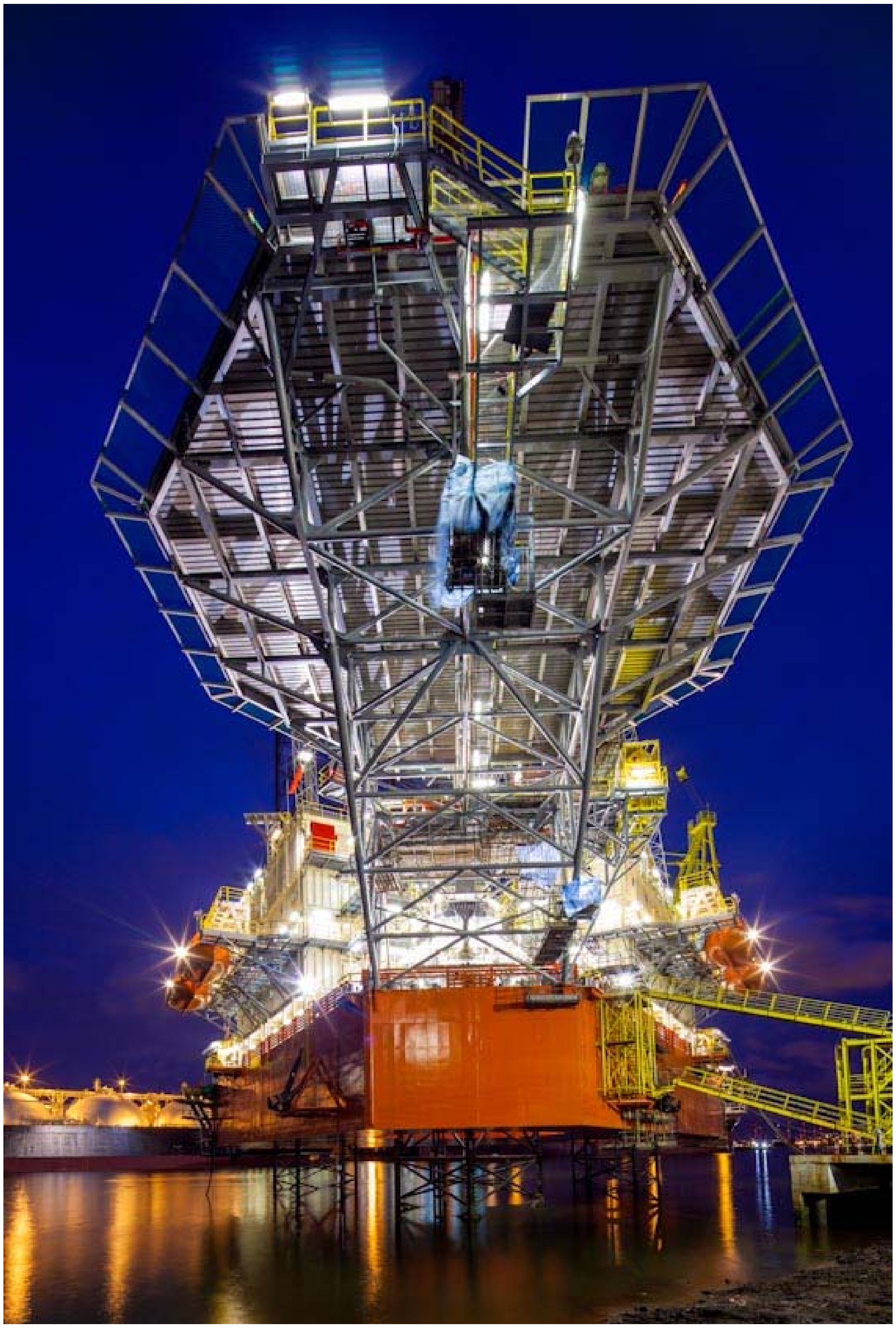
S.D. STANDARD DRILLING PLC
ANNUAL REPORT AND SEPARATE FINANCIAL STATEMENTS 2012



STANDARD DRILLING

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Gunnar Hvammen (Chairman)
Amit Gupta (Non-Executive Director)
Robert Petty (Non-Executive Director)
Øystein Stray Spetalen (Non-Executive Director)
Stephen Marzo (Independent Director)
Demetris Aletraris (Non-Executive Director)
George Crystallis (Independent Director)

Chief Executive Officer

Martin Nes

Chief Financial Officer

Geir Johansen

Company Secretary

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

Registered office

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

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the financial statements of S.D. Standard Drilling Plc, for the year ended 31 December 2012 we confirm that, to the best of our knowledge :

a) The financial statements of the Company for the year ended 31 December 2012 which are presented on pages 7 to 32.

