

S.D. STANDARD DRILLING PLC

**ANNUAL REPORT AND SEPARATE
FINANCIAL STATEMENTS 2014**



STANDARD DRILLING

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Martin Nes (Chairman)
Gunnar Hvammen (Non-Executive Director)
George Crystallis (Independent Director)

General Manager

Evangelia Panagides

Chief Financial Officer

Espen Lundaas

Company Secretary

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

Registered office

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

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

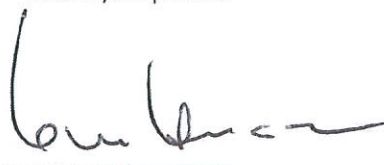
In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the financial statements of S.D. Standard Drilling Plc ("the Company"), for the year ended 31 December 2014 we confirm that, to the best of our knowledge :

- a) the financial statements of the Company for the year ended 31 December 2014 which are presented on pages 7 to 31.
- (i) were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union in accordance with provisions of Article 9, section 4 of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of S.D. Standard Drilling Plc, and the business that are included in the financial statements as a total, and
- b) the Directors' report provides a fair review of the developments and the performance of the business as well as the financial position of S.D. Standard Drilling Plc, together with a description of the principal risks and uncertainties that they facing.

Limassol, 24 April 2015



Martin Nes
Chairman



Gunnar Hvammen
Non-Executive
Director



George Crystallis
Independent Director



Espen Lundaas
Chief Financial Officer



Evangelia Panagide
General Manager

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of S.D Standard Drilling Plc. ("SDSD" or the "Company") for the year ended 31 December 2014.

HISTORY AND PRINCIPAL ACTIVITIES

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

BUSINESS STRATEGY

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

Having sold all initial rig building contracts, the strategy of the Company has changed, from building up to become an operator of rigs, to being an investment company within the oil and gas service sector.

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

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

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

During the year the Company entered into the following transactions:

Acquisition of shares in Prospector Offshore Drilling S.A (PROS)

On 10 September 2014 the Company purchased 24 million shares in PROS of a price of NOK 17.5 per share, corresponding to 25.37 % of the total outstanding share capital of PROS (the "Transaction"). The consideration under the Transaction was paid entirely in cash.

Subsequent disposal of shares

On 17 November 2014 S.D. Standard Drilling PLC has disposed all the shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share. As a consequence of the disposal, S.D. Standard Drilling PLC has realized a total loss of USD 14 543 thousands.

As a result of the disposal of the shares in Prospector, the Company will have a substantial amount of funds to invest in other companies and industries within the Company's current investment strategy and that the Company has sufficient liquidity to make such investments. The Board and the Company's management will continue to consider possible investment opportunities.

Following the transaction the Company has available liquidity of approximately USD 55 million.

SECTOR OUTLOOK

We see the following key themes in the sector:

- Uncertain outlook in the oil services sector
- Supply and demand dynamics will continue to be tested when the rigs under construction will be delivered to the market players
- New, high specification jack-up rigs are for most wells substantially more efficient than older rigs and have greater technical capabilities
- Too early to fully comprehend the consequences if the drop in oil prices continue. Although the oil prices has recovered from the levels in January 2015 there are uncertainties of the levels of where the oil price will stabilize
- It seems that the oil production in USA and OPEC has a substantial effect on the market.

FINANCIAL RESULTS

The Company's results for the year are set out on page 7. The Company's loss after tax for the year ended 31 December 2014 which is attributable to the equity holders was USD 16 million compared to a net profit of USD 95.6 million for the year ended 31 December 2013. The total assets of the Company for 2014 were USD 54.9 million and the net assets were also USD 54.9 million, compared to USD 70.9 million and USD 70.9 million respectively in 2013. Despite the loss of USD 16. million the financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the oil and gas service sector. The Company is also exposed to other financial risks as disclosed in Note 3 of the financial statements.

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

FUTURE DEVELOPMENTS OF THE GROUP

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

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year 2014.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2014 and at the date of this report are shown on page 3.

There were no significant changes in the assignment of responsibilities as well as other changes in the composition of the Board of Directors during 2014, other than the following:

Mr. Martin Nes was re-elected in the position of the Chairman on 27 August 2014.

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

The remuneration of the Members of the Board of Directors is shown in note 28 of the financial statements.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

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

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

Executive member of the management

- Espen Lundaas through EL Investment AS.

