

**S.D. STANDARD DRILLING PLC**

**ANNUAL REPORT AND SEPARATE  
FINANCIAL STATEMENTS 2015**



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## BOARD OF DIRECTORS AND OTHER OFFICERS

### Board of Directors

Martin Nes (Chairman)

Gunnar Hvammen (Non-Executive Director) – resigned on 18 December 2015

George Crystallis (Independent Director)

Arne Helge Fredly (Non-Executive Director) – appointed on 30 December 2015

### General Manager

Evangelia Panagides

### Chief Financial Officer

Espen Lundaas

### Company Secretary

Excel – Serve Secretaries Limited  
Spyrou Kyprianou, 20  
Chapo Central, 3<sup>rd</sup> Floor  
1075 Nicosia  
Cyprus

### Registered office

213 Arch. Makarios Avenue,  
Maximos Plaza, Tower 1, 3<sup>rd</sup> 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 2015 we confirm that, to the best of our knowledge:

- a) the financial statements of the Company for the year ended 31 December 2015 which are presented on pages 7 to 28.
- (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, 18 April 2016



Martin Nes  
Chairman



Arne Helge Fredly  
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 2015.

### 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. The Company is listed 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.

Having sold all initial rig building contracts, the strategy of the Company has changed to being an investment company.

The Company has a sound financial position and 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, or investment directly in other companies. The main drivers are maximizing the return and minimizing the risk.

### REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE COMPANY'S BUSINESS

#### *Mandatory Offer for S.D. Standard Drilling Plc*

On 20 May 2015 Saga Tankers ASA ("Saga") purchased 78 338 000 shares in S.D. Standard Drilling Plc ("SDSD") and following this acquisition Saga and associated companies had a total holding of 140 078 869 shares in SDSD, corresponding to 53.5% of the total outstanding shares in SDSD. As a result of this acquisition a mandatory offer obligation was triggered for the purchase of the remaining shares in SDSD.

On 17 June 2015 Saga announced a cash tender offer (the "Offer") to acquire all issued and outstanding shares (the "Shares") in SDSD not already owned by the Offeror or persons acting in concert with the Offeror. The acceptance period started on 17 June 2015 and completed on 15 July 2015.

The Offeror offered a consideration of NOK 1.35 per Share (the "Offer Price"), payable in cash. The Offer Price represented a premium of 3.4 per cent to SDSD's volume weighted average share price for the 3 month period ending on 19 May 2015. On 17 June 2015, the Offeror, and persons acting in concert with it held 157 013 630 shares, corresponding to 59.93% of the total issued and outstanding shares.

On 15 July 2015 the Offeror had received acceptance of the Mandatory Offer for a total of 22 555 800 shares, representing approximately 8.61 per cent of the outstanding shares and votes in SDSD.

Saga Tankers ASA sold 58 212 870 shares corresponding to 22.2% on 26 November 2015 reducing the ownership down to 46.2%

#### *Strike off of subsidiary Company*

On 10 December, S.D. Standard Drilling (Singapore) Pte Ltd, a subsidiary incorporated in Singapore, was struck off the Register of Companies. The Company does not have any other subsidiaries, associates or Joint Ventures.

#### *Nomination Committee*

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by an ordinary resolution that Mr. Costas Pantelides is appointed as a member of the Nomination Committee of the Company to replace Mr. Amit Gupta who had resigned on 9 June 2015 with a retrospective effect as from that date.

### FINANCIAL RESULTS

The Company's results for the year are set out on page 7. The Company's loss after tax for the year ended 31 December 2015 which is attributable to the equity holders was USD 3 million compared to a net loss of USD 16 million for the year ended 31 December 2014. The total assets of the Company for 2015 were USD 9.4 million and the net assets were USD 9.4 million, compared to USD 54.9 million and USD 54.9 million respectively in 2014. Despite the loss of USD 3 million 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 investment company sector. The Company is also exposed to other financial risks as disclosed in Note 3 of the 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 COMPANY

Having a sound financial position, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

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.

## DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2013. The dividend was paid to the shareholders in September 2015.

## SHARE CAPITAL AND PREMIUM

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

## BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2015 and at the date of this report are shown on page 3.

There were no significant changes in the assignment of responsibilities as well as other changes in the composition of the Board of Directors during 2015, other than the following:

Mr. Martin Nes was re-elected in the position of the chairman on 25 August 2015.

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

On 30 December 2015 Mr. Arne Helge Fredly was appointed as a Director of the Company replacing Mr. Gunnar Hvammen who had resigned on 18 December 2015. Mr. Fredly shall hold office until the next following Annual General Meeting but being eligible for re-election he has already expressed his willingness to continue in office and offered himself for reappointment.

The remuneration of the Members of the Board of Directors is shown in note 28 of these 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:

- Martin Nes through Hanekamb Invest AS.
- Arne Helge Fredly through Apollo Asset Limited.

### *Executive member of the management*

- Espen Lundaas through EL Investment AS.

## EVENTS AFTER THE BALANCE SHEET DATE

Any material post balance sheet events are described in note 29 to these 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 on 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.*

*Excel – Serve Secretaries Limited*



*Secretary, Nicosia, 18 April 2015*

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(Amounts in USD 000)</i>		31.12.2015	31.12.2014
	Note	<i>Audited</i>	<i>Audited</i>
Operating Revenue		-	-
Operating Expenses		-	-
<b>Gross profit/(loss)</b>		<b>-</b>	<b>-</b>
Other gains and losses	20	(2 882)	(15 243)
Impairment charges	21	(10)	(12)
Administrative expenses	22	(643)	(942)
<b>Operating profit/(loss) before depreciation</b>		<b>(3 535)</b>	<b>(16 197)</b>
Depreciation and amortization	8, 9	(2)	(4)
<b>Operating profit/(loss)</b>		<b>(3 537)</b>	<b>(16 201)</b>
Finance Income	23	241	283
Finance Costs	23	(15)	(5)
<b>Profit/(loss) for the year before tax</b>		<b>(3 311)</b>	<b>(15 923)</b>
Income tax expense	18	-	(46)
<b>Profit/(loss) for the year</b>		<b>(3 311)</b>	<b>(15 969)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(3 311)</b>	<b>(15 969)</b>
<b>Earnings/(loss) per share</b>			
Basic/diluted earnings/(loss) per share	24	(0,01)	(0,06)

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

*(Amounts in USD 000)*

		31.12.2015	31.12.2014
ASSETS	Note	<i>Audited</i>	<i>Audited</i>
Investments in subsidiaries	7	-	-
Intangible asset	8	-	2
Equipment and machinery	9	1	1
<b>Total non-current assets</b>		<b>1</b>	<b>3</b>
Trade and other receivables	10	35	104
Loan receivable	11	-	-
Current tax assets	18	1	1
Available for-sale financial assets	12	16	26
Restricted cash at bank	13	-	11
Cash and bank balances	14	9 393	54 777
Assets classified as held for sale	15	-	-
<b>Total current assets</b>		<b>9 445</b>	<b>54 919</b>
<b>Total Assets</b>		<b>9 446</b>	<b>54 922</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares	16	2 620	2 620
Share premium	16	6 938	39 950
Accumulated profits/(losses)		(177)	12 304
<b>Total equity</b>		<b>9 381</b>	<b>54 874</b>
Trade and other payables	17	65	48
<b>Total current liabilities</b>		<b>65</b>	<b>48</b>
<b>Total Equity and Liabilities</b>		<b>9 446</b>	<b>54 922</b>