(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.

Gunnar Hvammen
Chairman

Amit Gupta
Non-Executive Director

Robert Petty
Non-Executive Director

Øystein Stray Spetalen
Non-Executive Director

Stephen Marzo
Independent Director

Demetris Aletraris
Non-Executive Director

George Crystallis
Independent Director

Martin Nes
Chief Executive Officer

Geir Johansen
Chief Financial Officer

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 2012.

HISTORY AND PRINCIPAL ACTIVITIES

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

BUSINESS STRATEGY

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

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. At present with only a single rig remaining new build contract and a strong balance sheet, the Board believes the Company is in a good position to take advantage of opportunities, both in relation to the sale, charter, acquisition of jack-up rigs as well as in respect of return of equity to the shareholders.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE COMPANY AND ENTITIES CONTROLLED BY THE COMPANY'S BUSINESS

The Company and entities controlled by the Company, hereafter refer as the "Group" achieved a number of important milestones during 2012.

- During the year the Group sold or signed agreements to sell a total of five rigs. Three of the sale transactions had legal and financial closing during 2012 (B324, B325 and B339). The net proceeds from these sales were USD 200.9 million while net gain was USD 42 million. For the transactions that closed during 2013 (B337 and B338) the net proceeds were USD 124.4 million while net gain was USD 44.1 million.

- The Group management has been working closely with Keppel FELS Shipyard and has used GL Noble Denton to assist in the technical monitoring of the rig construction process.

- Efforts were initiated to identify potential customers for term contracts or for sale of the rig new building contracts.

- Management has during the year engaged in discussions with financial institutions with respect to the residual funding requirements associated with the delivery of the rigs under construction.

RIG NEW BUILD CONTRACT

As of 31 March 2013 the Group has one rig new build contract (B340) left in its portfolio. The rig is scheduled to be delivered in May 2014 and the Company expects the rig to be delivered on time and on budget.

SECTOR OUTLOOK

We see the following key themes in the sector:

- Robust outlook in the oil services sector driven by increasing E&P spending;
- Supply demand dynamics are strong in the jack-up segment with the premium market running close to full utilization;
- Significant need for fleet renewal given the aging fleet of existing jack-ups;
- The U.S. Gulf of Mexico Macondo accident has further driven demand for premium equipment by E&P companies pushing for increased safety requirements; and
- New, high specification jack-up rigs are for most wells substantially more efficient than older rigs and have greater technical capabilities.

Financial Results

The Company's net profit after tax for the year ended 31 December 2012 was USD 5.2 million compared to a net profit of USD 32.3 million for the year ended 31 December 2011. The total assets of the Company for 2012 were USD 402.3 million and the net assets were USD 363.4 million, compared to USD 398.3 million and USD 395.1 million respectively in 2011.

Principal Risks and Uncertainties

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the offshore rig industry. In addition the Company incurs operational risk as well as risks associated with the construction of the jack-up rigs. The Company is also exposed to financial risks as disclosed in Notes 3 of 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

The Directors are optimistic about the market for jack-up rigs for the foreseeable future and expect day rates and rig valuation to continue to increase during 2013. In light of the rig new build sales transactions executed during 2012, the Company will not be operating rigs in the near future. Thus, it is not necessary for the Company to have a fully built out technical organization in place in Singapore and the technical team will therefore be reduced to reflect this.

Results

The Company's results for the year are set out on page 7. The Board of Directors decided in December 2012 to pay an interim dividend of USD 0,14 per share. The dividend pay-out took place in January 2013.

Share capital

There have been no changes in the share capital and share premium of the Company during the year.

Board of Directors

The members of the Board of Directors at 31 December 2012 are shown on page 3.

In accordance with the Company's Articles of Association, the Directors Mr. Amit Gupta and Mr. Øystein Spetalen will retire by rotation but are eligible for re-election at the Annual General Meeting of the Company.

There were no significant changes in the assignment of responsibilities of the Board of Directors. The remuneration of the Members of the Board of Directors is shown in note 30 of the financial statements.

The Board of Directors established an Audit Committee on 29 February 2012. The Audit Committee has two members.

The 2012 Annual General Meeting held on 23 May 2012 voted in favour of establishing a Nomination Committee. The Nomination Committee has two members.