EVENTS AFTER THE BALANCE SHEET DATE

Any material post balance sheet events are described in note 29 to the financial statements.

BRANCHES

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

CORPORATE GOVERNANCE

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

INDEPENDENT AUDITORS

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

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

CQS Secretarial Limited



Secretary, Limassol, 24 April 2015



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

<i>(Amounts in USD 000)</i>		31.12.2014	31.12.2013
	Note	<i>Audited</i>	<i>Audited</i>
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/(loss)		-	-
Other gains and losses	19	(15 243)	96 819
Other income	20	-	2 448
Impairment charges	21	(12)	(2 329)
Administrative expenses	22	(942)	(2 133)
Operating profit/(loss) before depreciation		(16 197)	94 805
Depreciation and amortization	8, 9	(4)	(4)
Operating profit/(loss)		(16 201)	94 801
Finance Income	23	283	821
Finance Costs	23	(5)	(8)
Profit/(loss) for the year before tax		(15 923)	95 614
Income tax expense	18	(46)	(2)
Profit/(loss) for the year		(15 969)	95 612
Other comprehensive income		-	-
Total comprehensive income for the year		(15 969)	95 612
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	24	(0,06)	0,37

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

<i>(Amounts in USD 000)</i>		31.12.2014	31.12.2013
	Note	<i>Audited</i>	<i>Audited</i>
ASSETS			
Investments in subsidiaries	7	-	-
Intangible asset	8	2	5
Equipment and machinery	9	1	2
Total non-current assets		3	7
Trade and other receivables	10	104	93
Loan receivable	11	-	-
Current tax assets	18	1	46
Available for-sale financial assets	12	26	32
Restricted cash at bank	13	11	101
Cash and bank balances	14	54 777	70 617
Assets classified as held for sale	15	-	-
Total current assets		54 919	70 889
Total Assets		54 922	70 896
EQUITY AND LIABILITIES			
Ordinary shares	16	2 620	2 620
Share premium	16	39 950	39 950
Accumulated profits/(losses)		12 304	28 273
Total equity		54 874	70 843
Trade and other payables	17	48	53
Total current liabilities		48	53
Total Equity and Liabilities		54 922	70 896

On 24 April 2015, the Board of Directors of S.D. Standard Drilling Plc authorized these financial statements for issue.



Martin Nes
Chairman



George Crystallis
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

<i>(Amounts in USD 000)</i>	Note	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2013		2 620	359 950	781	363 351
Comprehensive income					
Profit/(loss) for the year		-	-	95 612	95 612
Transactions with owners					
Interim dividend		-	-	(68 120)	(68 120)
Share premium reduction		-	(320 000)	-	(320 000)
Balance at 31.12.2013 (Audited)		2 620	39 950	28 273	70 843
Balance at 01.01.2014		2 620	39 950	28 273	70 843
Comprehensive income					
Profit/(loss) for the year		-	-	(15 969)	(15 969)
Balance at 31.12.2014 (Audited)		2 620	39 950	12 304	54 874

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts in USD 000)

	Note	31.12.2014 <i>Audited</i>	31.12.2013 <i>Audited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before income tax		(15 923)	95 614
Adjustments for:			
Other gains and losses	19	14 649	(96 837)
Impairment charges	21	12	2 329
Depreciation and amortization expense	8, 9	4	4
Interest income	23	(283)	(821)
(Decrease)/increase in trade and other receivables		(17)	9 519
Decrease in trade and other payables		(5)	(2 245)
Income tax paid		(1)	(48)
Net cash generated from/(used in) operating activities		(1 564)	7 515
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from liquidation of subsidiaries		-	251 421
Net proceeds from disposal of subsidiaries		-	68 396
Waiving of balances (receivable)/payable to subsidiaries		-	(5 980)
Loans granted to subsidiary		(50)	(2 200)
Net proceeds from disposal of assets		51 601	-
Net cash outflow from acquisition of investment	15	(66 144)	-
Decrease in restricted cash	13	90	-
Interest received		227	788
Net cash generated from/(used in) investing activities		(14 276)	312 425
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		-	(320 000)
Dividends paid		-	(104 800)
Net cash generated from/(used in) financing activities		-	(424 800)
Net increase/(decrease) in cash and cash equivalents		(15 840)	(104 860)
Cash and cash equivalents at beginning of year		70 617	175 706
Non-cash transactions		-	(229)
Cash and cash equivalents at end of year	14	54 777	70 617

