

S.D. STANDARD DRILLING PLC

FOURTH QUARTER REPORT 2018



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

In accordance with Article 10 sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 and 2009 ("Law") we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed financial statements of S.D. Standard Drilling Plc (the "Company"), for the twelve months ended 31 December 2018 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the twelve months ended 31 December 2018 which are presented on pages 5 to 19:
 - (i) were prepared in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting", as adopted by the European Union in accordance with provisions of Article 10, 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 the Company, and the business that are included in the financial statements as a total, and
- b) The Interim Management Report provides a fair overview of the information required as per section 6 of article 10 of Law 190(I)/2007.

Limassol, 13 February 2018

Martin Nes
Chairman

Costas Pantelides
Independent Director

George Crystallis
Independent Director

Christos Neocleous
Chief Financial Officer

Evangelia Panagide
General Manager

Fourth Quarter Management Report 2018

Selected Financial Information

	Three Months Ended		Twelve Months Ended	
	2018 Q4	2017 Q4	2018 Q4	2017 Q4
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating profit/(loss)	1 548	3 604	(1 232)	(1 169)
Profit/(loss) for the period before tax	1 556	3 604	(1 235)	(1 171)
Total comprehensive income/(loss) for the period	1 556	3 602	(1 235)	(1 174)

Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the fourth quarter of the year 2018 are prepared and presented on a standalone basis, since the Company is an investment entity and shall not consolidate its subsidiary. The Company measures its investment in subsidiary and associates at fair value through profit or loss. Consequently, the Company's investment in Platform Supply Vessels (PSVs) is valued based on estimates made by reputable independent valuers and prices generated by market transactions involving identical or comparable (similar) PSV vessels. Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements. More information is available in the Q4 18 presentation, which is released together with this interim report.

Highlights Fourth Quarter

1. In Q4 18, the Company recognized an unrealized profit of USD 2,3 million from the revaluation of its financial assets at fair value whereas for the twelve months ended 31 December 2018 an unrealized loss of USD 694 thousands was recognised. The fair value of the investments as of 31 December 2018 was USD 95 million.
2. Positive EBITDA (adj.) of USD 598 thousands, excluding start-up cost, dry dock, special survey and maintenance (Q4 17 negative USD 72 thousands) from chartering out the 5 large –sized PSV's. Including the ownership in Northern Supply AS (25.53%) the group netted a positive EBITDA (adj.) excluding start-up cost, dry dock, special survey and maintenance of USD 261 thousands (Q4 17 negative USD 130 thousands).
3. Utilisation of the Company's vessels of 90% (Q4 17 84%) for the five large PSV Standard vessels and 82 % (Q4 17 76%) for the Northern Supply AS vessels (excluding those in lay-up).
4. In October 2018, New World Supply Ltd ("NWS"), where the Company owned 26.2% of its share capital, sold two of its six medium sized platform supply vessels (PSVs). The vessels, World Sapphire and World Emerald, had both been in lay-up in Spain since October and November 2016. Following the above-mentioned transaction, NWS owns four medium sized PSV vessels built in 2013.
5. In November 2018, the Company entered into an agreement to acquire an additional 2 673 749 shares in New World Supply Ltd for an amount of USD 1,8 million, corresponding to approximately 8,23% of the total share capital. Following the acquisition, the Company holds 34,4% in the share capital of New World Supply Ltd.

Subsequent Events

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

FOURTH QUARTER MANAGEMENT REPORT 2018 (CONTINUED)

RESULTS FOR FOURTH QUARTER 2018

The operating profit for the three months ended on 31 December 2018 was USD 1,6 million (Q4 17 USD 3,6 million). The operating profit includes an unrealized gain on revaluation of financial assets of USD 2,3 million, interest income of USD 147 thousands, a net foreign currency loss of USD 651 thousands, other losses of USD 65 thousands and administration expenses of USD 186 thousands. Finance income for the period was USD 8 thousands, thus a net gain before tax for the period of approximately USD 1,6 million. Earnings per share was USD 0,00 for the Quarter.

