnover

Turnover is analysed by geographical destination as follows

	2012	2011
	$000	$000
Rest of world – Middle East	**145,747**	63,946

All of the Company's turnover and the profit before taxation are derived from its principal activity In the view of the directors, the Company has only one class of business

3 Notes to the profit and loss account

	2012	2011
Profit on ordinary activities before taxation is stated after charging/(crediting)	**$000**	$000
Bareboat charter hire cost	**144,026**	62,668
Exchange gain	**-**	(11)
Auditor's remuneration		
Audit of these financial statements	**16**	16

4 Remuneration of directors

None of the directors received any remuneration from the Company during the year *(2011 $nil)*

5 Staff numbers and costs

The Company had no employees during the year *(2011 none)*

6 Interest receivable and similar income

	2012	2011
	$000	$000
Income from loans to fellow group companies	**32,199**	-

On 1 May 2012, the Company sold two drilling rigs acquired from the Company's immediate parent company Ensco Overseas Limited ("EOL") to a fellow Ensco plc group company, Ensco Worldwide Investments Limited ("EWIL"), at no gain/loss This transaction resulted in an intercompany promissory note of $1,271,000,000 due to the Company from EWIL

Interest will be payable on the unpaid principal balance at 3 8% and is paid semi-annually in arrears on 30 June and 31 December The entire principal balance is due and payable on 1 May 2022

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2012 $000	2012 $000	2011 $000	2011 $000
UK Corporation Tax				
Foreign income tax	-		8	
		-		8
Tax on profit on ordinary activities		-		8

Factors affecting the tax charge for the current year

The rate of Corporation Tax in the UK was reduced from 26% to 24% effective 1 April 2012 The composite rate applied during the year is 24 5% The current tax charge for the year is lower *(2011 lower)* than the standard rate of Corporation Tax in the UK 24 5% *(2011 26 5%)* The differences are explained below

	2012 $000	2011 $000
Current tax reconciliation		
Profit on ordinary activities before tax	**33,918**	1,279
Current tax at 24 5% *(2011 26 5%)*	**8,310**	339
Effects of		
Group relief surrendered for nil consideration	**(8,310)**	(339)
Foreign income tax	-	8
Total current tax charge	-	8

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012, respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce the group's future current tax charge accordingly

Notes *(continued)*

8 Debtors

	2012 $000	2011 $000
Amounts due from parent undertakings	265,901	-
Amounts due from fellow subsidiary undertakings	1,362,340	89,969
	1,628,241	89,969

Amounts due from fellow subsidiary undertakings includes a promissory note amounting to $1,271,000,000 due after more than one year *(2011 $nil)* (see note 6) Interest is payable on the unpaid principal balance at 3 8% and is paid semi-annually in arrears on 30 June and 31 December The entire principal balance is due and payable on 1 May 2022

9 Creditors: amounts falling due within one year

	2012 $000	2011 $000
Amounts due to parent undertakings	-	12,060
Amounts due to fellow subsidiary undertakings	314,236	68,822
	314,236	80,882

10 Called up share capital

	2012 $000	2011 $000
Allotted and called up		
1,001 ordinary shares of £1 each	2	2

On 1 May 2012, the Company's immediate parent company Ensco Overseas Limited ("EOL"), transferred two drilling rigs valued at $1,271,000,000 to the Company in consideration for the issue of one £1 ordinary share issued at a premium of $1,270,999,999

11 Reserves

	Share premium $000	Profit and loss account $000
At beginning of year	-	9,085
Profit for the financial year	-	33,918
Premium on shares issued (note 10)	1,271,000	-
At end of year	1,271,000	43,003

Notes *(continued)*

12 Reconciliation of movements in shareholder's funds

	2012 $000	2011 $000
Profit for the financial year being net addition to shareholder's funds	**33,918**	1,271
Shares issued during year (note 10)	**1,271,000**	-
Opening shareholder's funds	**9,087**	7,816
Closing shareholder's funds	**1,314,005**	9,087

13 Commitments

The Company had no capital commitments at 31 December 2012 *(2011 $nil)*

The Company does not currently own drilling rigs and leases rigs from a related party which are then leased to the related party performing the contract The lease term of the hire directly relates to the drilling contract term awarded to the related party There is no fixed contract term and the contract can be terminated with no notice

14 Ultimate parent company

At the year end the Company's immediate parent company was ENSCO Overseas Limited, a company registered in the Cayman Islands The Company's ultimate parent company is Ensco plc, incorporated in the United Kingdom

The largest group in which the results of the Company are consolidated is that headed by Ensco plc The consolidated financial statements of Ensco plc are available to the public and may be obtained from Ensco, Investor Relations Department, Suite 3300, 5847 San Felipe, Houston, Texas 77057

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