On 18 April 2016, 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 2015

<i>(Amounts in USD 000)</i>	Note	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2014		2 620	39 950	28 273	70 843
<b>Comprehensive income</b>					
Profit/(loss) for the year		-	-	(15 969)	(15 969)
<b>Balance at 31.12.2014 (Audited)</b>		<b>2 620</b>	<b>39 950</b>	<b>12 304</b>	<b>54 874</b>
Balance at 01.01.2015		2 620	39 950	12 304	54 874
<b>Comprehensive income</b>					
Profit/(loss) for the year		-	-	(3 311)	(3 311)
Dividends paid (note 19)		-	-	(9 170)	(9 170)
Share premium reduction (note 16)		-	(33 012)	-	(33 012)
<b>Balance at 31.12.2015 (Audited)</b>		<b>2 620</b>	<b>6 938</b>	<b>(177)</b>	<b>9 381</b>

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 2015

<i>(Amounts in USD 000)</i>		31.12.2015	31.12.2014
	Note	<i>Audited</i>	<i>Audited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the year before income tax		(3 311)	(15 923)
Adjustments for:			
Other gains and losses		2 870	14 649
Impairment charges	21	10	12
Depreciation and amortization expense	8, 9	2	4
Interest income	23	(241)	(283)
Decrease/(increase) in trade and other receivables		38	(17)
Increase/(decrease) in trade and other payables		17	(5)
Income tax paid		-	(1)
<b>Net cash generated from/(used in) operating activities</b>		<b>(615)</b>	<b>(1 564)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from liquidation of subsidiaries		-	-
Net proceeds from disposal of subsidiaries		-	-
Waiving of balances (receivable)/payable to subsidiaries		-	-
Loans granted to subsidiary		-	(50)
Net proceeds from disposal of assets		-	51 601
Net cash outflow from acquisition of investment	15	-	(66 144)
Decrease in restricted cash	13	11	90
Interest received		241	227
<b>Net cash generated from/(used in) investing activities</b>		<b>252</b>	<b>(14 276)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share premium reduction		(35 059)	-
Dividends paid		(9 962)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(45 021)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(45 384)</b>	<b>(15 840)</b>
Cash and cash equivalents at beginning of year		54 777	70 617
Non-cash transactions		-	-
Cash and cash equivalents at end of year	14	<b>9 393</b>	<b>54 777</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 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, 3<sup>rd</sup> floor, 3030 Limassol, Cyprus.

#### PRINCIPAL ACTIVITIES

Having sold all initial rig contracts, the strategy of the Company has changed to being an investment company. 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 2015 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 2015 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 2015

### 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 2015. 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 2015:

#### (i) Standards and Interpretations adopted by the EU

- Amendment to IAS 19 - "Defined Benefit Plans: Employee Contributions" issued on 21 November 2013 and effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 1 January 2015).
- Amendment to IAS 1 - "Disclosure Initiative" (issued on 18 December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 27 - "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 16 and IAS 38 - "Clarification of Acceptable Methods of Depreciation and Amortization" (issued on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 16 and IAS 41 - "Bearer Plants" (issued on 30 June 2014 and effective for annual periods beginning on or after 1 January 2016).

#### (ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018).
- Amendment to IFRS 10, IFRS12 and IAS28 "Investment Entities" – Applying the Consolidated Exception (issued on 18 December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealized losses (effective for annual periods beginning on or after 1 January 2017).

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 2015

### 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 2015**

### **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 2015**

### **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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 2.13 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.

#### 2.14 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 recognized 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 recognized 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 recognized at cost less impairment.

#### 2.15 DIVIDENDS

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 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), credit risk, and liquidity risk. The Company's overall risk management strategy seeks to minimize any adverse effect from the unpredictability of financial markets on the Company's financial performance.

#### (a) Market risk

##### (i) Currency risk

The Company's functional currency is US dollars. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro and the NOK. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

##### (ii) Price risk

The Company is exposed to equity securities price risk because of investments held. Equity securities are susceptible to market price risk arising from uncertainties about future prices of the investments. The investments are classified on the balance sheet as available-for-sale financial assets.

##### (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 waived hence no significant interest rate risk is currently present.