RESULTS FOR THE TWELVE MONTHS OF 2018 AND FINANCIAL COMPARISON WITH THE TWELVE MONTHS OF 2017

The operating loss for the twelve months ended 31 December 2018 was USD 1,2 million (2017 loss of USD 1,2 million). This is mainly due to an unrealized loss on revaluation of financial assets of approximately USD 694 thousands, administration expenses of USD 585 thousands, interest income USD 258 thousands, other losses of USD 65 thousands and a net foreign currency loss of USD 147 thousands.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as at 31 December 2018 was USD 16,4 million excluding subsidiaries and investments.

During the twelve months of 2018 net cash used in operating activities was USD 7,3 million, mainly consisting of funding of USD 5,5 million to subsidiary Wanax AS and USD 1,8 million for the acquisition of an additional 8,2% in New World Supply Ltd's share capital. The net cash generated from investing activities consisted of interest received of USD 258 thousands. Net cash generated from financing activities was USD 12 million. These funds were generated from the issuance of new share capital at a premium less transaction costs.

As of 31 December 2018, the Company had 1 870 shareholders. The share price as of 31 December 2018 was NOK 1,03 (USD 0,119).

PRINCIPLE RISK AND UNCERTAINTIES

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the PSV market. The Company is also exposed to other financial risks as disclosed in Note 3 of annual financial statements for the year ended 31 December 2017.

The Company has implemented systems and procedures to monitor the market and to stay alert to changes in order to mitigate market risk. Internal procedures have been and are continuously being developed to mitigate financial and operational risks.

OUTLOOK

The principal activity of the Company is that of the investment entity within oil and gas sector, directly or indirectly into companies, securities and / or assets, with the aim to control a larger fleet of vessels - all at low values.

The objective of the Company is to generate significant medium to long-term capital growth. The main focus of the Company will be in the PSV market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company expects there will be an upturn in the PSV market in the North Sea Sector during the spring and summer season 2019 and the Company is well positioned to take part in the expected upturn.

The Company has a sound financial position and the Board of Directors believe that the Company is in a good position to take advantage of any investment opportunity that may appear. This includes, but is not limited to, asset play or investment directly in other companies. The main drivers are maximizing the return and minimizing the risk.

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

13 February 2018

*Martin Nes
Chairman
(Sign.)*

*Christos Neocleous
CFO
(Sign.)*

**INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Note	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
		2018 Q4	2017 Q4	2018 Q4	2017 Q4
<i>(Amounts in USD 000)</i>				<i>Unaudited</i>	<i>Audited</i>
Income					
Changes in fair value on financial assets at fair value through profit or loss	5.1	2 303	4 001	(694)	(2 583)
Changes in fair value on financial assets at fair value through profit or loss-held for trading	5.2	-	-	1	-
Other gains and (losses)	6	(65)	(83)	(65)	281
Interest income		147	147	258	220
Net foreign currency gains or (losses)		(651)	(217)	(147)	1 634
Total net income /(loss)		1 734	3 848	(647)	(448)
Expenses					
Administration fees		(186)	(244)	(585)	(721)
Total operating expenses		(186)	(244)	(585)	(721)
Operating profit/(loss)		1 548	3 604	(1 232)	(1 169)
Finance costs					
Sundry finance income/(expenses)		8	-	(3)	(2)
Profit/(loss) for the period before tax		1 556	3 604	(1 235)	(1 171)
Income tax expense		-	-	-	-
Profit/(loss) for the period after tax		1 556	3 604	(1 235)	(1 171)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Available-for-sale investments – Fair value gains/(loss)		-	(2)	-	(3)
Other comprehensive income for the period		-	(2)	-	(3)
Total comprehensive income for the period		1 556	3 602	(1 235)	(1 174)
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share (USD)	4	0,00	0,01	(0,00)	(0,00)

**INTERIM CONDENSED STATEMENT
OF FINANCIAL POSITION
AT 31 DECEMBER 2018**

<i>(Amounts in USD 000)</i>	Note	31.12.2018	31.12.2017
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial assets at fair value through profit or loss	5.1	94 966	88 379
Total non-current assets		94 967	88 380
Trade and other receivables		25	42
Senior secured callable bonds	6	-	65
Available-for-sale financial assets	7	-	12
Current tax asset		1	1
Cash and bank balances		16 382	12 148
Total current assets		16 408	12 268
Total Assets		111 375	100 648
EQUITY AND LIABILITIES			
Ordinary shares	8	17 281	15 281
Share premium	8	96 861	86 840
Other reserves	9	-	(4)
Accumulated profits/(losses)		(2 864)	(1 625)
Total equity		111 278	100 492
Trade and other payables		97	156
Total current liabilities		97	156
Total Equity and Liabilities		111 375	100 648