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:

Robert Petty and Amit Gupta through Clearwater Capital Partners Fund III; Gunnar Hvammen through Solan Capital AS and Thabo Energy AS; Øystein Stray Spetalen through Tymar AS,Tycoon Industrier AS, Saga Tankers ASA and Nordic Construction Barges.

Events After the Balance Sheet Date

Any material post balance sheet events are described in note 31 to the consolidated financial statements.

Branches

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

Corporate Governance

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

Independent Auditors

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

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

CQS Secretarial Limited

CQS SECRETARIAL LIMITED

Secretary, Limassol, 24 April 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts in USD 000)		31.12.2012	31.12.2011
	Note	*Audited*	*Audited*
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/(loss)		**-**	**-**
Other gains and losses	22	6 250	34 709
Administrative expenses	23	(2 159)	(3 317)
Operating profit/(loss) before depreciation		**4 091**	**31 392**
Depreciation and amortization		(3)	-
Operating profit/(loss)		**4 088**	**31 392**
Finance Income	24	1 154	962
Finance Costs	24	(36)	-
Profit/(Loss) for the year before tax		**5 206**	**32 354**
Income tax expense	21	(6)	(7)
Profit/(Loss) for the year		**5 200**	**32 347**
Other comprehensive income		-	-
Total comprehensive income for the year		**5 200**	**32 347**
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	25	0,02	0,17

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

(Amounts in USD 000)		31.12.2012	31.12.2011
ASSETS	Note	*Audited*	*Audited*
Investments in subsidiaries	7	178 500	280 282
Rig-under construction	8	-	-
Intangible asset	9	9	-
Equipment and machinery	10	2	1
Non-current receivables	11	-	1 434
Total non-current assets		**178 511**	**281 717**
Trade and other receivables	12	9 612	2 656
Loan receivable	13	-	35 813
Cash and bank balances	14	175 706	78 153
Assets classified as held for sale	15	38 500	-
Total current assets		**223 818**	**116 622**
Total Assets		**402 329**	**398 339**
EQUITY AND LIABILITIES			
Ordinary shares	16	2 620	2 620
Share premium	16	359 950	359 950
Reserves	17	-	282
Accumulated profits/(losses)		781	32 261
Total equity		**363 351**	**395 113**
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	18	-	-
Total non-current liabilities		-	-
Trade and other payables	19	2 298	3 219
Dividend payable	20	36 680	-
Current tax liabilities	21	-	7
Total current liabilities		**38 978**	**3 226**
Total Equity and Liabilities		**402 329**	**398 339**

On 24 April 2013, the Board of Directors of S.D. Standard Drilling Plc authorized these financial statements for issue.

Stephen Marzo Director

Demetris Aletraris Director

Statement Of Changes in Equity
For the Year Ended 31 December 2012

(Amounts in USD 000)	**Note**	**Share Capital**	**Share Premium**	**Share Option Reserve**	**Accumulated Profits/(Losses)**	**Total**
Balance at 01.01.2011		420	40 530		(86)	40 864
Comprehensive income						
Profit/(Loss) for the year		-	-		32 347	32 347
Transactions with owners						
Share capital increase	16	2 200	327 800	-	-	330 000
Share issue costs	16	-	(8 380)		-	(8 380)
Employee share option scheme						
Value of employee services	17	-	-	282	-	282
Balance at 31.12.2011 (*Audited*)		**2 620**	**359 950**	**282**	**32 261**	**395 113**
Balance at 01.01.2012		2 620	359 950	282	32 261	395 113
Comprehensive income						
Profit/(Loss) for the year		-		-	5 200	5 200
Transactions with owners						
Interim dividend	20	-	-	-	(36 680)	(36 680)
Employee share option scheme						
Value of employee services	17	-	-	2 094	-	2 094
Value of employees services reclassified on modification to cash-settled share based payments transactions	17	-	-	(2 376)	-	(2 376)
Balance at 31.12.2012 *(Audited)*		**2 620**	**359 950**	**-**	**781**	**363 351**

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 (in 2011 the rate was 15% up to 30 August 2011 and 17% 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 2012