#### (b) 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 and trade and other receivables (note 6).

#### (c) 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:

<i>(Amounts in USD 000)</i>	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
<b>2014</b>							
Trade and other payables	48	48	48	-	-	-	-
<b>Total</b>	<b>48</b>	<b>48</b>	<b>48</b>	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

<i>(Amounts in USD 000)</i>	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
<b>2015</b>							
Trade and other payables	65	65	65	-	-	-	-
<b>Total</b>	<b>65</b>	<b>65</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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 tables present the Company's financial assets and liabilities that are measured at fair value:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 December 2014</b>				
<b>Assets</b>				
Available for sale financial assets				
- Equity securities	26	-	-	26
<b>Total financial assets measured at fair value</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>26</b>

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 December 2015</b>				
<b>Assets</b>				
Available-for-sale financial assets				
- Equity securities	16	-	-	16
<b>Total financial assets measured at fair value</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>16</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 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.

#### *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.

### NOTE 5 – FINANCIAL INSTRUMENTS BY CATEGORY

<i>(Amounts in USD 000)</i>	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
<b>2014</b>				
<b>Assets as per balance sheet</b>				
Restricted cash at bank	11	-	-	11
Trade and other receivables (excluding prepayments)	93	-	-	93
Available-for-sale financial asset	-	-	26	26
Cash and cash equivalents	54 777	-	-	54 777
<b>Total at the end of the year</b>	<b>54 881</b>	<b>-</b>	<b>26</b>	<b>54 907</b>

<i>(Amounts in USD 000)</i>	Other financial liabilities	Total
<b>2014</b>		
<b>Liabilities as per balance sheet</b>		
Payables (excluding statutory liabilities)	48	48
<b>Total at the end of the year</b>	<b>48</b>	<b>48</b>

<i>(Amounts in USD 000)</i>	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
<b>2015</b>				
<b>Assets as per balance sheet</b>				
Available-for-sale financial asset	-	-	16	16
Trade and other receivables (excluding prepayments)	31	-	-	31
Cash and cash equivalents	9 393	-	-	9 393
<b>Total at the end of the year</b>	<b>9 424</b>	<b>-</b>	<b>16</b>	<b>9 440</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

<i>(Amounts in USD 000)</i>	Other financial liabilities	Total
<b>2015</b>		
<b>Liabilities as per balance sheet</b>		
Payables (excluding statutory liabilities)	65	65
<b>Total at the end of the year</b>	<b>65</b>	<b>65</b>

### 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:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Cash at bank and restricted bank deposits (1)	9 393	54 788
Trade and other receivable (excluding prepayment) (2)	31	93
<b>Total at the end of the year</b>	<b>9 424</b>	<b>54 881</b>

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

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014	Credit ratings	
			Long term rating	Short term rating
DNB Bank ASA (Standard & Poor's)	9 385	54 771	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	8	17	Caa3	Not Prime

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

### NOTE 7 – INVESTMENTS IN SUBSIDIARIES

On 10 December 2015, S.D. Standard Drilling (Singapore) Pte Ltd, a subsidiary incorporated in Singapore was struck off the Register of Companies.

### NOTE 8 – INTANGIBLE ASSET

<i>(Amounts in USD 000)</i>	Computer software	Total
<b>Cost</b>		
At 1 January 2014	11	11
<b>At 31 December 2014</b>	<b>11</b>	<b>11</b>
<b>At 31 December 2015</b>	<b>11</b>	<b>11</b>
<b>Amortisation</b>		
At 1 January 2014	6	6
Charge for the year	3	3
<b>At 31 December 2014</b>	<b>9</b>	<b>9</b>
Charge for the year	2	2
<b>At 31 December 2015</b>	<b>11</b>	<b>11</b>
<b>Net book amount</b>		
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>-</b>
Balance at 31 December 2014	2	2

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 9 – EQUIPMENT AND MACHINERY

