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S.D. Standard Drilling Plc.

Report and financial statements 31 December 2010

Report and Financial Statements

S.D. Standard Drilling Plc.

for the period 2 Dec. - 31 Dec. 2010

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS 3

REPORT OF THE BOARD OF DIRECTORS 4

STATEMENT OF COMPREHENSIVE INCOME 6

BALANCE SHEET 7

STATEMENT OF CHANGES IN EQUITY 8

STATEMENT OF CASH FLOWS 9

NOTES TO THE FINANCIAL STATEMENTS 10

INDEPENDENT AUDITOR'S REPORT 23

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

George Chrystallis – appointed on incorporation
Angela Papadopoulou- appointed on 21 December 201
Martin Nes - appointed on 21 December 2010
Glen Ole Rodland – appointed on 21 December 2010
Gunnar Hvammen – appointed on 21 December 2010

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

REPORT OF THE BOARD OF DIRECTORS

1 The Board of Directors presents its report together with the audited financial statements of the Company for the period ended 31 December 2010.

Principal activities

2 The principal activities of the Company, which was incorporated on 2 December 2010, are to own and finance one rig under construction, and options for two additional rigs currently not executed, for future sale in any form, or operation through charter.

Review of developments, position and performance of the Company's business

3 The loss of the Company for the period ended 31 December 2010 was USD 86.304. On 31 December 2010 the total assets of the Company were USD 43.448.436 and the net assets were USD 40.863.726. As the Company was incorporated on 2 December 2010, there are no comparable numbers for 2009. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are disclosed in Notes 3 and 4 of the financial statements.

Future developments of the Company

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

6 The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the net loss for the period is carried forward.

Share capital

7 There were no changes in the share capital of the Company other than those disclosed in Note 9.

Board of Directors

8 The members of the Board of Directors at 31 December 2010 and at the date of this report are shown on page 3. George Chrystallis was sole board member from date of incorporation 2 December 2010, until 21 December when Angela Papadopoulou, Martin Nes, Glen Ole Rødland and Gunnar Hvammen also were appointed.

9 In accordance with the Company's Articles of Association all Directors retire at the first Annual General Meeting of the Company, and one third retire by rotation at every subsequent Annual General Meeting. All directors retiring are eligible for re-election.

10 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

11 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

12 The Company did not operate through any branches during the period.

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.

By Order of the Board

CQS Secretarial Limited
Secretary, Limassol

17 February, 2011

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD thousands unless otherwise stated)	Note	2 Dec - 31 Dec 2010
Administrative expenses		-86
Operating loss		**-86**
Finance income	13	-
Finance costs	13	-
Finance costs - net	13	-
Loss before income tax		**-86**
Income tax expense	14	-
Loss for the period		**-86**
Other comprehensive income for the period, net of tax		-
Total comprehensive income		**-86**
Earnings per share attributable to the equity holders of the Company during the period (expressed in USD per share)		
Basic/diluted earnings per share	15	-0,00

The notes on pages 10 to 23 are an integral part of these financial statements.

BALANCE SHEET

(All amounts in USD thousands unless otherwise stated)	Note	As at 31 Dec 2010
Assets		
Non-current assets		
Rig - Capitalised expenses	5	37 308
Total non-current assets		37 308
Current assets		
Cash and cash equivalents	8	6 140
Total current assets		6 140
Total assets		**43 448**
Equity and liabilities		
Equity		
Ordinary shares	9	420
Share premium	9	40 530
Accumulated losses		-86
Total equity		**40 864**
Liabilities		
Non-current liabilities		
Provisions for other liabilities and charges	10	1 378
Total non-current liabilities		1 378
Current liabilities		
Trade and other payables	11	1 207
Total current liabilities		1 207
Total Liabilities		**2 585**
Total equity and liabilities		**43 448**

On 17 February 2011, the Board of Directors of S.D. Standard Drilling Plc authorised these financial statements for issue.