(Amounts in USD 000)		31.12.2012	31.12.2011
	Note	*Audited*	*Audited*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year before income tax		5 206	32 354
Adjustments for:			
Other gains and losses	22	(6 250)	(34 709)
Loss from sale of equipment and machinery	10	-	2
Depreciation and amortization expense	10	2	-
Interest income	24	(1 154)	(962)
Increase in trade and other receivables		(5 522)	(2 656)
Decrease in trade and other payables		(921)	(765)
Income tax paid		(13)	-
Net cash used in operating activities		**(8 652)**	**(6 736)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	9	(11)	-
Incorporation and purchase of investment in subsidiaries		-	(162 493)
Purchases of equipment and machinery	10	(1)	(3)
Additions to rigs capitalized costs		-	(3 127)
Net proceeds from disposal of subsidiaries		67 856	75 110
Waiving of balance payable to subsidiary		1 394	
Loans granted to subsidiary	13	-	(40 000)
Loans repayments received	13	35 813	5 100
Interest received	24	1 154	49
Net cash generated from/(used in) investing activities		**106 205**	**(125 364)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares, net		-	204 113
Net cash generated from financing activities		**-**	**204 113**
Net increase in cash and cash equivalents		**97 553**	**72 013**
Cash and cash equivalents at beginning of year		78 153	6 140
Cash and cash equivalents at end of year		175 706	78 153

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

COUNTRY OF INCORPORATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The Company and the entities controlled by the Company were established for the purpose of building a premium oilfield services company with superior assets, systems and people. At present the Company and entities controlled by the Company hold construction contract for the building of 1 jack-up rig of the KFELS MOD V B-Class design at Keppel FELS Shipyard in Singapore.

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.

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 2012 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 2012 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 2012

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 2012. 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 2012:

(i) Standards and Interpretations adopted by the EU

- *Amendments to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 13 December 2012)*
- *Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 13 December 2012)*
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 11 December 2012)*
- *IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 11 December 2012)*
- *IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 11 December 2012)*
- *IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 11 December 2012)*
- *IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 11 December 2012)*
- *IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 11 December 2012)*
- *IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 11 December 2012)*
- *Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 11 December 2012)*
- *IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 11 December 2012)*
- *IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 5 June 2012)*
- *Amendments to IAS 19 Employee Benefits (effective for annual periods beginning on or after 5 June 2012)*
- *Improvements to IFRSs 2009-2011 (issued on 17 May 2012) (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance (issued on 28 June 2012) (effective for annual periods beginning on or after 1 January 2013)*

(ii) Standards and Interpretations not adopted by the EU

- *IFRS 9 ''Financial Instruments'' (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015)*
- *Amendments to IFRS 1 – Government loans (issued 13 March 2012) (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012) (effective for annual periods beginning on or after 1 January 2014).*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 RIG-UNDER CONSTRUCTION

Costs relating to construction of the Drilling rigs are classified as non-current assets in the balance sheet. Instalments on Rig building contracts are recognised when due in accordance with the rig-building agreement, costs relating to on-site construction supervision are recognised based on stage of completion of the construction of the rigs and other pre-delivery construction costs are recognised upon incurring.

A rig 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 a rig is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

(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.

2.7 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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 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.

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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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.

2.13 LOANS GRANTED

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

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

2.14 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.

2.15 SHARE-BASED PAYMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 SHARE-BASED PAYMENTS (CONTINUED)

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

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

2.16 DIVIDENDS

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

2.17 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.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Currency risk

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

(ii) Price risk

The Company is not directly exposed to price risk relating to income, since the rigs owned by its subsidiaries are still under construction.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3.1 FINANCIAL RISK FACTORS (CONTINUED)

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

(b) Shipyard risk

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

(c) Credit risk

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

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

(d) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

(Amounts in USD 000)	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
2011							
Trade and other payables	3 219	3 219	3 219	-	-	-	-
Total	**3 219**	**3 219**	**3 219**	**-**	**-**	**-**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY

(Amounts in USD 000)	**Loans and receivables**	**Assets at fair value through profit or loss**	**Available-for Sale**	**Total**
2011				
Assets as per balance sheet				
Loan receivable	35 813	-	-	35 813
Non-current receivables	1 434	-	-	1 434
Trade and other receivables (excluding prepayments)	2 641	-	-	2 641
Cash and cash equivalents	78 153	-	-	78 153
Total at the end of the year	**118 041**	**-**	**-**	**118 041**

(Amounts in USD 000)	**Other financial liabilities**	**Total**
2011		
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	3 219	3 219
Total at the end of the year	**3 219**	**3 219**

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 6 – CREDIT QUALITY OF FINANCIAL ASSETS

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

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Cash at bank and short-term bank deposits (1)	175 706	78 153
Loan receivable (2)	-	35 813
Trade and other receivable (excluding prepayments (3)	9 595	2 641
Total at the end of the year	**185 301**	**116 607**

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

			Credit ratings	
(Amounts in USD 000)	**31.12.2012**	**31.12.2011**	**Long term rating**	**Short term rating**
DNB Bank ASA (Standard & Poor's)	175 116	77 659	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	590	494	Caa2	Not Prime

(2) The loan has been granted to a subsidiary company with no history of default.

