S.D. Standard Drilling Plc
Annual Report and Separate Financial Statements 2013

STANDARD DRILLING

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Martin Nes (Chairman) – appointed on 22 August 2013
Gunnar Hvammen (Non-Executive Director)
George Crystallis (Independent Director)
Amit Gupta (Non-Executive Director) – removed on 27 June 2013
Robert Petty (Non-Executive Director) – removed on 22 August 2012
Øystein Stray Spetalen (Non-Executive Director) – removed on 22 August 2012
Stephen Marzo (Independent Director) – removed on 22 August 2012
Demetris Aletraris (Non-Executive Director) – removed on 22 August 2012
Glen Ole Rodland - appointed on 27 June 2013
- resigned on 22 August 2013

Chief Financial Officer

Geir Johansen – resigned on 1 August 2013
Espen Lundaas – appointed on 1 September 2013

General Manager

Evangelia Panagides

Company Secretary

CQS Secretarial Limited
213 Arch. Makarios Avenue
Maximos Plaza, Tower 1
3030 Limassol
Cyprus

Registered office

213 Arch. Makarios Avenue,
Maximos Plaza, Tower 1, 3rd floor
3030 Limassol
Cyprus

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the financial statements of S.D. Standard Drilling Plc ("the Company"), for the year ended 31 December 2013 we confirm that, to the best of our knowledge :

a) The financial statements of the Company for the year ended 31 December 2013 which are presented on pages 8 to 33.

   (i) were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union in accordance with provisions of Article 9,section 4 of the Law, and
   (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of S.D. Standard Drilling Plc, and the business that are included in the financial statements as a total, and

b) the Directors' report provides a fair review of the developments and the performance of the business as well as the financial position of S.D. Standard Drilling Plc, together with a description of the principal risks and uncertainties that they facing.

Limassol, 25 April 2014

Martin Nes
Chairman

Gunnar Hvammen
Non-Executive
Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of S.D Standard Drilling Plc. ("SDSD" or the "Company") for the year ended 31 December 2013.

HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated as a private limited liability company under the laws of Cyprus with the name of S.D. Standard Drilling Limited on 2 December 2010. The Company was converted into a public limited liability company on 23 December 2010 and the Company's name was changed to S.D. Standard Drilling Plc. The Company has conducted two Private Placements: the first in December 2010 raised USD 42 million and second in May 2011 raised USD 330 million. Standard Drilling trades on the Oslo Axess exchange under the ticker SDSD.

BUSINESS STRATEGY

The Company was established for the purpose of building a premium oilfield services company through superior assets, systems and people.

The fleet expansion since 2010 and 2011 was predicated on capitalizing on the strong market opportunity and demand for premium jack-up rigs due to an aging worldwide rig fleet requiring replacement and new technologies and equipment features desirable in the current regulatory environment.

In order to protect and maximize shareholder values, the Board of Directors regularly reviewed the Company's business strategy to take into account the existing and forecast business environment. In 2012 the world economy took a turn for the worse, and in particular the deteriorating economic and financial environment in Europe, was of major concern to the Board of Directors. As a consequence and as a result of opportunities that became concurrently available in the market, the Board of Directors decided to sell several of the Group's new build contracts. This had the benefits of recognizing significant gains relative to the contracted cost associated with the new build rig contracts, but also provided the Group with the ability to reduce the residual financial costs associated with the rig new build contracts. As a result this strategy allowed the Group to reduce its overall exposure to the availability of cost competitive financing in the financial markets and lessen any impact to the Company's share price and equity position. The last rig contract was sold in May 2013.

Going forward, the Board of Directors maintains a policy of continuing to monitor market conditions while seeking to possess maximum flexibility with respect to the future of the Company.

The Company has a robust financial position and cash availability. The Board of Directors believes that the company is in a good position to take advantage of any investment opportunity that may appear. This includes, but is not limited to, asset play, investment directly in other companies as well as enter into contract with yards. The main drivers are maximizing the return and minimizing the risk.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

The Company and the entities controlled by the Company, hereafter refer as the "Group", achieved a number of important milestones during 2013:

- During the year the Group sold the last three out of total seven rigs. Agreement to sell rig B337 was signed in November 2012 and together with rigs B338 and B340 the financial and legal closing took place in 2013. The net proceeds from these sales were USD 347.4 million while net gain was USD 74.7 million.
- All rigs delivered under the rig contracts have been delivered on time..
- The Group has adapted the management to scope of the business by which it operates. As a result the management of the Group has been reduced to a total of three persons.

RIG NEW BUILD CONTRACT

As of 31 December 2013 the Group does not have any new build contracts in its portfolio.

SECTOR OUTLOOK

We see the following key themes in the sector:

- Still robust outlook in the oil services sector
- Supply demand dynamics are strong in the jack-up segment with the premium market running close to full utilization;
- Significant need for fleet renewal given the aging fleet of existing jack-ups; and
- New, high specification jack-up rigs are for most wells substantially more efficient than older rigs and have greater technical capabilities.

FINANCIAL RESULTS

The Company's results for the year are set out on page 8. The Company's profit after tax for the year ended 31 December 2013 which is attributable to the equity holders was USD 95,6 million compared to a net profit of USD 5,2 million for the year ended 31 December 2012. The total assets of the Company for 2013 were USD 70.9 million and the net assets were USD 70.8 million, compared to USD 402 million and USD 363.3 million respectively in 2012. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal Risks and Uncertainties

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the offshore rig industry. The Company is also exposed to other financial risks as disclosed in Note 3 of the consolidated financial statements.