George Crystallis, Director

Angela Papadopoulou, Director

The notes on pages 10 to 23 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts in USD thousands unless otherwise stated)	Note	Share capital	Share premium	Accumulated losses(1)	Total equity
Balance at 2 December 2010		-	-	-	-
Comprehensive income					
Loss for the period				-86	**-86**
Other comprehensive income					
Total comprehensive income for the year, net of tax					-
Total comprehensive income for the period		**-**	**-**	**-86**	**-86**
Transactions with owners					
Debt Conversion (formation of the Company)	9	359	35 501		**35 860**
Proceeds from shares issued (share capital increase)	9	61	6 079		**6 140**
Share issue costs			-1 050		**-1 050**
Total contributions by and distributions to owners		**420**	**40 530**	**-**	**40 950**
Balance at 31 December 2010		**420**	**40 530**	**-86**	**40 864**

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 10 to 23 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts in USD thousands unless otherwise stated)	Note	2 Dec - 31 Dec 2010
Cash flows from operating activities		
Cash generated from operations	16	-
Net cash generated from operating activities		-
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)		-
Interest received		-
Net cash used in investing activities		-
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	9	6 140
Net cash from financing activities		6 140
Net increase in cash and cash equivalents		**6 140**
Cash, cash equivalents at beginning of period	8	-
Exchange gains/(losses) on cash and cash equivalents		-
Cash and cash equivalents at end of period	8	**6 140**

The notes on pages 10 to 23 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Country of incorporation

S.D. Standard Drilling Plc. (the "Company") is a limited liability company incorporated and domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. The head office is located in Limassol, Cyprus. Its registered office is at 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3rd floor; 3030 Limassol; Cyprus.

Principal activities

The Company was established on 2 December 2010 with the object of investing in rigs, for future sale in any form, or operation through charter. S.D. Standard Drilling Plc. has entered into a turn-key construction contract with Keppel FELS Limited for one jack-up drilling rig, with delivery in July 2012. The Company also has entered independent option agreements for construction of two jack-up drilling rigs identical to the rig under construction.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below.

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. The financial statements have been prepared under the historical cost convention.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

2.1.1 Going concern

The Company was established via the conversion of the loan from Tymar AS to equity by the amount of USD 35.860.000. During 2010 the share capital is increased by a cash issue. (See Note 9)

The Company has sufficient funding in order to operate until delivery of the rig under construction. At delivery in July 2012 the final payment for construction, 80% of the contract is due. Additional funding will then be required. Additional funding will also be required if the Company choose to exercise any of the two options for additional rigs. The Company therefore has sufficient liquidity and equity to meet its obligations until it either decides to order additional rigs, or is to receive an asset that will create an ingoing cash flow through sale or operation.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopt the going concern basis in preparing its financial statements.

2.1.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial period beginning 2 December 2010 and not early adopted:

- **IFRS 9, 'Financial instruments**, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

- **Revised IAS 24 (revised), 'Related party disclosures'**, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party.

- **Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement** (effective for annual periods beginning on or after 1 January 2011).

- **Annual Improvements 2010** (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011). However, the standard has not yet been endorsed by the EU.

- **Amendments to IFRS 7 Financial Instruments: Disclosures** (effective for annual periods beginning on or after 1 July 2011). However, the standard has not yet been endorsed by the EU.

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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The Company's operations consist of having one turn-key construction contract with Keppel FELS Limited for one jack-up drilling rig that is under construction. The entire operations are therefore reported as one segment.

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 and cash and cash equivalents 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 Rig - Capitalised expenses

The Company has one jack-up drilling rig under construction at Keppel FELS Ltd. The contract is recognised in the balance sheet as "Rig – capitalised expenses" and is entered as the payments are made on account to the shipyard, in addition to other expenses directly attributable to the acquisition/ construction of the rig. Expenses for contract entry, as well as expenses for supervising the construction project, including supervision of the progress and quality of the work at the shipyard, are included in the directly attributable expenses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

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 balance sheet date in the countries where the Company operate and generate 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.