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

COUNTRY OF INCORPORATION

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

PRINCIPAL ACTIVITIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

Users of these parent’s separate financial statements should read them together with the Group’s consolidated financial statements as at and for the year ended 31 December 2014 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 2014 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 2014

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 2014. 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 2014:

(i) Standards and Interpretations adopted by the EU

- Amendment to IAS 19 - "Defined Benefit Plans: Employee Contributions" issued in 21 November 2013 and effective for annual periods beginning on or after 9 January 2015).
- Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 9 January 2015).
- Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 19 December 2014).
- IFRIC 21 "Levies" (issued on 20 May 2013 and effective the latest as from the commencement date of its first annual period beginning on or after 14 June 2014).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (issued on 24 July 2014) (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (issued on 30 January 2014) (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014) (effective for annual periods beginning on or after 1 January 2017).
- Amendment to IFRS 10, IFRS 12 and IAS 28 - "Investment Entities: Applying the Consolidation Exception" (issued on 18 December 2014) (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 1 - "Disclosure Initiative" (issued on 18 December 2014) (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle (issued on 25 September 2014 and effective for annual periods beginning on or after 19 December 2016).
- Amendment to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued on 11 September 2014) (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 27 - "Equity Method in Separate Financial Statements" (issued on 12 August 2014) (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 16 and IAS 38 - "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued on 12 May 2014) (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued on 6 May 2014) (effective for annual periods beginning on or after 1 January 2016).

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 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 INVESTMENTS IN SUBSIDIARIES

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

2.3 REVENUE RECOGNITION

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

2.3.1 Interest income

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

2.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

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

b) Transactions and balances

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

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

2.5 EQUIPMENT AND MACHINERY

(a) Measurement

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

(b) Depreciation

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

Computer Hardware	%
Furniture and fittings	20
	10

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsequent cost

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

(d) Disposal

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

2.6 CASH AND CASH EQUIVALENTS

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

2.7 SHARE CAPITAL

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

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

2.8 TRADE PAYABLES

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

2.9 CURRENT AND DEFERRED INCOME TAX

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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

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

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

2.10 TRADE RECEIVABLES

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

2.11 LOANS GRANTED

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 INTANGIBLE ASSETS

Computer software

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

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

2.13 NON-CURRENT ASSETS HELD FOR SALE

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

2.14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

2.15 DIVIDENDS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Currency risk

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

(ii) Price risk

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

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

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

(b) Credit risk

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

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

(c) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

3.2 CAPITAL RISK MANAGEMENT

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

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

3.3 FAIR VALUE ESTIMATION

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

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

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

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

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

There has been a transfer from Level 3 to Level 1 during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

Impairment on loans receivable

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

NOTE 5 – FINANCIAL INSTRUMENTS BY CATEGORY

<i>(Amounts in USD 000)</i>	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
2013				
Assets as per balance sheet				
Restricted cash at bank	101	-	-	101
Trade and other receivables (excluding prepayments)	39	-	-	39
Available-for-sale financial asset	-	-	32	32
Cash and cash equivalents	70 617	-	-	70 617
Total at the end of the year	70 757	-	32	70 789

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

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

NOTE 6 – CREDIT QUALITY OF FINANCIAL ASSETS

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Cash at bank and restricted bank deposits (1)	54 788	70 718
Trade and other receivable (excluding prepayment) (2)	93	39
Total at the end of the year	54 881	70 757

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013	Credit ratings	
			Long term rating	Short term rating
DNB Bank ASA (Standard & Poor's)	54 771	70 614	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	17	104	Caa3	Not Prime

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 7 – INVESTMENTS IN SUBSIDIARIES

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Balance at the beginning of the year	-	178 500
Cost transfer to gain on liquidation	-	(178 500)
Balance at the end of the year	-	-

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

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

On 28 November 2014 the Board of Directors resolved to proceed with the strike-off of the subsidiary company S.D. Standard Drilling (Singapore) Pte Ltd which was dormant. The strike-off is expected to be completed during the year 2015.