(3) No significant credit risk arises from the receivable from the shipyard as the amounts will be netted off with future payments. The remaining balance relates to amounts advanced to subsidiary companies with no history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 7 – INVESTMENTS IN SUBSIDIARIES

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Balance at the beginning of the year	280 282	-
Additions	-	320 435
Cost of share based payments	2 094	282
Value of employees services reclassified on modification to cash-settled share based payment transactions (note 28)	(2 376)	-
Disposals	(63 000)	(40 435)
Investment in Offshore Driller 4 Ltd - classified as held for sale	(38 500)	-
Balance at the end of the year	**178 500**	**280 282**

In June 2012 the Company entered into an agreement to sell the shares held in the subsidiary Company Offshore Driller B324 Ltd. The transaction closed in September 2012.

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

Name	**Date of incorporation**	**Country of incorporation**	**Share**	**Voting rights**
Offshore Driller B325 Ltd	15 December 2010	Cayman Islands	100%	100%
Offshore Driller 1 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 2 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 3 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 4 Ltd	8 April 2011	Cayman Islands	100%	100%
S.D. Standard Drilling (Singapore) Pte Ltd	9 June 2011	Singapore	100%	100%

In January 2013, the Company decided to proceed with the liquidation of subsidiary companies Offshore Driller B325 Ltd, Offshore Driller 1 Ltd and Offshore Driller 3 Ltd. Further in March 2013 subsidiary company Offshore Driller 2 Ltd was put into liquidation.

NOTE 8 – RIG – UNDER CONSTRUCTION

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Balance at the beginning of the year	-	37 308
Other capitalised costs related to construction of the rigs	-	864
Contingent commission fee (note 18)	-	2 622
Refund of 1%	-	(359)
Jack-up rig B319 novated	-	(40 435)
Balance at the end of the year	-	-

On 14 October 2011, the Company novated the construction agreement of the jack-up rig B319 to the subsidiary Offshore Driller 5 Ltd. As consideration, Offshore Driller 5 Ltd has issued to the Company on 23 August 2011, 40.435 thousand shares of USD 1,00 each at a premium of USD 999 per share. Subsequently, the Company disposed the shares held in the subsidiary Offshore Drillers 5 Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 9 – INTANGIBLE ASSET

(Amounts in USD 000)	Computer software	Total
Cost		
At 1 January 2011	-	-
At 31 December 2011	-	-
Additions	11	11
At 31 December 2012	**11**	**11**
Amortisation		
At 1 January 2011	-	-
At 31 December 2011	-	-
Charge for the year	2	2
At 31 December 2012	**2**	**2**
Net book amount		
Balance at 31 December 2012	**9**	**9**
Balance at 31 December 2011	-	-

NOTE 10 – EQUIPMENT AND MACHINERY

(Amounts in USD 000)	Computer Hardware	Total
Cost		
At 1 January 2011	-	-
Additions	3	3
Disposal	(2)	(2)
At 31 December 2011	1	1
Addition	1	1
At 31 December 2012	**2**	**2**
Depreciation		
At 1 January 2011	-	-
At 31 December 2011	-	-
Charge for the year	-	-
At 31 December 2012	**-**	**-**
Net book amount		
Balance at 31 December 2012	**2**	**2**
Balance at 31 December 2011	1	1

In the cash flow statement proceeds from the sale of equipment and machinery comprised:

(Amounts in USD 000)	31.12.2012	31.12.2011
Proceeds from disposal of equipment and machinery	-	-
Net book amount	-	2
Loss from the sale of equipment and machinery	-	**2**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 11 - NON-CURRENT RECEIVABLE

Non-current receivable was comprised by a refund of USD 1 434 for Keppel FELS being the remaining 80% of the 1% of B319's contractual purchase price. Non-current receivable will be settled on delivery of jack-ups rigs B337 and B338 by the shipyard which is expected to occur in 2013 and consequently was reclassified as current receivable (note 12).