<i>(Amounts in USD 000)</i>	Computer Hardware	Total
<b>Cost</b>		
At 1 January 2014	2	2
<b>At 31 December 2014</b>	<b>2</b>	<b>2</b>
<b>At 31 December 2015</b>	<b>2</b>	<b>2</b>
<b>Depreciation</b>		
At 1 January 2014	-	-
Charge for the year	1	1
<b>At 31 December 2014</b>	<b>1</b>	<b>1</b>
Charge for the year	-	-
<b>At 31 December 2015</b>	<b>1</b>	<b>1</b>
Net book amount		
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>1</b>
Balance at 31 December 2014	1	1

### NOTE 10 – TRADE AND OTHER RECEIVABLES

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Prepayments	4	11
Other receivables	31	93
<b>Total trade and other receivables at the end of the year</b>	<b>35</b>	<b>104</b>

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

### NOTE 11 – LOAN RECEIVABLE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of the year	-	-
New loans granted	-	50
Interest income	-	56
Repayments	-	-
Loan waived (note 20)	-	(106)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Loans to own subsidiaries	-	-

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
The loan is repayable as follows:		
Within one year	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 12 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Balance at the beginning of year	26	32
Impairment charge (note 21)	(10)	(6)
<b>Balance at the end of year</b>	<b>16</b>	<b>26</b>

### NOTE 13 – RESTRICTED CASH AT BANK

Restricted cash at bank includes a time deposit for six months of USD 11 thousands. The deposit is interest bearing.

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Balance at the beginning of year	11	101
Transfer to cash and bank balances	(11)	(90)
<b>Balance at the end of year</b>	<b>-</b>	<b>11</b>

The deposit was converted into a six-month time deposit maturity and automatically released on 30 January 2015.

### NOTE 14 – CASH AND CASH EQUIVALENTS

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Cash at bank	9 393	54 777
<b>Cash and cash equivalents at the end of the year</b>	<b>9 393</b>	<b>54 777</b>

Cash and bank balances are denominated in the following currencies:

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
US Dollar - functional and presentation currency	9 233	54 654
Norwegian Kroner	160	123
	<b>9 393</b>	<b>54 777</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Investment in Prospector Offshore Drilling S.A (PROS)	-	-
<b>Total assets held for sale at the end of the year</b>	<b>-</b>	<b>-</b>

#### 15.1 Movement of investment classified as held for sale

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Additions	-	66 144
Derecognised on disposal	-	(66 144)
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>

### NOTE 16– SHARE CAPITAL AND PREMIUM

<i>(Amounts in USD 000)</i>	Number of shares (thousands)	Ordinary shares	Share premium	Total
<b>2014</b>				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
<b>Balance at the end of the year</b>	<b>262 000</b>	<b>2 620</b>	<b>39 950</b>	<b>42 570</b>
<b>2015</b>				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
Share premium reduction (1)	-	-	(33 012)	(33 012)
<b>Balance at the end of the year</b>	<b>262 000</b>	<b>2 620</b>	<b>6 938</b>	<b>9 558</b>

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

- (1) In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

### NOTE 17 – TRADE AND OTHER PAYABLES

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Other payables	39	17
Accrued expenses	26	31
<b>Total trade and other payables at the end of the year</b>	<b>65</b>	<b>48</b>

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 2015

### NOTE 18 – INCOME TAX EXPENSE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
<b>Current tax:</b>		
Corporation tax prior year	-	46
Total current tax	-	46
<b>Deferred tax:</b>		
Origination of temporary differences	-	-
Total deferred tax	-	-
<b>Income tax expense</b>	<b>-</b>	<b>46</b>

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

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Profit/(loss) before tax	(3 311)	(15 923)
Tax calculated at the applicable tax rates	(414)	(1 990)
Tax effect of expenses not deductible for tax purposes	369	1 909
Tax effect of tax loss for the year	45	81
Corporation tax prior year	-	46
<b>Tax charge</b>	<b>-</b>	<b>46</b>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2014: 30%). 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 17% for 2015 (2014: 17%).