The Company has in place systems and procedures to maintain its status in the market and to stay alert to changes in the market place in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help mitigate financial and operational risks.

Future Developments of the Group

Having sold all initial rig building contracts and having a robust financial position and cash availability, the strategy of the Company has changed from building up to become an operator of rigs, to being an investment company within the oil and gas service sector. Going forward the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

Dividends

In May 2013, the Board of Directors of the Company declared an interim dividend of USD 0,26 per share, amounting to USD 68.1 million, out of the profits of the year 2013. The dividend was paid to the shareholders in June 2013.

The Board of Directors does not recommend the payment of a final dividend for the year 2013.

Share capital

In an extraordinary general meeting of the Company held on 5 March 2013, it was resolved by a special resolution that the share premium account of the company to be reduced from USD 369.4 million (gross of share issue costs amounting to USD 9.4 million) to USD 39.9 million. Of this reduction the amount of USD 320 million was returned to the registered shareholders of the Company.

Board of Directors

The members of the Board of Directors as at 31 December 2013 and at the date of this report are shown on page 3.

There were significant changes in the assignment of responsibilities as well as other significant changes in the composition of the Board of Directors during 2013.

In an extraordinary general meeting of the Company held on 22 August 2013, it was resolved by ordinary resolutions that the Directors of the Company Mr. Robert Petty, Mr. Glen Ole Rodland, Mr. Stephen Marzo, Mr. Demetris Aletraris and Mr. Oystein Stray Spetalen, are removed from their office and that Mr. Martin Nes was appointed as a Director of the Company replacing Mr. Oystein Stray Spetalen. The board currently consists of Mr. Martin Nes, Mr. Gunnar Hvammen and Mr. George Crystallis.

On 28 August 2013, Mr. Martin Nes was elected in the office as the new chairman of the Board of Directors to replace Mr. Gunnar Hvammen. On the same date Mrs. Evangelia Panagide was appointed as a General Manager of the Company.

In accordance with the Company's Articles of Association, the director Mr. George Crystallis will retire by rotation but he is eligible for re-election at the Annual General Meeting of the Company.

The remuneration of the Members of the Board of Directors is shown in note 31 of the financial statements

Directors' Interest in the Share Capital of The Company

None of the directors holding office at the end of the financial year had any interest in the shares of the Company, except the following indirect shareholdings:

- Gunnar Hvammen through Solan Capital AS and Thabo Energy AS. Thabo Energy AS has 25% ownership in Nordic Barges I AS and Nordic Barges II AS which are shareholders of the Company
- Martin Nes through Hanekamb Invest AS. Hanekamb Invest AS has 26% ownership in Ricin Invest AS which is a shareholder of the Company

Events After the Balance Sheet Date

Any material post balance sheet events are described in note 32 to the consolidated financial statements.

Branches

The Company did not operate through any branches during the year.

Corporate Governance

The Directors of S.D. Standard Drilling Plc, recognize the importance of the corporate governance policies, practices and procedures. Being listed in the Oslo Axess Stock Exchange in Norway, the Company must comply with certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 (the "Code of Practice") on a "comply or explain" basis.

INDEPENDENT AUDITORS

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On Behalf of the Board of Directors of S.D. Standard Drilling Plc.

CQS Secretarial Limited

Secretary, Limassol, 25 April 2014

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts in USD 000)	Note	31.12.2013 *Audited*	31.12.2012 *Audited*
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/(loss)		**-**	**-**
Other gains and losses	21	96 819	6 250
Other income	22	2 448	-
Impairment charges	23	(2 329)	-
Administrative expenses	24	(2 133)	(2 159)
Operating profit/(loss) before depreciation		**94 805**	**4 091**
Depreciation and amortization		(4)	(3)
Operating profit/(loss)		**94 801**	**4 088**
Finance Income	25	821	1 154
Finance Costs	25	(8)	(36)
Profit/(loss) for the year before tax		**95 614**	**5 206**
Income tax expense	20	(2)	(6)
Profit/(loss) for the year		**95 612**	**5 200**
Other comprehensive income		-	-
Total comprehensive income for the year		**95 612**	**5 200**
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	26	0,37	0,02

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

(Amounts in USD 000)		31.12.2013	31.12.2012
ASSETS	Note	*Audited*	*Audited*
Investments in subsidiaries	7	-	178 500
Intangible asset	8	5	9
Equipment and machinery	9	2	2
Available for-sale financial assets	10	32	-
Total non-current assets		**39**	**178 511**
Trade and other receivables	11	93	9 612
Loan receivable	12	-	-
Current tax assets	20	46	-
Restricted cash at bank	13	101	-
Cash and bank balances	14	70 617	175 706
Assets classified as held for sale	15	-	38 500
Total current assets		**70 857**	**223 818**
Total Assets		**70 896**	**402 329**
EQUITY AND LIABILITIES			
Ordinary shares	16	2 620	2 620
Share premium	16	39 950	359 950
Reserves	17	-	-
Accumulated profits/(losses)		28 273	781
Total equity		**70 843**	**363 351**
Trade and other payables	18	53	2 298
Dividend payable	19	-	36 680
Current tax assets	20	-	-
Total current liabilities		**53**	**38 978**
Total Equity and Liabilities		**70 896**	**402 329**

On 25 April 2014, the Board of Directors of S.D. Standard Drilling Plc authorized these financial statements for issue.