NOTE 12 – TRADE AND OTHER RECEIVABLES

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Prepayments	17	18
Other receivables (note 11)	1 528	56
Receivables from own subsidiaries (note 29.3)	8 067	2 582
Total trade and other receivables at the end of the year	**9 612**	**2 656**

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

NOTE 13 – LOANS RECEIVABLE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Balance at the beginning of the year	35 813	-
New loans granted	-	40 000
Interest income	600	913
Repayments	(36 413)	(5 100)
Balance at the end of the year	**-**	**35 813**

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Loan to own subsidiary (note 29.4)	-	35 813

Amounts in USD 000)	**31.12.2012**	**31.12.2011**
The loan is repayable as follows:		
Within one year	-	35 813

The above loan was bearing interest at 4% per annum, was unsecured and was repaid in full on 30 June 2012.

NOTE 14 – CASH AND CASH EQUIVALENTS

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Cash at bank	175 706	78 153
Cash and cash equivalents at the end of the year	**175 706**	**78 153**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Investment in Offshore Driller 4 Ltd	38 500	-
Total assets held for sale at the end of the year	**38 500**	**-**

The investment in subsidiary Company Offshore Driller 4 Ltd, was reclassified as held for sale as management is considering to sell jack-up rig B340 or the whole investment and an active program to locate a buyer has been initiated.

NOTE 16 – SHARE CAPITAL AND PREMIUM

(Amounts in USD 000)	**Number of shares (thousands)**	**Ordinary shares**	**Share premium**	**Total**
2011				
Balance at the beginning of the year	42 000	420	40 530	40 950
On 4 May 2011: share capital increase	220 000	2 200	327 800	330 000
Share issue costs	-	-	(8 380)	(8 380)
Balance at the end of the year	**262 000**	**2 620**	**359 950**	**362 570**
2012				
Balance at the beginning of the year	**262 000**	**2 620**	**359 950**	**362 570**
Balance at the end of the year	**262 000**	**2 620**	**359 950**	**362 570**

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

NOTE 17 – EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Balance at the beginning of the year	282	-
Arising on share-based payments	2 094	282
Value of employees services reclassified on modification to cash-settled share based payments transactions (note 28)	(2 376)	-
Balance at the end of the year	**-**	**282**

Share options were granted to key management employees. Further information about share-based payments to employees is set out in note 28.

NOTE 18 – PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Balance at the beginning of the year	-	1 378
Increase due to the passage of time (note 8)	-	36
Additional provisions (note 8)	-	2 586
Payment	-	(4 000)
Balance at the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 19 – TRADE AND OTHER PAYABLES

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Other payables	289	337
Accrued expenses	2 009	2 882
Total trade and other payables at the end of the year	**2 298**	**3 219**

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

NOTE 20 – DIVIDEND PAYABLE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Interim Dividend	36 680	-
	36 680	**-**

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

NOTE 21 – INCOME TAX EXPENSE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Current tax:		
Corporation tax current year	6	-
Defence contribution on interest received	-	7
Total current tax	6	7
Deferred tax:		
Origination of temporary differences	-	-
Total deferred tax	-	-
	-	
Income tax expense	**6**	**7**

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

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Profit/(loss) before tax	5 206	32 354
Tax calculated at the applicable tax rates	521	3 235
Tax effect of expenses not deductible for tax purposes	117	236
Tax effect of allowances and income not subject to tax	(625)	(3 471)
Tax effect of tax loss brought forward	(7)	-
Defence contribution current year	-	7
Tax charge	**6**	**7**

The corporation tax rate is 10%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 21 – INCOME TAX EXPENSE (CONTINUED)

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% up to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter).

Balance sheet
Current tax liability:

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Special defence contribution	-	7
	-	**7**

NOTE 22 – OTHER GAINS AND LOSSES

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Gain on disposal of subsidiary Offshore Driller B324 Ltd (note 22.1)	4 856	-
Waived balance from subsidiary (note 22.2)	1 394	-
Gain on disposal of subsidiary Offshore Driller 5 Ltd	-	34 709
	6 250	**34 709**

In June 2012, the Company entered into an agreement to sell the shares held in the subsidiary company Offshore Driller B324 Ltd which owns the jack-up rig B324, currently under construction at Keppel FELS Limited's Shipyard in Singapore to UMW Oil and Gas, a company incorporated in Malaysia. The transaction closed in September 2012.