NOTE 8 – INTANGIBLE ASSET

<i>(Amounts in USD 000)</i>	Computer software	Total
Cost		
At 1 January 2013	11	11
At 31 December 2013	11	11
At 31 December 2014	11	11
Amortisation		
At 1 January 2013	2	2
Charge for the year	4	4
At 31 December 2013	6	6
Charge for the year	3	3
At 31 December 2014	9	9
Net book amount		
Balance at 31 December 2014	2	2
Balance at 31 December 2013	5	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 9 – EQUIPMENT AND MACHINERY

<i>(Amounts in USD 000)</i>	Computer Hardware	Total
Cost		
At 1 January 2013	2	2
At 31 December 2013	2	2
At 31 December 2014	2	2
Depreciation		
At 1 January 2013	-	-
At 31 December 2013	-	-
Charge for the year	1	1
At 31 December 2014	1	1
Net book amount		
Balance at 31 December 2014	1	1
Balance at 31 December 2013	2	2

NOTE 10 – TRADE AND OTHER RECEIVABLES

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Prepayments	11	54
Other receivables	93	39
Total trade and other receivables at the end of the year	104	93

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

NOTE 11 – LOAN RECEIVABLE

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Balance at the beginning of the year	-	-
New loans granted	50	2 200
Interest income	56	33
Repayments	-	-
Loan waived (note 19)	(106)	(2 233)
Balance at the end of the year	-	-

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Loans to own subsidiaries	-	-

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
The loan is repayable as follows:		
Within one year	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 12 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Balance at the beginning of year	32	-
Additions at estimated fair value (note 13)	-	32
Impairment charge	(6)	-
Balance at the end of year	26	32

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

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

As of the date of the conversion the management of the Company on the basis of available information and by exercising their judgment has recognized an impairment loss of USD 96 thousands. On 16 December 2014, Bank of Cyprus shares have been listed and commenced trading on Cyprus Stock Exchange ("CES"). Based on the new developments and on the basis of available information the management of the Company has recognized an additional impairment loss in the current year of UD 6 thousands.

NOTE 13 – RESTRICTED CASH AT BANK

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Balance at the beginning of year	101	-
Transfer to cash and bank balances	(90)	-
Additions	-	229
Impairment charge	-	(96)
Transfer to Available for sale financial assets at estimated fair value (note 12)	-	(32)
Balance at the end of year	11	101

On 31 January 2014, the Board of Directors of Bank of Cyprus Public Company Limited ("Bank of Cyprus") has resolved to release the six month time deposit of USD 34 thousand that were blocked as per the decrees relating to the recapitalization of the bank in July 2013 which matured on that date.

On 30 April 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the nine-month time deposit that were blocked as per the same decrees and mature on 30 April 2014, as follows:

- One third of nine-month time deposit is immediately released and become available;
- One third of nine-month time deposit is converted into a three-month time deposit maturity and automatically released at 31 July 2014;
- One third of nine-month time deposit is converted into a six-month time deposit maturity and automatically released at 31 October 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 13 – RESTRICTED CASH AT BANK (CONTINUED)

On 31 July 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the twelve-month time deposit that were blocked as per the same decrees and mature on 31 July 2014, as follows:

- One third of twelve-month time deposit is immediately released and become available;
- One third of twelve-month time deposit is converted into a three-month time deposit maturity and automatically released at 30 October 2014;
- One third of twelve-month time deposit is converted into a six-month time deposit maturity and automatically released at 30 January 2015.

NOTE 14 – CASH AND CASH EQUIVALENTS

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Cash at bank	54 777	70 617
Cash and cash equivalents at the end of the year	54 777	70 617

Cash and bank balances are denominated in the following currencies:

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
US Dollar - functional and presentation currency	54 654	69 973
Norwegian Kroner	123	644
	54 777	70 617

NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Investment in Prospector Offshore Drilling S.A (PROS)	-	-
Total assets held for sale at the end of the year	-	-

15.1 Movement of investment classified as held for sale

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Additions	66 144	-
Derecognised on disposal	(66 144)	-
Balance at the end of year	-	-

On 10 September 2014, the Company purchased 24 million shares in Prospector Offshore Drilling S.A (PROS) at a price of NOK 17,5 per share.