Martin Nes
Chairman

George Crystallis
Director

Statement Of Changes in Equity
For the Year Ended 31 December 2013

(Amounts in USD 000)	Note	Share Capital	Share Premium	Share Option Reserve	Accumulated Profits/(Losses)	Total
Balance at 01.01.2012		**2 620**	**359 950**	**282**	**32 261**	**395 113**
Comprehensive income						
Profit/(loss) for the year		-	-	-	5 200	5 200
Transactions with owners						
Interim dividend	19	-	-	-	(36 680)	(36 680)
Employee share option scheme						
Value of employee services	17	-	-	2 094	-	2 094
Value of employees services reclassified on modification to cash settled share based payments transactions.	17	-	-	(2 376)	-	(2 376)
Balance at 31.12.2012 *(Audited)*		**2 620**	**359 950**	-	**781**	**363 351**
Balance at 01.01.2013		**2 620**	**359 950**	-	**781**	**363 351**
Comprehensive income						
Profit/(loss) for the year		-	-	-	95 612	95 612
Transactions with owners						
Interim dividend	19	-	-	-	(68 120)	(68 120)
Share premium reduction	16	-	(320 000)	-	-	(320 000)
Balance at 31.12.2013 *(Audited)*		**2 620**	**39 950**	-	**28 273**	**70 843**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Statement Of Cash Flows
For the Year Ended 31 December 2013

(Amounts in USD 000)	Note	31.12.2013 *Audited*	31.12.2012 *Audited*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before income tax		95 614	5 206
Adjustments for:			
Other gains and losses	21	(96 837)	(6 250)
Impairment charges	23	2 329	-
Depreciation and amortization expense	8	4	2
Interest income	25	(821)	(1 154)
Decrease/(increase) in trade and other receivables		9 519	(5 522)
Decrease in trade and other payables		(2 245)	(921)
Income tax paid		(48)	(13)
Net cash generated from/(used in) operating activities		**7 515**	**(8 652)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	8	-	(11)
Purchases of equipment and machinery	9	-	(1)
Net proceeds from liquidation of subsidiaries	21.3	251 421	-
Net proceeds from disposal of subsidiaries	21.1	68 396	67 856
Waiving of balances (receivable)/payable to subsidiaries		(5 980)	1 394
Loans granted to subsidiary	12	(2 200)	-
Loans repayments received	12	-	35 813
Interest received	25	788	1 154
Net cash generated from/(used in) investing activities		**312 425**	**106 205**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		(320 000)	-
Dividends paid		(104 800)	-
Net cash generated from/(used in) financing activities		**(424 800)**	**-**
Net increase/(decrease) in cash and cash equivalents		**104 860**	**97 553**
Cash and cash equivalents at beginning of year		175 706	78 153
Non-cash transactions (notes 10,13)		(229)	-
Cash and cash equivalents at end of year		70 617	175 706

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

COUNTRY OF INCORPORATION

S.D. Standard Drilling Plc. (the "Company") is a limited liability company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company's shares were listed on Oslo Axess. The head office is located in Limassol, Cyprus and its registered office is at 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3rd floor, 3030 Limassol, Cyprus.

PRINCIPAL ACTIVITIES

Having sold all initial rig contracts, the strategy of the Company has changed to being an investment Company within the oil and gas service sector. The principal activity of the Company is that of the investment holding.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

2.1 BASIS OF PREPARATION

The financial statements of S.D. Standard Drilling Plc. have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113 and are expressed in United States Dollars. The financial statements have been prepared under the historical cost convention as reclassified by the revaluation of available-for sale financial assets.

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113 for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the Company's registered office. All figures in these financial statements are in USD'000 unless otherwise stated.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2013 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1 Going concern

In the opinion of the directors, the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopted the going concern basis in preparing its financial statements.

2.1.2 Adoption of new and revised IFRS's

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2013 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Adoption of new and revised IFRS's (continued)

In the current year, the Company has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2013. The adoption of these Standards did not have a material effect on the financial statements.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2013:

(i) Standards and Interpretations adopted by the EU

- *IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*
- *ISA 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*
- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*
- *Transition guidance for IFRS10, 11 & 12 (effective for annual periods beginning on or after 1 January 2014)*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*
- *Annual improvements to IFRSs 2009 – 2011 Cycle (issued by the IASB in May 2012).*
- *Amendment to ISA 36 "Recoverable Amount – Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).*

(ii) Standards and Interpretations not adopted by the EU

- *Amendment to IAS 19 - "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014).*
- *IRFS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).*
- *Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014).*
- *Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014).*
- *IFRIC 21 "Levies" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).*
- *IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014).*

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated in balance sheet at cost less any provision for impairment, where necessary.

2.3 REVENUE RECOGNITION

Revenue earned by the Company is recognized on the following basis:

2.3.1 Interest income

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

The Company's accounts are measured in US dollars (USD) which is the currency that is used primarily in the economic area where the unit operates (functional currency). The Company's accounts are presented in USD.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within finance income or cost. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

2.5 EQUIPMENT AND MACHINERY

(a) *Measurement*

Equipment and machinery are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(b) *Depreciation*

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Computer Hardware	20
Furniture and fittings	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Subsequent cost*

Expenditure for repairs and maintenance of equipment and machinery is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

(d) *Disposal*

An item of equipment and machinery is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment and machinery is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.6 CASH AND CASH EQUIVALENTS

In the statement of cash flows and the balance sheet, cash and cash equivalents includes deposits held at call with banks.