22.1 Gain on disposal of subsidiary

	31.12.2012	**31.12.2011**
Consideration received net	67 856	75 144
Cost of investment	(63 000)	(40 435)
Gain on disposal	**4 856**	**34 709**

22.2 Waived balance from subsidiary

On 30 June 2012 the subsidiary company Offshore Driller B324 Ltd has waived the balance due from the Company.

NOTE 23 – ADMINISTRATIVE EXPENSE

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Legal, consulting and professional fees	1 144	2 607
Other expenses	415	458
Salary and other short-term employee benefit (note 30)	600	252
Total administrative expenses	**2 159**	**3 317**

During 2012 audit fees of USD 11 thousand (2011: USD 13 thousand), fees of USD 18 thousand (2011: USD 23 thousand) for other assurance services and fees of USD NIL (2011: 18 thousand) for tax consultancy services were charged by the Company's statutory audit firm.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 23 – ADMINISTRATIVE EXPENSE (CONTINUED)

23.1 Employees full time

	31.12.2012	31.12.2011
Employees	1	1

NOTE 24 – FINANCE INCOME AND COSTS

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Finance income:		
Bank interest received	554	49
Interest income from loan to subsidiary	600	913
Total finance income	**1 154**	**962**
Finance costs:		
Bank charges	36	-
Total finance cost	**36**	**-**

NOTE 25 – 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.

25.1 Basic earnings per share

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Profit/(loss) attributable to equity holders of the Company	5 200	32 347
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands)	262 000	187 260
Basic earnings per share	**0,02**	**0,17**

There are no potentially dilutive instruments.

NOTE 26 – 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 2012 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 2012

NOTE 27 – SHAREHOLDERS' INFORMATION

The Company's 20 largest shareholders as at 31 December 2012 are as follows:

	31.12.2012		31.12.2011	
Owner	**Number of Shares**	**Ownership interest in %**	**Number of Shares**	**Ownership interest in %**
Clearwater Capital Partners Fund	78 338 000	29,90	78 338 000	29,90
BNYBE – QVT Fund V LP I	17 378 146	6,63	-	-
Credit Suisse Securities (USA) LLC	16 151 588	6,16	15 116 689	5,77
Deutsche Bank AG London	13 315 901	5,08	6 036 811	2,30
Tymar AS	11 249 995	4,29	11 249 995	4,29
Tycoon Industrier AS	10 100 256	3,86	2 973 001	1,14
Euroclear Bank S.A./N,V. (BA)	8 308 489	3,17	22 114 812	8,44
BNYBE – QVT Fund L.P.	7 274 983	2,78	-	-
Gross Management AS	5 166 681	1,97	4 866 681	1,86
Sabaro Investment Ltd	5 165 000	1,97	5 165 000	1,97
Thabo Energy AS	4 745 000	1,81	4 745 000	1,81
JPMCB RE SHB Swedish Funds Lending	4 021 875	1,54	-	-
JPMORGAN Chase Bank	3 925 968	1,50	3 527 949	1,35
JP Morgan Clearing Corp.	3 738 488	1,43	-	-
MP Penjion PK	3 560 000	1,36	3 560 000	1,36
Verdipapirfondet dnb Norge Selekti	3 407 013	1,30	-	-
VPF Nordea Kapital	3 056 592	1,17	-	-
BNYBE – Quintessence Fund LP	2 981 977	1,14	-	-
BNYBE – QVT Fund IV LP I	2 967 067	1,13	-	-
Deutsche Bank AG London	2 955 255	1,13	-	-
Bank of New York Mellon SA/NV	-	-	9 662 347	3,68
Goldman Sachs & Co – Equity	-	-	4 410 376	1,68
Varma Mutual Pension Insurance	-	-	4 320 000	1,65
SHB Stockholm Clients Account	-	-	4 315 800	1,65
Morgan Stanley & Co LLC	-	-	4 105 222	1,56
Skandinaviska Enskilda Banken	-	-	3 947 798	1,51
JP Morgan Clearing Corp.	-	-	3 583 318	1,37
Shenga Trading Company Limited	-	-	2 899 382	1,11
Citibank NA London Branch	-	-	2 880 000	1,10
Total 20 largest	207 808 274	79,32	197 818 181	75,50
Others	54 191 726	20,68	64 181 819	24,50
Total	**262 000 000**	**100,00**	**262 000 000**	**100,00**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 28 – SHARE-BASED PAYMENTS

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

NOTE 29 – RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

29.1 Management services

(Amounts in USD 000)	**Nature of transactions**	**31.12.2012**	**31.12.2011**
Clearwater Capital Partners LLC	Management fees	300	350
Ferncliff TIH AS	Management fees	368	250
Lauvheim Holding AS	Consulting fees	-	128
Tycoon Industries AS	Recharging fees	88	-
Total		**756**	**728**

The Company had no transactions with shareholders other than those disclosed above. The above shareholders exercise significant influence through Board representation.