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 balance sheet 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 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Debt converted to equity at formation 2 December 2010, was converted at its face value as the lender was the 100% shareholder of the Company. The debt was the first instalment made to the yard on behalf of the Company during the period of incorporation 8 days prior to conversion.

3 Financial risk management

3.1 Financial risk factors

The Company has through its financing and the construction agreement's payment scheme, a low exposure towards financial risks such as currency, price and interest fluctuations. The foremost financial risk exposure for the Company is towards market risk, in this case, the development of rig rates and prices until the date of delivery.

(a) Market risk

The offshore premium jack-up drill market is characterised by strong competition among a limited number of customers and suppliers, where contracts are awarded on a competitive bid basis. The Company's agreement with Keppel FELS for construction of the Rig "B319" and the First Options and the Second Option of rigs identical to "B319", is based on an expectation of an increasing number of orders at high-end rig yards and a strong demand in the market for premium jack-up rigs with technology and design such as the Rigs. The market for the Rigs may not develop positively as anticipated by the Company and technological developments may make the Rigs obsolete or less attractive, affecting both the value of the Rigs and the Company's financial performance negatively.

The profitability and cash flow of the Company's operations will be dependent upon the market price of oil and gas, as the Company's customers are expected to be oil companies or oil drilling companies. The price of oil and gas is known to fluctuate and are affected by numerous factors beyond the Company's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries (OPEC), currency exchange rates and the availability of alternate energy sources. If the price of oil and gas products should drop significantly, the profitability and cash flow from the Rigs would be significantly reduced.

(i) Foreign exchange risk

The Company's functional currency is USD. The Company operates internationally, but as both the contract with Keppel FELS Limited and future revenues related to the rig will be agreed on and invoiced in USD, the foreign exchange risk is reduced. Foreign exchange risk may arise from future commercial transactions in other currencies than US dollars.

(ii) Price risk

The Company is not directly exposed to price risk relating to income, since the rig still is under construction.

The consideration for the jack-up drilling rig under construction at Keppel FELS Ltd is a fixed sum of USD 179.3 million.

(iii) Cash flow and fair value interest rate risk

The Company is fully financed by equity, and has no interest bearing debt; hence no interest rate risk is currently present.

(b) Shipyard risk

The Company 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.

The acquisition of rigs through building contracts will always be associated with building risks and delay risks. As a result of these risks, disputes may arise with the shipyard related to matters such as quality requirements, use of subcontractors and equipment specifications. The Company is aware of these risks and devotes substantial resources through using third parties to follow-up upon the process to reduce these risks. There is a high-priority focus on identifying any deviation from the contracts at an early point in time and finding a fast solution to identified deviations through discussions with the shipyard. The shipyard has to obtain a written approval from the Company before subcontracting work to a third party valuing USD 3 000 000 or more.

If Keppel FELS Limited fails to deliver the vessel by the delivery date, S.D. Standard Drilling Ltd will have the right to receive a daily penalty of USD 40 000 for each day of delay beginning at the 30th day of delay. The total amount payable by Keppel FELS Limited is USD 6 000 000. There is also a bonus agreement in case of early delivery amounting to USD 15 000 for each day of early delivery with a maximum of USD 900 000, subject to the Company having entered into an unconditional charter contract with a third party and the charterer agrees to take early delivery of the vessel.

Keppel FELS Limited bears the risk of loss and/or damage to the vessel and all equipment and materials purchased for and/or installed at the vessel until the delivery date. Regarding quality there is a project quality plan and the contract requires an ISO 9000 report, and S.D. Standard Drilling Limited has the right to investigate, or having a third party investigate the building process at Keppel FELS Limited.