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

*Martin Nes
Chairman
(Sign.)*

*Christos Neocleous
CFO
(Sign.)*

**INTERIM CONDENSED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Fair value reserve - available for sale financial assets	Accumulated Profits/(Losses)	Total
Balance at 01.01.2017	2 620	6 938	(1)	(454)	9 103
Comprehensive income					
Profit/(loss) for the period	-	-	-	(1 171)	(1 171)
Other comprehensive income	-	-	(3)	-	(3)
Transactions with owners					
Issue of share capital	12 661	83 660	-	-	96 321
Share issue costs	-	(3 758)	-	-	(3 758)
Balance at 31.12.2017	15 281	86 840	(4)	(1 625)	100 492
Balance at 01.01.2018	15 281	86 840	(4)	(1 625)	100 492
Changes of accounting policy (note 3)	-	-	4	(4)	-
Balance at 01.01.2018 (restated)	15 281	86 840	-	(1 629)	100 492
Comprehensive income					
Loss for the period	-	-	-	(1 235)	(1 235)
Transactions with owners					
Issue of share capital (note 8)	2 000	10 600	-	-	12 600
Share issue costs	-	(579)	-	-	(579)
Balance at 31.12.2018	17 281	96 861	-	(2 864)	111 278

INTERIM CONDENSED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	Twelve Months Ended	
		2018 Q4	2017 Q4
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		(1 235)	(1 171)
Unrealised exchange loss/(gain)		698	(303)
Other gains/(losses)	6	65	(281)
Payments to financial assets at fair value through profit or loss		(7 281)	(81 461)
Receipts from sale of financial assets of fair value through profit or loss		13	-
Interest income		(258)	(220)
Decrease in trade and other receivables		17	102
Decrease in financial assets fair value through profit or loss		693	2 583
Decrease in trade and other payables		(59)	(18)
Net cash generated from/(used in) operating activities		(7 347)	(80 769)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of senior secure callable bonds		-	3 626
Payment for the purchase of senior secure callable bonds	6	-	(1 392)
Interest received		258	220
Net cash generated from/(used in) investing activities		258	2 454
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		12 600	92 120
Share issue costs		(579)	(3 758)
Net cash generated from/(used in) financing activities		12 021	88 362
Net increase/ (decrease) in cash and cash equivalents		4 932	10 047
Cash and cash equivalents at beginning of year		12 148	1 798
Effect of exchange rate changes on the balance of cash held in foreign currencies		(698)	303
Cash and cash equivalents at end of period		16 382	12 148

NOTES TO THE FINANCIAL INFORMATION

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 and on 31 May 2017 on Oslo Bors. The address of the Company’s registered office is Maximou Michailidi 6, Maximos Plaza, Tower 3, 4th floor, Flat/Office 401, 3106, Limassol, Cyprus.

Principal Activities

The principal activity of the Company is to operate as an investment entity within oil and gas sector. The Company invest directly or indirectly into companies, securities and/or assets, with the aim to control a larger fleet of assets- acquired at low values. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company will be in the PSV market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company’s strategy is to invest into high risk investments in distressed asset acquisition held by unquoted companies where the Company takes active role in helping to build and develop these companies with the aim to make its returns through medium to long term capital gains appreciation as opposed to invest for strategic purposes (i.e for income return).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed financial statements for the twelve months ended 31 December 2018, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017 which have been prepared in accordance with IFRS as adopted in the (EU) and the requirements of the Cyprus Companies Law, Cap. 113, except for the adoption of the new standard as set out below. The critical accounting estimates and judgements are consistent with those used in the annual financial statements of the year ended 31 December 2017, except for the below accounting estimate introduced for investments classified under level 2 hierarchy which are not quoted in an active market:

- The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the Board of Directors. The inputs in the valuation techniques used include observable data, such as relevant information generated by recent market transactions involving identical or comparable assets.