#### Balance sheet

##### Current tax asset:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Corporate income tax refundable	1	1
<b>Total current tax asset at the end of the year</b>	<b>1</b>	<b>1</b>

##### Current tax liability:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Corporate income tax	-	-
<b>Total current tax liability at the end of the year</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 19 – DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2015. The dividend was paid to the shareholders in September 2015.

### NOTE 20 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Loan receivable waived (note 11)	-	106
Waived amount due from subsidiary (20.1)	31	-
Loss on disposal of investment in Prospector Offshore Drilling S.A (note 20.2)	-	14 543
Net currency translation differences (20.3)	2 851	594
	<b>2 882</b>	<b>15 243</b>

#### 20.1 Waived amount due from subsidiary

On 1 May 2015 the Company waived its intercompany balance due from S.D. Standard Drilling (Singapore) Pte Ltd.

#### 20.2 Loss on disposal of investments in Prospector Offshore Drilling S.A

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Consideration received net	-	(51 601)
Cost of investment	-	66 144
<b>Loss on disposal of shares</b>	<b>-</b>	<b>14 543</b>

*The loss of USD 14 543 can be further disaggregated to the following elements:*

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Changes in fair value	-	11 330
Exchange difference	-	3 213
<b>Loss on disposal of shares</b>	<b>-</b>	<b>14 543</b>

20.3 The foreign exchange difference of USD 2 851 thousand arose mainly from the payment of the interim dividend and share premium reduction during the year. This is due to the conversion of bank balances denominated in USD to Norwegian Kroners and the subsequent appreciation of USD against Norwegian Kroner at the date of payment. Both payments have been made in Norwegian Kroner.

### NOTE 21 – IMPAIRMENT CHARGES

<i>(Amounts in USD 000)</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Impairment charge on amount due from subsidiary	-	6
Impairment charge of available for sale financial assets	10	6
	<b>10</b>	<b>12</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 22 – ADMINISTRATIVE EXPENSE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Legal, consulting and professional fees	356	674
Other expenses	106	84
Salary and other short-term employee benefit (note 28)	181	184
<b>Total administrative expenses</b>	<b>643</b>	<b>942</b>

During 2015 audit fees of USD 14 thousand (2014: USD 12 thousand), fees of USD NIL (2014: USD NIL) for other assurance services and fees of USD NIL (2014: USD NIL) for tax consultancy services were charged by the Company's statutory audit firm.

#### 22.1 Employees full time

	31.12.2015	31.12.2014
Employees	1	1

### NOTE 23 – FINANCE INCOME AND COSTS

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
<b>Finance income:</b>		
Bank interest received	241	227
Interest income from loan to subsidiary	-	56
<b>Total finance income</b>	<b>241</b>	<b>283</b>
<b>Finance costs:</b>		
Bank charges	(15)	(5)
<b>Total finance cost</b>	<b>(15)</b>	<b>(5)</b>

### NOTE 24 – 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.

#### 24.1 Basic earnings per share

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Profit/(loss) attributable to equity holders of the Company	(3 311)	(15 969)
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands) Note 16	262 000	262 000
<b>Basic earnings per share</b>	<b>(0,01)</b>	<b>(0,06)</b>

There are no potentially dilutive instruments.

### NOTE 25 – 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 2015 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 2015

### NOTE 26 – SHAREHOLDERS' INFORMATION

The Company's 20 largest shareholders are as follows:

Owner	31.12.2015		31.12.2014	
	Number of Shares	Ownership interest in %	Number of Shares	Ownership interest in %
SAGA Tankers ASA	120 564 458	46,02	49 680 082	18,96
Bnybe – QVT Fund V LP I	56 922 364	21,73	-	-
Apollo Asset Limited	27 000 000	10,31	-	-
HRF Marine LLC	27 000 000	10,31	-	-
BNYPE – QVT Fund IV LP I	8 754 389	3,34	-	-
Quintessence Fund LP	8 448 377	3,22	-	-
Deutsche Bank AG	4 212 870	1,61	70 656 350	26,97
Park Lane Family Office AS	2 500 000	0,95	-	-
Spontel AS	615 791	0,24	615 791	0,24
Sparebanken Sogn og Fjordane	479 939	0,18	479 939	0,18
EL Investment AS	460 762	0,18	460 762	0,18
Hanekamb Invest AS	410 762	0,16	-	-
Strata Marine & Offshore AS	381 339	0,15	-	-
Oculomotorius AS	346 098	0,13	-	-
Verpentangen AS	340 000	0,13	-	-
Mathias Holding AS	300 000	0,11	-	-
Citibank N.A.	273 550	0,10	-	-
Johansen	250 000	0,10	-	-
Clearstream Banking S.A	213 600	0,08	-	-
Profond AS	128 300	0,05	-	-
Clearwater Capital Partners Fund	-	-	78 338 000	29,90
Gross Management AS	-	-	20 296 726	7,75
Dallas Asset Management AS	-	-	6 575 000	2,51
Nordic Construction Barges I AS	-	-	5 329 607	2,03
Thabo Energy AS	-	-	4 745 000	1,81
Solan Capital AS	-	-	2 680 006	1,02
Haakon Morten Saeter	-	-	2 319 937	0,89
Salto Media AS	-	-	2 113 300	0,81
Nordic Construction Barges II AS	-	-	2 105 000	0,80
Nordea Bank Finland Plc, Markets	-	-	1 442 459	0,55
Six-Seven AS	-	-	1 091 624	0,42
Bjorn Erik Nilsen	-	-	645 216	0,25
Lars Tore Brandeggen	-	-	568 000	0,22
Nortura Konsernpensjonskasse	-	-	440 000	0,17
Marius Horgen	-	-	439 434	0,17
<b>Total 20 largest</b>	<b>259 602 599</b>	<b>99,10</b>	<b>251 022 233</b>	<b>95,83</b>
<b>Others</b>	<b>2 397 401</b>	<b>0,90</b>	<b>10 977 767</b>	<b>4,17</b>
<b>Total</b>	<b>262 000 000</b>	<b>100,00</b>	<b>262 000 000</b>	<b>100,00</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### NOTE 27 – RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

#### 27.1 Management services

<i>(Amounts in USD 000)</i>	Nature of transactions	31.12.2015	31.12.2014
Ferncliff TIH 1 AS	Management fees	240	440
<b>Total</b>		<b>240</b>	<b>440</b>

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

#### 27.2 Interest income

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
S.D. Standard Drilling (Singapore) Pte Ltd (note 11)	-	56
<b>Total</b>	<b>-</b>	<b>56</b>

#### 27.3 Ultimate controlling party

The Company's ultimate controlling party for the period 20 May to 26 November 2015 was Oystein Stray Spetalen through Saga Tankers ASA.

### NOTE 28 – REMUNERATION TO THE BOARD OF DIRECTORS

<i>(Amounts in USD 000)</i>	Directors' Fees	Salary	31.12.2015 Total	31.12.2014 Total
Executive management:				
Evangelia Panagide – General Manager	-	43	43	49
<b>Total remuneration executive management</b>	<b>-</b>	<b>43</b>	<b>43</b>	<b>49</b>

<i>(Amounts in USD 000)</i>	Directors' Fees	Salary	31.12.2015 Total	31.12.2014 Total
Board of Directors:				
Martin Nes (Chairman)	75	-	75	75
Gunnar Hvammen (Non-Executive Director)	49	-	49	50
Costas Pantelides (Nomination Committee member)	2	-	2	-
Glen Rodland (Nomination Committee Chairman)	10	-	10	10
George Crystallis (Independent Director)	2	-	2	2
<b>Total remuneration of Board of Directors</b>	<b>138</b>	<b>-</b>	<b>138</b>	<b>137</b>

### NOTE 29 – SUBSEQUENT EVENTS

There 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 2015, 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 2015, 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 Laws 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 Laws 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 2015.

A handwritten signature in blue ink, appearing to read 'Nolas', with a long horizontal stroke extending to the right.

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

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Limassol, 18 April 2016