2.7 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.8 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2.11 LOANS GRANTED

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

2.12 INTANGIBLE ASSETS

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Cost associated with maintenance of computer software programs are recognized as an expense when incurred. Computer software costs are amortized using the straight-line method over their useful lives, not exceeding a period of three years. Amortization commences when the computer software is available for use and is included within administrative expenses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE-BASED PAYMENTS

Employees of the Company and of its subsidiaries receive remuneration in the form of share-based payment, whereby employees render services, and the Company undertakes the obligation to issue shares in return (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which the award is granted. The fair value is determined using appropriate valuation models.

The cost of equity settled transactions is recognised in the cost of investments in subsidiaries, together with a corresponding increase in reserves within equity, over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the entity revises the estimates of the number of options that are expected to vest based on the non-market conditions. It recognises the impact of the revision to original estimates, if any, in the cost of investments in subsidiaries, with a corresponding adjustment to equity.

Upon modification of the scheme to cash-settled, the value of the employees services previously recognized in equity and in the cost of investments has been reversed.

2.14 DIVIDENDS

Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved by the Company's shareholders.

2.15 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale financial assets are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Company's activities expose it to market risk (including currency risk, interest rate risk and price risk), shipyard risk (through subsidiaries), credit risk, and liquidity risk. The Company's overall risk management strategy seeks to minimise any adverse effect from the unpredictability of financial markets on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Company's functional currency is the USD. The Company operates internationally and transactions are primarily in US dollars, as such currency risk arising is low. Currency risk may arise from future commercial transactions in currencies other than US dollars.

(ii) Price risk

The Company is not directly exposed to price risk relating to income, since the rigs owned by its subsidiaries and were under construction have been disposed. The Company is exposed to equity secutiries price risk because of investments held by the Company and classified on the balance sheet as available for sale. These resulted from the conversion of 47,5% of the uninsured bank deposits into ordinary shares of Bank of Cyprus (Note 10).

(iii) Cash flow and fair value interest rate risk.

The Company is currently financed by equity, and has no interest bearing debt; in addition the Company's interest bearing receivable has been repaid hence no significant interest rate risk is currently present.

(b) Shipyard risk

The Company through its subsidiaries bears the risk of the rigs not being delivered from the shipyard at the agreed time, with the agreed quality, and at the agreed price. The Company has hired GL Noble Denton, which has long experience with the supervision of such rig projects, to supervise that the construction projects are executed by the shipyard in accordance with the building contracts. Keppel FELS yard has a long and solid track record in constructing the type of rigs that the Group had on order, thus the management considers that the shipyard risk was low. In addition during the year the Group disposed all the rigs thus the Shipyard risk was eliminated.

(c) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Company's major classes of financial assets are bank deposits, loan receivable and trade and other receivables (note 6).

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents as well as securing availability of funding through adequate amount of credit facilities to meet future obligations.

The following are the contractual maturities of financial liabilities:

(Amounts in USD 000)	**Carrying Amounts**	**Contractual Cash flows**	**3 months or Less**	**3-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
2012							
Trade and other payables	2 298	2 298	2 298	-	-	-	-
Dividend payable	36 680	36 680	36 680	-	-	-	-
Total	**38 978**	**38 978**	**38 978**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(Amounts in USD 000)	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
2013							
Trade and other payables	53	53	53	-	-	-	-
Total	**53**	**53**	**53**	**-**	**-**	**-**	**-**

3.2 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including `current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as `equity' as shown in the balance sheet plus net debt.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2013.

(Amounts in USD 000)	Level 1	Level 2	Level 3	Total
At 31 December 2013				
Assets				
Available-for-sale financial assets:				
- Equity securities	-	-	32	32
Total financial assets measured at fair value	-	-	32	32

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical judgements and estimation, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Income taxes and deferred tax assets

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of available-for-sale financial assets

The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Impairment on loans receivable

The Company reviews its loans receivable for evidence of their recoverability. Such evidence includes the payment record and the overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective impairment is made. The amount of the impairment is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the impairment are reviewed regularly and adjusted accordingly.

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY

(Amounts in USD 000)	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
2012				
Assets as per balance sheet				
Trade and other receivables (excluding prepayments)	9 595	-	-	9 595
Cash and cash equivalents	175 706	-	-	175 706
Total at the end of the year	**185 301**	**-**	**-**	**185 301**

(Amounts in USD 000)	Other financial liabilities	Total
2012		
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	2 298	2 298
Dividend payable	36 680	36 680
Total at the end of the year	**38 978**	**38 978**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(Amounts in USD 000)	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
2013				
Assets as per balance sheet				
Restricted cash at bank	101	-	-	101
Trade and other receivables (excluding prepayments)	39	-	-	39
Cash and cash equivalents	70 617	-	-	70 617
Total at the end of the year	**70 757**	**-**	**-**	**70 757**

(Amounts in USD 000)	Other financial liabilities	Total
2013		
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	53	53
Total at the end of the year	**53**	**53**

NOTE 6 – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of the main financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(Amounts in USD 000)	31.12.2013	31.12.2012
Cash at bank and restricted bank deposits (1)	70 718	175 706
Trade and other receivable (excluding prepayment) (2)	39	9 595
Total at the end of the year	**70 757**	**185 301**

(1) The external credit ratings of the main financial institutions with which the Company holds its funds are as follows:

(Amounts in USD 000)	31.12.2013	31.12.2012	Credit ratings Long term rating	Credit ratings Short term rating
DNB Bank ASA (Standard & Poor's)	70 614	175 116	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	104	590	Ca	Not Prime

(2) The balance relates to other receivables with no history of default.