In the current period 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 2018. The adoption of these standards and particularly of IFRS 9 and IFRS 15 was assessed and did not have a material effect (see note 3) on the financial statements.

At the date of approval of these interim condensed financial statements, a number of accounting standards and interpretations were issued by the International Accounting Standards Board but were not yet effective. The effect and impact of those standards is not expected to be material to the Company.

Investments and other financial assets

The below are the new accounting policies relating to the measurement, recognition and classification of financial instruments in accordance with IFRS 9:

Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE FINANCIAL INFORMATION

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Measurement

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The debt instruments can be classified into the following categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

NOTES TO THE FINANCIAL INFORMATION

NOTE 3 – CHANGE OF ACCOUNTING POLICY

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policy and an adjustment to the amounts recognized in the financial statements. The new accounting policies are set out in note 2 above. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Reclassification of equity investments from available to sale to FVPL

The Company reclassified its equity investments previously held as available for sale to fair value through profit or loss since the management's intention was to dispose them within a short term period. As a result, related fair value losses of USD 4 thousands were transferred from the available for sale financial assets reserve to retained earnings at the statement of changes in equity for the period.

NOTE 4– EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

<i>(Amounts in USD 000)</i>	Three Months Ended		Twelve Months Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	1 556	3 604	(1 235)	(1 171)
Weighted average number of ordinary shares in issue (thousands)	576 026	455 863	565 067	371 446
Basic/diluted earnings/(loss) per share	0,00	0,01	(0,00)	(0,00)

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

5.1 Investments at fair value through profit or loss

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
Balance at 1 January	88 379	5 300
Additions	7 281	85 662
Change in fair value	(694)	(2 583)
Balance at the end of the period/year (note 10)	94 966	88 379

Investments at fair value through profit or loss are analysed as follows:

Name of Investment	Principal activity	Place of establishment and principal place of business	Proportion of ownership/ interest held	
			31.12.2018	31.12.2017
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	34,4%	26,2%

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

5.1 Investments at fair value through profit or loss (Continued)

- 1) Following an increase of PSV Opportunity AS (“PSV AS”) share capital by USD 5 million on January 2018, the Company through its wholly owned subsidiary Wanax AS contributed an additional USD 1,3 million to the share capital of PSV AS resulting in maintaining its initial shareholding to 25,53%.
- 2) In March 2018, the Company through its wholly owned subsidiary Wanax AS invested USD 1,7 million in the share capital of Northern PSV AS acquiring a shareholding of 25,53%. Northern PSV AS has acquired two medium size platform supply vessels (PSV) of the UT 755 LN design.
- 3) In addition, during the first and the second quarters of the year the Company has contributed USD 2,3 million to its subsidiary Wanax AS to support the working capital needs of its investments.
- 4) In May 2018, a decision was taken by the partnership extraordinary meeting of PSV Opportunity III DIS (“PSV III”) to convert PSV III from an internal partnership into a limited company, named as PSV Opportunity AS (“PSV AS”). The Partners of PSV III have in connection with the conversion acquired shares in the converted limited company PSV AS according to their ownership share of PSV III.
- 5) In July 2018, the Extraordinary General Meetings of the companies PSV Opportunity AS and Northern PSV AS have resolved the merger of the two companies into one, in which PSV Opportunity AS will be the acquiring company and Northern PSV AS the transferring company and that the name of the merged company will be Northern Supply AS. The planned merger has been completed on 26 September 2018.
- 6) Northern Supply AS, where the Company owns 25.5% of its share capital via its wholly owned subsidiary Wanax AS, completed a sale- lease back contract for FS Arendal. FS Arendal was sold for USD 2,8 million. Northern Supply AS entered into a one year bare-boat contract (1+1 year option) with the buyer at day rate USD Nil per day and with a 50/50 profit split at net hire between GBP 5100-10 000 per day. The transaction was completed and Northern Supply AS received the total transaction price on 18 September 2018. The buyer was responsible to carry out and pay for Special Survey/Engine overhaul/DP 2, a cost estimated to approximately USD 1,4 million (at buyer’s risk).
- 7) In October 2018, New World Supply Ltd (“NWS”), where the Company owned 26.2% of its share capital, sold two of its six medium sized platform supply vessels. The vessels, World Sapphire and World Emerald, have both been in lay-up in Spain since October and November 2016. Following the abovementioned transaction, NWS owns four medium sized PSV vessels built in 2013.
- 8) In November 2018, the Company entered into an agreement to acquire an additional 2 673 749 shares in New World Supply Ltd for an amount of USD 1,8 million corresponding to approximately 8,23% of the total share capital. Following the acquisition, the Company holds 34,4% in the share capital of New World Supply Ltd.
- 9) During the fourth quarter of the year the Company has contributed USD 146 thousands to its subsidiary Wanax AS to support the working capital needs of its investments.