On 17 November 2014, the Company disposed all its 24 million shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 16— SHARE CAPITAL AND PREMIUM

<i>(Amounts in USD 000)</i>	Number of shares (thousands)	Ordinary shares	Share premium	Total
2013				
Balance at the beginning of the year	262 000	2 620	359 950	362 570
Share premium reduction	-	-	(320 000)	(320 000)
Balance at the end of the year	262 000	2 620	39 950	42 570
2014				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
Balance at the end of the year	262 000	2 620	39 950	42 570

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

NOTE 17 – TRADE AND OTHER PAYABLES

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Other payables	17	18
Accrued expenses	31	35
Total trade and other payables at the end of the year	48	53

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

NOTE 18 – INCOME TAX EXPENSE

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Current tax:		
Corporation tax prior year	46	2
Total current tax	46	2
Deferred tax:		
Origination of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	46	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 18 – INCOME TAX EXPENSE (CONTINUED)

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Profit/(loss) before tax	(15 923)	95 614
Tax calculated at the applicable tax rates	(1 990)	11 952
Tax effect of expenses not deductible for tax purposes	1 990	1 098
Tax effect of allowances and income not subject to tax	-	(13 050)
Tax effect of tax loss brought forward	-	-
Corporation tax prior year	46	2
Tax charge	46	2

The corporation tax rate is 12,5%.

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

Balance sheet

Current tax asset:

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Corporate income tax refundable	1	46
Total current tax asset at the end of the year	1	46

Current tax liability:

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Corporate income tax	-	-
Total current tax liability at the end of the year	-	-

NOTE 19 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Gain on disposal of subsidiary Offshore Driller B324 Ltd	-	29 896
Loan receivable waived (note 11)	(106)	-
Waived amount due from subsidiaries	-	(5 980)
Gain on liquidation of subsidiary companies	-	72 921
Loss on disposal of investment in Prospector Offshore drilling S.A (note 19.1)	(14 543)	-
Net currency translation differences	(594)	(18)
	(15 243)	96 819

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 19 – OTHER GAINS AND LOSSES (CONTINUED)

On 17 November 2014, the Company disposed all the shares held in Prospector Offshore Drilling S.A (PROS) of a price of NOK 14,50 per share.

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Consideration received net	51 601	-
Cost of investment	(66 144)	-
Loss on disposal of shares	(14 543)	-

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

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Changes in fair value	(11 330)	-
Exchange difference	(3 213)	-
Loss on disposal of shares	(14 543)	-

NOTE 20 – OTHER INCOME

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Reimbursement fees	-	2 448
	-	2 448

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

NOTE 21 – IMPAIRMENT CHARGES

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Impairment charge on bank balances (note 13)	-	96
Impairment charge on loan receivable	-	2 233
Impairment charge on amount due from subsidiary (1)	6	-
Impairment charge of available for sale financial asset (note 12)(1)	6	-
	12	2 329

(1) As of the balance sheet date of these financial statements, the management of the Company on the basis of available information and by exercising their judgment has considered that impairment indicators exist and have recognized an impairment loss of USD 12 thousands.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 22 – ADMINISTRATIVE EXPENSE

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Legal, consulting and professional fees	674	1 148
Other expenses	84	436
Salary and other short-term employee benefit (note 28)	184	549
Total administrative expenses	942	2 133

During 2014 audit fees of USD 12 thousand (2013: USD 12 thousand), fees of USD NIL (2013: USD 54 thousand) for other assurance services and fees of USD NIL (2013: 3 thousand) for tax consultancy services were charged by the Company's statutory audit firm.

22.1 Employees full time

	31.12.2014	31.12.2013
Employees	1	1

NOTE 23 – FINANCE INCOME AND COSTS

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Finance income:		
Bank interest received	227	788
Interest income from loan to subsidiary	56	33
Total finance income	283	821
Finance costs:		
Bank charges	5	8
Total finance cost	5	8

NOTE 24 – EARNINGS PER SHARE

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

24.1 Basic earnings per share

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
Profit/(loss) attributable to equity holders of the Company	(15 969)	95 612
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands)	262 000	262 000
Basic earnings per share	(0.06)	0,37

There are no potentially dilutive instruments.