Notes to the Financial Statements For the Year Ended 31 December 2013

Note 7 – Investments In Subsidiaries

(Amounts in USD 000)	31.12.2013	31.12.2012
Balance at the beginning of the year	178 500	280 282
Cost of share based payments	-	2 094
Value of employees services reclassified on modification to cash-settled share based payment transactions (note 29)	-	(2 376)
Cost transfer to gain on liquidation (note 21.3)	(178 500)	(63 000)
Investment in Offshore Driller 4 Ltd - classified as held for sale (note 15)	-	(38 500)
Balance at the end of the year	**-**	**178 500**

The registered name, country of incorporation and date of incorporation for each of the subsidiaries are as follows:

Name	Date of incorporation	Country of incorporation	Share	Voting rights
S.D. Standard Drilling (Singapore) Pte Ltd	9 June 2011	Singapore	100%	100%

On 23 May 2013, the Group entered into an agreement to sell the shares held in the subsidiary company Offshore Driller 4 Ltd which owns rig B340, currently under construction at Keppel FELS shipyard in Singapore, to UMW Rig Asset (L) Ltd incorporated in Malaysia. Net proceeds from the sale amounted to USD 68.4 million. Financial and legal closing of the transaction took place in June 2013.

On 22 July 2013 the subsidiary company Offshore Driller B325 Ltd incorporated in Cayman Islands was dissolved.

On 22 July 2013 the subsidiary companies Offshore Driller 1 Ltd and Offshore Driller 3 Ltd incorporated in Cayman Islands were dissolved.

On 15 August 2013 the subsidiary company Offshore Driller 2 Ltd incorporated in Cayman Islands was dissolved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 8 – INTANGIBLE ASSET

(Amounts in USD 000)	Computer software	Total
Cost		
At 1 January 2012	-	-
Additions	11	11
At 31 December 2012	**11**	**11**
At 31 December 2013	**11**	**11**
Amortisation		
At 1 January 2012	-	-
Charge for the year	2	2
At 31 December 2012	**2**	**2**
Charge for the year	4	4
At 31 December 2013	**6**	**6**
Net book amount		
Balance at 31 December 2013	**5**	**5**
Balance at 31 December 2012	9	9

NOTE 9 – EQUIPMENT AND MACHINERY

(Amounts in USD 000)	Computer Hardware	Total
Cost		
At 1 January 2012	1	1
Additions	1	1
At 31 December 2012	**2**	**2**
At 31 December 2013	**2**	**2**
Depreciation		
At 1 January 2012	-	-
At 31 December 2012	-	-
Charge for the year	-	-
At 31 December 2013	**-**	**-**
Net book amount		
Balance at 31 December 2013	**2**	**2**
Balance at 31 December 2012	2	2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 10 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Balance at the beginning of year	-	-
Additions at estimated fair value (note 13)	32	-
Balance at the end of year	**32**	-

On 29 March 2013 the Central Bank of Cyprus has issued Decrees relating to Bank of Cyprus implementing measures for this bank under the Resolution of Credit and Other Institutions Law of 2013. One of the measures provides for a compulsory conversion of part of the deposits held with Bank of Cyprus into shares of Bank of Cyprus. The Company's cash held with Bank of Cyprus as at the relevant date for implementation of the decisions were USD 398 thousands.

On 30 July 2013 the Ministry Finance and the Central Bank of Cyprus announced that 47,5% of the uninsured deposits with Bank of Cyprus will automatically be converted into ordinary shares in Bank of Cyprus. The respective amount for the Company that has been converted into shares is USD 128 thousands.

As of the date of the conversion the management of the Company on the basis of available information and by exercising their judgment has recognized an impairment loss of USD 96 thousands on the bank balances. Furthermore and as of the balance sheet date, the management of the Company on the basis of available information and by exercising their judgment has considered that the fair value of the shares is €0,25 while their nominal value is €1 per share ..

NOTE 11 – TRADE AND OTHER RECEIVABLES

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Prepayments (note 30.3)	54	17
Other receivables (1)	39	1 528
Receivables from own subsidiaries (note 30.3)	-	8 067
Total trade and other receivables at the end of the year	**93**	**9 612**

(1) On 23 December the Company has received the final instalment of USD 1 434 from Keppel FELS Ltd upon the delivery of jack-up rigs B337 and B338.

The fair value of trade and other receivables due within one year approximate to their carrying amounts as presented above.