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	-	-
Unrealised change	(694)	(2 583)
Total net gains/(losses)	(694)	(2 583)
Other net changes in fair values on assets at fair value through profit or loss	(694)	(2 583)
Total net gains/(losses)	(694)	(2 583)

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

5.2 Investments held for trading

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
Balance at 1 January	-	-
Reclassification from available for sale to FVPL (note 3)	12	-
Disposal	(13)	-
Changes in fair value	1	-
Balance at the end of year	-	-

NOTE 6 – SENIOR SECURED CALLABLE BONDS

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
Balance at 1 January	65	2 018
Additions	-	1 392
Notional interest received	-	56
Change in estimates of receipts	(65)	281
Redemption	-	(3 682)
Balance at the end of the year	-	65

NOTE 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
Balance at 1 January	12	15
Net gain/(loss) arising on revaluation of available for sale financial asset	-	(3)
Reclassified to fair value through profit or loss (note 3)	(12)	-
Balance at the end of year	-	12

NOTE 8 – SHARE CAPITAL AND PREMIUM

Authorised	Number of shares (thousands)	Ordinary shares	Total
<i>(Amounts in USD 000)</i>			
2018			
Balance at the beginning of the year	516 667	15 500	15 500
Increase of share capital	348 333	10 450	10 450
Balance at the end of the year	865 000	25 950	25 950
2017			
Balance at the beginning of the year	362 000	3 620	3 620
Increase of share capital	1 188 000	11 880	11 880
Consolidation of share capital (reverse split 1:3)	(1 033 333)	-	-
Balance at the end of the year	516 667	15 500	15 500

NOTES TO THE FINANCIAL INFORMATION

NOTE 8 – SHARE CAPITAL AND PREMIUM (CONTINUED)

Issued and fully paid	Number of shares (thousands)	Ordinary shares	Share premium	Total
<i>(Amounts in USD 000)</i>				
2018				
Balance at the beginning of the year	509 360	15 281	86 840	102 121
Issue of shares	66 667	2 000	10 600	12 600
Share issue costs	-	-	(579)	(579)
Balance at the end of the year	576 027	17 281	96 861	114 142
2017				
Balance at the beginning of the year	262 000	2 620	6 938	9 558
Issue of shares	960 736	12 661	83 660	96 321
Consolidation of share capital (reverse split 1:3)	(713 376)	-	-	-
Share issue costs	-	-	(3 758)	(3 758)
Balance at the end of the year	509 360	15 281	86 840	102 121

All shares issued have the same rights and are of nominal value of USD 0,03 each.

During the twelve months of 2018 the following transactions took place:

- 1) On 10 January 2018 the Company held an Extraordinary General Meeting where it was resolved to increase the authorised share capital from USD 15,50 million divided into 516 666 667 ordinary shares to USD 23,25 million divided into 775 000 000 ordinary shares of a nominal value of USD 0,03 each, by the creation of additional new 258 333 333 ordinary shares of USD 0,03 each.
- 2) On 2 March 2018, the Company issued 66 666 667 new shares through an Equity Offering with gross proceeds of NOK 100 million (USD 12 599 thousands). The subscription price per new share was set to NOK 1.50 (USD 0,18899) which included a share premium of (USD 0,15899) per ordinary share.
- 3) On 5 June 2018 the Company held an Extraordinary General Meeting where it was resolved to increase the authorised share capital from USD 23,25 million divided into 775 000 000 ordinary shares to USD 25,95 million divided into 865 000 000 ordinary shares of a nominal value of USD 0,03 each, by the creation of additional new 90 000 000 ordinary shares of USD 0,03 each. The Company has issued 576 026 424 ordinary shares and the number of authorised but not issued shares is thus 288 973 576.