NOTE 25 – DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2014 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 2014

NOTE 26 – SHAREHOLDERS' INFORMATION

The Company's 20 largest shareholders are as follows:

Owner	31.12.2014		31.12.2013	
	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
Deutsche Bank AG	70 656 350	26,97	-	-
SAGA Tankers ASA	49 680 082	18,96	3 517 996	1,34
Gross Management AS	20 296 726	7,75	20 296 726	7,75
Dallas Asset Management AS	6 575 000	2,51	-	-
Nordic Construction Barges I AS	5 329 607	2,03	5 329 607	2,03
Thabo Energy AS	4 745 000	1,81	4 745 000	1,81
Solan Capital AS	2 680 006	1,02	2 180 006	0,83
Haakon Morten Saeter	2 319 937	0,89	-	-
Salto Media AS	2 113 300	0,81	-	-
Nordic Construction Barges II AS	2 105 000	0,80	2 105 000	0,80
Nordea Bank Finland Plc, Markets	1 442 459	0,55	-	-
Six-Seven AS	1 091 624	0,42	950 774	0,36
Bjorn Erik Nilsen	645 216	0,25	-	-
Spontel AS	615 791	0,24	615 791	0,24
Brandeggen	568 000	0,22	-	-
Sparebanken Sogn og Fjordane	479 939	0,18	-	-
EL Investment AS	460 762	0,18	-	-
Nortura Konsernpensjonskasse	440 000	0,17	-	-
Marius Horgen	439 434	0,17	-	-
Bnybe – QVT Fund V LP I	-	-	49 307 538	18,82
Ferncliff Listed Dai AS	-	-	34 112 081	13,02
Tymar AS	-	-	11 249 995	4,29
Sabaro Investments Ltd	-	-	7 985 000	3,05
BNYPE – Quintessence Fund LP	-	-	7 491 136	2,86
BNYPE – QVT Fund IV LP I	-	-	7 282 676	2,78
Sabaro Investments Ltd	-	-	5 165 000	1,97
Nordea Bank ASA Markets	-	-	2 811 659	1,07
Silvercoin Industries AS	-	-	1 229 937	0,47
Euroclear Bank S.S./N.V. (BA)	-	-	878 275	0,34
Ferncliff Drilling Management AS	-	-	800 010	0,31
Total 20 largest	251 022 233	95,83	246 392 207	94,04
Others	10 977 767	4,17	15 607 793	5,96
Total	262 000 000	100,00	262 000 000	100,00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 27 – RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

27.1 Management services

<i>(Amounts in USD 000)</i>	Nature of transactions	31.12.2014	31.12.2013
Clearwater Capital Partners LLC	Management fees/Bonus	-	370
Ferncliff TIH 1 AS.	Management fees	440	490
Total		440	860

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

27.2 Interest income

<i>(Amounts in USD 000)</i>	31.12.2014	31.12.2013
S.D. Standard Drilling (Singapore) Pte Ltd (note 11)	56	33
Total	56	33

The balance sheet includes the following balances with related parties.

27.3 Receivables from related parties

<i>(Amounts in USD 000)</i>	Nature of transactions	31.12.2014	31.12.2013
Ferncliff TIH 1 AS	Management fees	-	40
Total		-	40

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 28 – REMUNERATION TO THE BOARD OF DIRECTORS

<i>(Amounts in USD 000)</i>	Directors' Fees	Salary	31.12.2014 Total	31.12.2013 Total
Executive management:				
Evangelia Panagide – General Manager	-	49	49	16
Total remuneration executive management	-	49	49	16

<i>(Amounts in USD 000)</i>	Directors' Fees	Salary	31.12.2014 Total	31.12.2013 Total
Board of Directors:				
Martin Nes (Chairman)	75	-	75	27
Gunnar Hvammen (Non-Executive Director)	50	-	50	66
Robert Petty –(Non-Executive Director)	-	-	-	32
Amit Gupta (Non-Executive Director)	-	-	-	24
Oystein Stray Spetalen (Non-Executive Director)	-	-	-	32
Stephen Marzo (Independent Director)	-	-	-	42
Glen Rodland (Nomination Committee Chairman)	10	-	10	18
Demetris Aletraris (Non-Executive Director)	-	-	-	13
George Crystallis (Independent Director)	2	-	2	2
Total remuneration of Board of Directors	137	-	137	256

NOTE 29 – SUBSEQUENT EVENTS

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



Independent auditor's report

To the Members of S.D. Standard Drilling Plc

Report on the financial statements

We have audited the accompanying financial statements of parent company S.D. Standard Drilling Plc (the "Company"), which comprise the statement of financial position as at 31 December 2014, 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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

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

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

Other matter

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

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

A handwritten signature in black ink, appearing to read 'T. Nolas', is written over a horizontal line.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 24 April 2015