NOTE 12 – LOANS RECEIVABLE

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Balance at the beginning of the year	-	35 813
New loans granted	2 200	-
Interest income	33	600
Repayments	-	(36 413)
Impairment charge (note 23)	(2 233)	-
Balance at the end of the year	-	-

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Loans to own subsidiaries (note 30.4)	-	-

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
The loan is repayable as follows:		
Within one year	-	-

The above loan is bearing interest at 4% per annum, is unsecured and it is repayable on 16 August 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 13 – RESTRICTED CASH AT BANK

Restricted cash at bank includes three separate time deposits of six, nine and twelve months of USD 34 thousands each, respectively. These deposits bear interest and can be renewed at Bank of Cyprus's discretion once for the same time duration.

(Amounts in USD 000)	**31.12.2013**	31.12.2012
Balance at the beginning of year	-	-
Additions	229	-
Impairment charge	(96)	-
Transfer to Available For Sale financial assets at estimated fair value (note 10)	(32)	
Balance at the end of year	**101**	-

NOTE 14 – CASH AND CASH EQUIVALENTS

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Cash at bank	70 617	175 706
Cash and cash equivalents at the end of the year	**70 617**	175 706

Cash and bank balances are denominated in the following currencies:

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
US Dollar - functional and presentation currency	**69.973**	175.706
Norwegian Kroner	**644**	-
	70.617	175.706

NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Investment in Offshore Driller 4 Ltd	-	38 500
Total assets held for sale at the end of the year	-	**38 500**

The investment in subsidiary Company Offshore Driller 4 Ltd, was disposed on June 2013 (note 21.1).

15.1. Movement of assets classified as held for sale

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Balance at the beginning of year	38 500	-
Reclassified in the year	-	38 500
Derecognized on disposal of investment in Offshore Driller 4 Ltd	(38 500)	-
Balance at the end of year	-	**38 500**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 16 – SHARE CAPITAL AND PREMIUM

(Amounts in USD 000)	Number of shares (thousands)	Ordinary shares	Share premium	Total
2012				
Balance at the beginning of the year	262 000	2 620	359 950	362 570
Balance at the end of the year	**262 000**	**2 620**	**359 950**	**362 570**
2013				
Balance at the beginning of the year	262 000	2 620	359 950	362 570
Share premium reduction (1)	-	-	(320 000)	(320 000)
Balance at the end of the year	**262 000**	**2 620**	**39 950**	**42 570**

(1) In an extraordinary general meeting of the Company held on 5 March 2013, it was resolved by a special resolution that the share premium account of the company to be reduced from USD 369.4 million (gross of share issue costs amounting to USD 9.4 million) to USD 39.9 million. Of this reduction the amount of USD 320 million was returned to the registered shareholders of the Company.

All shares issued have the same rights and are of nominal value of USD 0,01 each.

NOTE 17 – EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

(Amounts in USD 000)	31.12.2013	31.12.2012
Balance at the beginning of the year	-	282
Arising on share-based payments	-	2 094
Value of employees services reclassified on modification to cash-settled share based payments transactions (note 29)	-	(2 376)
Balance at the end of the year	**-**	**-**

Share options were granted to key management employees. Further information about share-based payments to employees is set out in note 29.

NOTE 18 – TRADE AND OTHER PAYABLES

(Amounts in USD 000)	31.12.2013	31.12.2012
Other payables	18	289
Accrued expenses	35	2 009
Total trade and other payables at the end of the year	**53**	**2 298**

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

Notes to the Financial Statements For the Year Ended 31 December 2013

Note 19 – Dividend Payable

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Interim dividend	-	36 680
	-	**36 680**

On 21 May 2013, the Board of Directors of the Company declared an interim dividend of USD 0,26 per share, amounting to USD 68.1 million, out of the profits of the year 2013. The dividend was paid to the shareholders in June 2013.

On 20 December 2012 the Board of Directors declared an interim dividend of USD 0,14 per share out of the profits of the years 2011 and 2012. The dividend was paid to the shareholder in January 2013.

Note 20 – Income Tax Expense

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Current tax:		
Corporation tax prior year	2	-
Corporation tax current year	-	6
Total current tax	2	6
Deferred tax:		
Origination of temporary differences	-	-
Total deferred tax	-	-
	-	-
Income tax expense	**2**	**6**

The total charge for the year can be reconciled to the accounting profit as follows:

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Profit/(loss) before tax	95 614	5 206
Tax calculated at the applicable tax rates	11 952	521
Tax effect of expenses not deductible for tax purposes	1 098	117
Tax effect of allowances and income not subject to tax	(13 048)	(625)
Tax effect of tax loss brought forward	-	(7)
Corporation tax prior year	2	-
Tax charge	**2**	**6**

The corporation tax rate is 12,5% (2012: 10%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 20 – INCOME TAX EXPENSE (CONTINUED)

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012: 15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Balance sheet
Current tax asset:

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Corporate income tax refundable	46	-
Total current tax asset at the end of the year	**46**	**-**

Current tax liability:

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Corporate income tax	-	-
Total current tax liability at the end of the year	**-**	**-**

NOTE 21 – OTHER GAINS AND LOSSES

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Gain on disposal of subsidiary Offshore Driller B324 Ltd (note 21.1)	29 896	4 856
Waived amount due from/to subsidiaries (note 21.2)	(5 980)	1 394
Gain on liquidation of subsidiary companies (note 21.3)	72 921	-
Net currency translation differences	(18)	-
	96 819	**6 250**

On 23 May 2013, the Group entered into an agreement to sell the shares held in the subsidiary company Offshore Driller 4 Ltd which owns rig B340, currently under construction at Keppel FELS shipyard in Singapore, to UMW Rig Asset (L) Ltd incorporated in Malaysia. Net proceeds from the sale amounted to USD 68.4 million. Financial and legal closing of the transaction took place in June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 21 – OTHER GAINS AND LOSSES (CONTINUED)

21.1 Gain on disposal of subsidiary

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Consideration received net	68 396	67 856
Cost of investment	(38 500)	(63 000)
Gain on disposal	**29 896**	**4 856**

21.2 Waived amount due (from)/to subsidiaries

On 31 May 2013 the Company waived its intercompany balance due from Offshore Driller 4 Ltd of USD 3 532 thousands.