(c) Credit risk

The Company has currently no accounts receivables, and is not expected to have any significant outstanding amounts in the near future. If so, the appropriate measures will be taken in order to minimise the credit risk.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Rig – capitalised expenses:	2 Dec - 31 Dec 2010
Instalment to Keppel FELS Limited in 2010	35 860
Other capitalised expenses related to construction of the rig in 2010	70
Contingent commission fee (note 10)	1 378
Total capitalised expenses of 31 December 2010	**37 308**
Contractual payment plan (Capital commitments):	
When entering contract: 20% (already paid)	35 860
Refund of 1%	-359
At delivery: 80%	143 440
Refund of 1%	-1 434
Construction monitoring services (payment throughout the construction period)	2 610
Total contractual payment plan	**180 117**

Upon payment of each installment to Keppel FELS, 1 % of each installment, and in total 1 % of the Purchase Price, shall be refunded to the Company. In effect, only 99 % of the Purchase Price shall be paid to Keppel FELS. As a result, the total capitalised expenses include an amount of USD 359 which is refundable on the first installment paid and the amount of contractual payments show the refund separately.

The instalment to Keppel FELS Ltd on 24 November 2010 was paid by Tymar AS, on behalf of Company under incorporation. The debt established was converted to equity on 2 December 2010 (see note 9).

The Company and Keppel FELS Ltd have entered option agreements to purchase two further jack-up drilling rigs identical to the rig under construction. The options are exercisable by S.D. Standard Drilling Plc, and execution dates are any time until 23 May 2011 and 23 August 2011, respectively. The scheduled delivery dates should the options be exercised are 23 July 2013 and 23 October 2013 respectively or an earlier date as may be agreed by the yard. No value has been assigned to the options.

The option agreements were also entered into on behalf of a company under incorporation referred to as "Standard Drilling Ltd" (as explained above in relation to the building contract).

6 Financial instruments by category

	Loans and receivables	Assets at fair value through profit or loss	Available-for - sale	Total
31 December 2010				
Assets as per balance sheet				
Cash and cash equivalents	6.140	-	-	6.140
Total	6.140	-	-	6.140

	Other financial liabilities	Total
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	1.207	1.207
Total	1.207	1.207

7 Credit quality of financial assets

The credit quality of 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:

	2010
Cash at bank and short-term bank deposits	
A3	**6 140**
Total	**6 140**

8 Cash and cash equivalents

	31 Dec 2010
Cash at bank	6 140
Cash and cash equivalents	**6 140**

First instalment of the rig contract amounting to USD 35 860, was a non cash transaction, as the instalment was paid on behalf of the company under formation, and at formation the debt was converted to equity. Hence, no cash went through the Company.

9 Share capital and premium

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At formation 2 December 2010				-
Debt Conversion (formation of the Company)	35 860	359	35 501	35 860
On 9 December 2010: Cash from shares issued (share capital increase)	6 140	61	6 079	6 140
Share issue costs			-1 050	-1 050
At 31 December 2010	**42 000**	**420**	**40 530**	**40 950**

The Company issued 35 860 000 shares on 2. December 2010 as consideration for conversion of debt to Tymar AS (related party).

All shares issued have the same rights.

The total number of authorised shares is 42 000 000 shares of nominal value $0,01 each.

10 Provisions for other liabilities and charges

	Contingent liability	Total
At 2 December 2010 capitalised to rig contract	1 366	1 366
Increase due to the passage of time	12	12
Total	1 378	1 378

A contingent liability of USD 1 600 has been recognised as an estimated outcome of commission fees payable upon sale of rig or rig contract, or charter of rig when completed. The liability has been estimated based on the probability for a set of likely outcomes (note 17).