NOTE 9 – OTHER RESERVES

<i>(Amounts in USD 000)</i>	31.12.2018	31.12.2017
Balance at the beginning of the year	(4)	(1)
Reclassified to retained earnings	4	-
Fair value reserve-available for sale investments (1)	-	(3)
Balance at the end of year	-	(4)

NOTES TO THE FINANCIAL INFORMATION

NOTE 10 – FAIR VALUE MEASUREMENTS

10.1 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 fair value hierarchy of the financial assets that are measured at fair value:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
At 31 December 2018				
Assets				
Financial assets through profit or loss:				
- Financials asset at fair value through profit or loss (note 5.1)	-	14 606	80 360	94 966
Total financial assets measured at fair value	-	14 606	80 360	94 966
At 31 December 2017				
Assets				
Available for sale financial assets				
- Equity securities	12	-	-	12
Financial assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 5.1)	-	-	88 379	88 379
Total financial assets measured at fair value	12	-	88 379	88 391

10.2 a) Valuation processes (Level 3)

The management of the Company obtained fair value estimates from two independent Valuers ("Valuer A" and "Valuer B"). Both Valuers have provided a value range based on a willing buyer and willing seller market scenario. Valuer A has also provided a value range based on distressed values. Valuer B has not provided a distressed value range, however, a distressed value range has been derived by the management by applying the same discount rate to Valuer B's willing buyer and willing seller range as the implied discount rate between Valuer A's willing buyer and willing seller value range and Valuer A's distressed value range. The applied fair value for the assets in the Company's financial statements is then set to the average of these two distressed ranges as the Company decided to apply a more conservative approach due to current market conditions and the frequency of such transactions in the market. Should the Company used the average fair values based on a willing buyer and willing seller market scenario of both Valuers, the total financial assets measured fair value would have been USD 110 million rather than USD 80,4 million.

b) Valuation processes (Level 2)

The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management of the Company. The inputs in the valuation techniques used include observable data, such as vessel's sale prices and other relevant information generated by recent market transactions involving identical or comparable (similar) PSV Vessels.

NOTES TO THE FINANCIAL INFORMATION

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

10.3 Reconciliation of Level 3 fair value measurements

The following table presents the changes in Level 3 investments for the twelve months ended 31 December 2018:

(Amount in USD 000)

	Financial assets at fair value through profit or loss	Total
31 December 2018		
Opening balance	88 379	88 379
Total gains or losses:		
- In profit or loss	(694)	(694)
Purchases	7 281	7 281
Issues	-	-
Disposals/settlements	-	-
Transfers into level 3 from level 2	-	-
Transfers out of level 3 (1)	(14 606)	(14 606)
Closing balance	<u>80 360</u>	<u>80 360</u>

(1) Financial assets at fair value through profit or loss amounted to USD 14 606 million have been reclassified from Level 3 to Level 2 as the valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input.

The following table presents the changes in Level 3 investments for the year ended 31 December 2017:

(Amount in USD 000)

	Financial assets at fair value through profit or loss	Total
31 December 2017		
Opening balance	-	-
Total gains or losses:		
- In profit or loss	(2 583)	(2 583)
Purchases	85 662	85 662
Issues	-	-
Disposals/settlements	-	-
Transfers into level 3 from level 2	5 300	5 300
Transfers out of level 3	-	-
Closing balance (note 5)	<u>88 379</u>	<u>88 379</u>

Unrealised gains or (losses) recognized in profit and loss attributable to assets held at the end of the reporting period (included in gains/losses) disclosed above:

31 December 2018	<u>(694)</u>	<u>(694)</u>
31 December 2017	<u>(2 583)</u>	<u>(2 583)</u>

NOTES TO THE FINANCIAL INFORMATION

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

10.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>1) Financial asset at fair value through profit or loss:</p> <p>(a) Investment in Wanax AS (100%) which holds:</p> <p>(i) 100% participatory interest in Standard Princess AS, (ii) 100% participatory interest in Standard Supplier AS, (iii) 100% participatory interest in Standard Viking AS, (iv) 100% participatory interest in Standard Provider AS, (v) 100% participatory interest in Standard Supporter AS, (vi) 25,53% participatory interest in Northern Supply AS.</p> <p>The principal activity of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Provider AS, Standard Supporter AS and Northern Supply AS is that of the holdings of PSV vessels.</p>	USD 80 360 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B. (note 10.2).</p>	Discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Discount rate is in the range of 44% to 50% and 24% to 29% based on the size of the respective vessels (note 10.2).	Significant increases/(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower/higher fair value measurement (note 1).
<p>(b) Investment in New World Supply Ltd (34,4%) which holds:</p> <p>(i) 100% Participatory interest in SPV World Diamond, (ii) 100% Participatory interest in SPV World Perdiot, (iii) 100% Participatory interest in SPV World Pearl, (iv) 100% Participatory interest in SPV World Emerald, (v) 100% Participatory interest in SPV World Opal. (vi) 100% Participatory interest in SPV World Sapphire</p> <p>The principal activities of the above companies is that of the holding of PSV vessels. PSV World Emerald and PSV Sapphire disposed the PSV vessels during the year and remained dormant.</p>	USD 14 606 thousands	Level 2	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input.</p>	Not applicable	Not applicable

Note 1.

A 5% increase/decrease of the discount rate used while all other variables were held constant would change the fair value of vessels as follows:

- For investment in Wanax AS by USD 2,1 million/ (USD 2,1) million.

NOTES TO THE FINANCIAL INFORMATION

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

10.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>1) Financial asset at fair value through profit or loss:</p> <p>(a) Investment in Wanax AS (100%) which holds:</p> <p>(i) 25,53% Participatory interest in PSV Opportunity AS "PSV AS",</p> <p>(ii) 100% participatory interest in Standard Princess AS,</p> <p>(iii) 100% participatory interest in Standard Supplier AS,</p> <p>(iv) 100% participatory interest in Standard Viking AS,</p> <p>(v) 100% participatory interest in Standard Provider AS,</p> <p>(vi) 100% participatory interest in Standard Supporter AS.</p> <p>The principal activity of PSV AS, Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Provider AS and Standard Supporter AS is that of the holdings of PSV vessels.</p>	USD 80 741 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B. (note 10.2).</p>	Discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Discount rate is in the range of 44% to 54% and 24% to 29% based on the size of the respective vessels (note 10.2).	Significant increases /(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower /higher fair value measurement (note 1).
<p>(b) Investment in New World Supply Ltd (26,2%) which holds:</p> <p>(i) 100% Participatory interest in SPV World Diamond,</p> <p>(ii) 100% Participatory interest in SPV World Peridot,</p> <p>(iii) 100% Participatory interest in SPV World Pearl,</p> <p>(iv) 100% Participatory interest in SPV World Emerald,</p> <p>(v) 100% Participatory interest in SPV World Opal,</p> <p>(vi) 100% Participatory interest in SPV World Sapphire.</p> <p>The principal activities of the above companies is that of the holding of PSV vessels.</p>	USD 7 638 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B. (note 10.2).</p>	Discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Discount rate is in the range of 50% to 60% (note 10.2).	Significant increases /(decreases) in the range of rates for discounting the fair vessels values would result in a significantly lower /higher fair value measurement (note 1).
<p>2) Listed shares - Bank of Cyprus Holdings Plc</p>	USD 12 thousands	Level 1	Quoted bid prices in an active market	Not applicable	Not applicable

Note 1.

A 5% increase/decrease of the discount rate used while all other variables were held constant would change the fair value of vessels as follows:

- For investment in Wanax AS by USD 2,3 million/ USD (2,3) million.
- For investment in New World Supply Ltd by USD 200 thousands/ USD (200) thousands.

NOTES TO THE FINANCIAL INFORMATION

NOTE 11 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 13 February 2018.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2018	14 February 2019
Q1 2019	15 May 2019
Q2 2019	27 August 2019
Q3 2019	11 November 2019

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