On 11 November 2013 the Company waived its intercompany balance due from S.D. Standard drilling Singapore Pte Ltd of USD 2 448 thousands.

21.3 Gain on liquidation of subsidiary Companies

	Offshore Driller B325 Ltd	*Offshore Driller 1 Ltd*	*Offshore Driller 3 Ltd*	*Offshore Driller 2 Ltd*	*Total*
Consideration received net	70 180	62 753	63 191	55 297	251 421
Cost of investment	(63 000)	(38 500)	(38 500)	(38 500)	(178 500)
Gain on disposal	**7 180**	**24 253**	**24 691**	**16 797**	**72 921**

NOTE 22 – OTHER INCOME

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Reimbursement fees	2 448	-
	2 448	**-**

During 2013 the Company recharged the expenditures incurred on behalf of its subsidiary companies.

NOTE 23 – IMPAIRMENT CHARGES

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Impairment charge on bank balances (note 13)	96	-
Impairment charge on loan receivable (1)	2 233	-
	2 329	**-**

(1) As of the balance sheet date of these interim condensed consolidated financial statements, the management of the Company on the basis of available information and by exercising their judgment has considered that impairment indicators exist and have recognized an impairment loss of USD 2 233 thousands (note 22).

NOTE 24 – ADMINISTRATIVE EXPENSE

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Legal, consulting and professional fees	1 148	1 165
Other expenses	436	394
Salary and other short-term employee benefit (note 31)	549	600
Total administrative expenses	**2 133**	**2 159**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 24 – ADMINISTRATIVE EXPENSE (CONTINUED)

During 2013 audit fees of USD 12 thousand (2012: USD 11 thousand), fees of USD 54 thousand (2012: USD 18 thousand) for other assurance services and fees of USD 3 (2011: NIL) for tax consultancy services were charged by the Company's statutory audit firm.

24.1 Employees full time

	31.12.2013	31.12.2012
Employees	1	1

NOTE 25 – FINANCE INCOME AND COSTS

(Amounts in USD 000)	31.12.2013	31.12.2012
Finance income:		
Bank interest received	788	554
Interest income from loan to subsidiary	33	600
Total finance income	**821**	**1 154**
Finance costs:		
Bank charges	8	36
Total finance cost	**8**	**36**

NOTE 26 – EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

26.1 Basic earnings per share

(Amounts in USD 000)	31.12.2013	31.12.2012
Profit/(loss) attributable to equity holders of the Company	95 612	5 200
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands)	262 000	262 000
Basic earnings per share	**0,37**	**0,02**

There are no potentially dilutive instruments.

NOTE 27 – DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2013 the Company doesn't have unutilized losses which can be carried forward and used to offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 28 – SHAREHOLDERS' INFORMATION

The Company's 20 largest shareholders are as follows:

	31.12.2013		31.12.2012	
Owner	Number of Shares	Ownership interest in %	Number of Shares	Ownership interest in %
Clearwater Capital Partners Fund	78 338 000	29,90	78 338 000	29,90
BNYBE – QVT Fund V LP I	49 307 538	18,82	17 378 146	6,63
Ferncliff Listed Dai AS	34 112 081	13,02	-	-
Gross Management AS	20 296 726	7,75	5 166 681	1,97
Tymar AS	11 249 995	4,29	11 249 995	4,29
Sabaro Investments Ltd	7 985 000	3,05	-	-
BNYBE – Quintessence Fund LP	7 491 136	2,86	2 981 977	1,14
BNYBE – QVT Fund IV LP I	7 282 676	2,78	2 967 067	1,13
Nordic Construction Barges I AS	5 329 607	2,03	-	-
Sabaro Investment Ltd	5 165 000	1,97	5 165 000	1,97
Thabo Energy AS	4 745 000	1,81	4 745 000	1,81
Saga Tankers ASA	3 517 996	1,34	-	-
Nordea Bank ASA Markets	2 811 659	1,07	-	-
Solan Capital AS	2 180 006	0,83	-	-
Nordic Construction Barges II AS	2 105 000	0,80	-	-
Silvercoin Industries AS	1 229 937	0,47	-	-
Six-Seven AS	950 774	0,36	-	-
Ferncliff Drilling Management AS	800 010	0,31	-	-
Euroclear Bank S.A./N,V. (BA)	878 275	0,34	8 308 489	3,17
Spontel AS	615 791	0,24	-	-
Credit Suisse Securities (USA) LLC	-	-	16 151 588	6,16
Citibank NA London Branch	-	-	-	-
Deutsche Bank AG London	-	-	13 315 901	5,08
Tycoon Industrier AS	-	-	10 100 256	3,86
BNYBE – QVT Fund L.P.	-	-	7 274 983	2,78
JPMCB RE SHB Swedish Funds Lending	-	-	4 021 875	1,54
JPMORGAN Chase Bank	-	-	3 925 968	1,50
JP Morgan Clearing Corp.	-	-	3 738 488	1,43
MP Pensjion PK	-	-	3 560 000	1,36
Verdipapirfondet dnb Norge Selekti	-	-	3 407 013	1,30
VPF Nordea Kapital	-	-	3 056 592	1,17
Deutsche Bank AG London	-	-	2 955 255	1,13
Bank of New York Mellon SA/NV	-	-	-	-
Goldman Sachs & Co – Equity	-	-	-	-
Varma Mutual Pension Insurance	-	-	-	-
SHB Stockholm Clients Account	-	-	-	-
Morgan Stanley & Co LLC	-	-	-	-
Skandinaviska Enskilda Banken	-	-	-	-
JP Morgan Clearing Corp.	-	-	-	-
Shenga Trading Company Limited	-	-	-	-
Total 20 largest	246 392 207	94,04	207 808 274	79,32
Others	15 607 793	5,96	54 191 726	20,68
Total	**262 000 000**	**100,000**	**262 000 000**	**100,00**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 29 – SHARE-BASED PAYMENTS