11 Trade and other payables

	31 Dec 2010
Payables	1 097
Accrued expenses	110
Total trade and other payables	**1 207**

12 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 Dec 2010
Deferred tax assets:	
Deferred tax asset to be recovered after more than 12 months	-
Deferred tax asset to be recovered within 12 months	-
Total deferred tax assets	-
Deferred tax liabilities:	
Deferred tax liability to be recovered after more than 12 months	-
Deferred tax liability to be recovered within 12 months	-
Total deferred tax liabilities	-
Deferred tax liabilities (net)	**-**

The gross movement on the deferred income tax account is as follows:

At 2 Dec 2010	-
Income statement charge	-
Tax charged/(credited) related to other comprehensive income	-
Tax charged/(credited) directly to equity	-
	-
At 31 December	

Deferred tax assets	Tax losses	Other	Total
At 2 December 2010			-
Charged/(credited) to income statement			-
Charged/(credited) to other comprehensive income			-
Charged/(credited) directly to equity			-
At 31 December 2010	-	-	-

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. The Company did not recognise deferred income tax assets of USD 9 in respect of loss amounting to USD 86 that can be carried forward against future taxable income.

13 Finance income and costs

	2 Dec - 31 Dec 2010
Finance costs:	
Interest expense - bank borrowings	-
Total finance cost	-
Finance income:	
Interest income on short-term bank deposits	
Total finance income	-
Net finance costs	-

14 Income tax expense

	2 Dec - 31 Dec 2010
Current tax:	
Current tax on profits for the year	
Total current tax	-
Deferred tax:	
Origination of temporary differences	-
Total deferred tax	-
Income tax expense	**-**
Profit before tax	**-86**
Tax calculated at domestic tax rates applicable to profits	-9
Tax effects of:	
- Tax losses for which no deferred income tax assets was recognised	9
Tax charge	**-**

15 Earnings per share

Basic earnings per share is 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.

	2 Dec - 31 Dec 2010
Basic/diluted EPS	
Profit attributable to equity holders of the Company	-86
Weighted average number of ordinary shares in issue (thousands)	39 248

16 Cash generated from operations

	2 Dec - 31 Dec 2010
Profit before income tax	-86
Adjustments for:	
Finance costs – net (note 12)	-
Changes in working capital:	
Other receivables	
Payables	86
Cash generated from operations	**-**

17 Related-party transactions

The Company was formed by conversion of debt related to payment of the first instalment on the rig contract made by founding company Tymar AS, on behalf of the company under formation. The debt was converted at face value 8 days after the payment of the instalment.

The Company has a commission agreement with Ferncliff Drilling Management AS (FDM). In total 90% of the shares of FDM is owned directly by shareholders in S.D. Standard Drilling Plc or associated companies of such shareholders. The residual 10% of FDM is ultimately owned by Director Martin Nes (5%) and acting CFO Espen Lundaas (5%).

FDM has assisted the Company in negotiating the rig construction contract, and the two construction options. FDM will as remuneration for any and all assistance receive a charter commission of 1% for each charter contract the Company sign for its rig(s). This shall be payable in accordance with the payment provisions under the relevant charter and the Company shall pay FDM within 14 days after the Company has received payment. In case of sale of any rigs, either by asset or by shares, FDM will receive a transaction fee of 1% of the transaction price. The transaction fee shall only be payable if the implicit price for the rig(s) involved shall be above the aggregate of the price(s) agreed with the contractor in the respective building contracts and the direct costs for the Company in relation to such rig(s). This fee shall be payable to FDM within 14 days after the closing of the transaction. The Company has recognised a provision in respect of the above.

FDM is also entitled an option fee of 0,25% of the turn-key price of any of the two options if exercised. This fee shall be payable within 14 days after exercise of the relevant option. A liability will be recognised if and when the Company exercises the option.

PRICEWATERHOUSECOOPERS

INVESTORS IN PEOPLE

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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 S.D. Standard Drilling Plc. (the "Company"), which comprise the balance sheet as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

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 (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of S.D. Standard Drilling Plc. as at 31 December 2010, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, 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.
- 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 156 of the Cyprus Companies Law, Cap. 113 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.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 17 February 2011