29.2 Interest income

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Offshore Driller B324 Limited (note 13)	600	913
Total	**600**	**913**

The balance sheet includes the following balances with related parties.

29.3 Receivables from related parties

(Amounts in USD 000)	**Nature of transactions**	**31.12.2012**	**31.12.2011**
Offshore Driller 1 Limited	Finance	2 284	124
Offshore Driller 2 Limited	Finance	2 084	18
Offshore Driller 3 Limited	Finance	1 567	40
Offshore Driller 4 Limited	Finance	316	61
Offshore Driller B324 Limited	Finance	-	1 151
Offshore Driller B325 Limited	Finance	-	641
S.D. Standard Drilling (Singapore) Pte. Limited	Finance	1 816	547
Total		**8 067**	**2 582**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 29 – RELATED-PARTY TRANSACTIONS (CONTINUED)

29.4 Loan to related undertaking

(Amounts in USD 000)	**31.12.2012**	**31.12.2011**
Offshore Driller B324 Limited (note 13)	-	35 813
Total	**-**	**35 813**

The loan granted to own subsidiary bear interest 4% per annum, was unsecured and was repaid in full in 30 June 2012.

NOTE 30 – REMUNERATION TO THE BOARD OF DIRECTORS

(Amounts in USD 000)	**Directors' Fees**	**Salary**	**Benefits in kind**	**Share based Payments expense**	**31.12.2012 Total**	**31.12.2011 Total**
Executive management:						
Karina Irgens-Hagevik –CEO (from 10 February until 27 May 2011)	-	-	-	-	-	23
Total remuneration executive management	**-**	**-**	**-**	**-**	**-**	**23**

(Amounts in USD 000)	**Directors' Fees**	**Salary**	**Benefits in kind**	**Share options scheme expense**	**31.12.2012 Total**	**31.12.2011 Total**
Board of Directors:						
Robert Petty (Non-Executive Director)	60	-	-	-	60	47
Amit Gupta (Non-Executive Director)	50	-	-	-	50	31
Gunnar Hvanmen (Chairman)	65	-	-	-	65	31
Oystein Stray Spetalen (Non-Executive Director)	50	-	-	-	50	31
Stephen Marzo (Independent Director)	63	-	-	-	63	31
Demetris Aletraris (Non-Executive Director)	18	-	-	-	18	7
George Crystallis (Independent Director)	2	-	-	-	2	2
Total remuneration Board of Directors	**308**	**-**	**-**	**-**	**308**	**180**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 31 – SUBSEQUENT EVENTS

1. In January 2013, an interim dividend of USD 0,14 per share amounting to USD 36.7 million in total was paid to shareholders.

2. In January 2013, the Company decided to proceed with the liquidation of the following subsidiary companies: Offshore Driller B325 Ltd, Offshore Driller 1 Ltd and Offshore Driller 3 Ltd. Further in March 2013 subsidiary company Offshore Driller 2 Ltd was put into liquidation.

3. In an extraordinary general meeting of the Company on 5 March 2013, it was resolved by a special resolution that the share premium account of the company which is kept under the provisions of section 55 of the Companies Law, be reduced from USD 369.4 (gross of share issue costs amounting to USD 9.4 million) million to USD 39.9 million. Of this reduction in the share premium account, the amount of USD 320 million will be returned to the registered shareholders of the Company as of the second trading day on the Oslo Axess, after the reduction becomes effective upon the registration with the Cyprus Registrar of Companies of the court order confirming such reduction of the share premium account of the company and the issuance by the Registrar of Companies of the relevant certificate according to article 67 of the Cyprus Companies Law, Cap. 113. It is expected that the contemplated Capital Reduction will be completed in May 2013.

4. The Company's cash held with Bank of Cyprus affected by measures introduced by the Central Bank of Cyprus during March 2013 were USD 398 thousand as at the relevant date of implementation. Out of this balance, an amount of USD 160 thousand is the maximum exposure of the Company to be converted in shares of Bank of Cyprus.

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 balance sheet as at 31 December 2012, 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 2012, 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 requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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 2012.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 24 April 2013