A total number of 8 200 000 share options were in existence at the end 2012, each granted the right to its owner to acquire one ordinary share of the Company, at predetermined strike prices. Following a modification in the terms of the share option scheme on 31 December 2012 the Company is no longer obliged to issue shares or pay cash and it was decided to settle in cash the share options granted to its employees by the Company's subsidiary. In this respect the share based arrangement became cash-settled and the value of employees services previously recognized in equity and to the cost of investment has been reversed. The total liability in 2012 which was estimated to be 2.9 million was recognised in the books of the subsidiary company S.D. Standard Drilling (Singapore) Pte Ltd.

NOTE 30 – RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

30.1 Management services

(Amounts in USD 000)	**Nature of transactions**	**31.12.2013**	**31.12.2012**
Clearwater Capital Partners LLC	Management fees/Bonus	370	300
Ferncliff TIH AS	Management fees	490	368
Tycoon Industrier AS	Recharging fees	-	88
Total		**860**	**756**

The Company had no transactions with shareholders other than those disclosed above.

30.2 Interest income

(Amounts in USD 000)	**31.12.2013**	**31.12.2012**
Offshore Driller B324 Limited (note 12)	-	600
S.D. Standard Drilling (Singapore) Pte Ltd (note 12)	33	-
Total	**600**	**600**

The balance sheet includes the following balances with related parties.

30.3 Receivables from related parties

(Amounts in USD 000)	**Nature of transactions**	**31.12.2013**	**31.12.2012**
Offshore Driller 1 Limited	Finance	-	2 284
Offshore Driller 2 Limited	Finance	-	2 084
Offshore Driller 3 Limited	Finance	-	1 567
Offshore Driller 4 Limited	Finance	-	316
Offshore Driller B324 Limited	Finance	-	-
Offshore Driller B325 Limited	Finance	-	-
S.D. Standard Drilling (Singapore) Pte. Limited	Finance	-	1 816
Ferncliff TIH AS	Management fees	40	-
Total		**40**	**8 067**

The receivables from related parties were interest free, unsecured and were repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 30 – RELATED-PARTY TRANSACTIONS (CONTINUED)

30.4 Loan to related undertaking

(Amounts in USD 000)	31.12.2013	31.12.2012
Offshore Driller B324 Limited (note 12)	-	-
Total	-	-

The loan granted to own subsidiary bear interest 4% per annum, is unsecured and it is repayable in full on 16 August 2014.

NOTE 31 – REMUNERATION TO THE BOARD OF DIRECTORS

(Amounts in USD 000)	Directors' Fees	Salary	Benefits in kind	Share based Payments expense	31.12.2013 Total	31.12.2012 Total
Executive management:						
Evangelia Panagide – General Manager	-	14	2	-	16	-
Total remuneration executive management	**-**	**14**	**2**	**-**	**16**	**-**

(Amounts in USD 000)	Directors' Fees	Salary	Benefits in kind	Share options Scheme	31.12.2013 Total	31.12.2012 Total
Board of Directors:						
Martin Nes (Chairman)	27	-	-	-	27	-
Gunnar Hvammen (Non-Executive Director)	66	-	-	-	66	65
Robert Petty –(Non-Executive Director)	32	-	-	-	32	60
Amit Gupta (Non-Executive Director)	24	-	-	-	24	50
Oystein Stray Spetalen (Non-Executive Director)	32	-	-	-	32	50
Stephen Marzo (Independent Director)	42	-	-	-	42	63
Glen Rodland	18	-	-	-	18	-
Demetris Aletraris (Non-Executive Director)	13	-	-	-	13	18
George Crystallis (Independent Director)	2	-	-	-	2	2
Total remuneration of Board of Directors	**256**	**-**	**-**	**-**	**256**	**308**

NOTE 32 – SUBSEQUENT EVENTS

These have been no material subsequent events that have an impact on these separate financial statements.

Independent auditor's report
To the Members of S.D. Standard Drilling Plc

Report on the financial statements

We have audited the accompanying financial statements of parent company S.D. Standard Drilling Plc (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company S.D. Standard Drilling Plc as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 25 April 2014