

INDEPENDENT OIL & RESOURCES PLC
FINANCIAL STATEMENTS
31 December 2013

INDEPENDENT OIL & RESOURCES PLC

FINANCIAL STATEMENTS

31 December 2013

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INDEPENDENT OIL & RESOURCES PLC

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors

Jan Egil Moe, Chairman
Foula Francis, Director
Anastasia Dimosthenous, Director

Company Secretary

Fidelius Management Services Limited

Independent Auditors

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Nicosia Tower Centre
36 Byron Avenue
PO Box 21656
1511 Nicosia, Cyprus

Registered office

27 Spyrou Kyprianou
Ernst & Young House
Limassol
4001, Cyprus

Bankers

SpareBank 1 SR- Bank
DNB

Registration number

HE319278

INDEPENDENT OIL & RESOURCES PLC

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2013.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and trading of investments.

Independent Oil & Resources PLC is listed on the OTC list on the Oslo Stock Exchange under the ticker code IOTA. Following the relocation to Cyprus, the Company changed its ISIN no. from NO 001 0248065 to CY 010 4270919.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

Future development

The Company is the largest shareholder in Petrolia SE, and its development is consequently largely linked to the development of Petrolia SE.

Redomiciliation

During 2013 the Company has relocated from Norway to Cyprus. The relocation process was initiated through a resolution which was passed at the annual meeting in 2012. On 14 February 2013 the Company obtained a temporary registration in the Cyprus Registrar of Companies (a continuation of Independent Oil & Resources ASA). Furthermore, on 17 April 2013 the Company was registered for dissolution with the Norwegian Register of Business Enterprises. The Company was struck off from the register in Norway on 25 July 2013. Finally, the Company was permanently registered in the Cyprus Registrar of Companies on 12 August 2013.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 18 of the financial statements.

Results

The Company's results for the year are set out on page 6.

Share capital

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

In February 2013 the Company obtained permission from the Norwegian Ministry of Trade and Industry, to make use of the Public Limited Companies Act § 4-24 2 paragraph, to carry out a compulsory acquisition of shares from shareholders whose shares had a total value not exceeding NOK 500. The number of shares bought back during the year amounted to 2.497.283 shares. The purchase price was NOK 0,10 per share.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2013.

In accordance with the Company's Articles of Association, Foula Francis, presently member of the Board, retires and being eligible offers herself for re-election.

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

INDEPENDENT OIL & RESOURCES PLC

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors

The independent auditors, Ernst & Young Cyprus Limited, who have been appointed by the Company during the year in replacement of Ernst & Young AS (Norway), have signified their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board of Directors,


Fidelius Management Services Limited
Secretary

Limassol, 16 April, 2014





Independent Auditor's Report

To the Members of Independent Oil & Resources PLC

Report on the financial statements

We have audited the accompanying financial statements of parent company Independent Oil & Resources PLC (the "Company"), which comprise the statement of financial position as at 31 December 2013, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Independent Oil & Resources PLC as at 31 December 2013, 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.

A handwritten signature in blue ink, appearing to read 'Stavros Pantzaris', is written over a faint, illegible stamp.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 16 April, 2014

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 NOK	2012 NOK
Dividend income	13	1.516.723	562.092
Interest income	13	7.006.000	5.462.465
Fair value gain	13	4.100.349	6.080.523
Loss on disposal of associate	10	-	(6.873.000)
Impairment charge on receivables	12	(1.067.269)	-
Administration expenses		(3.895.892)	(4.527.848)
Impairment charge on investments	9,10,11	(18.906.134)	(14.419.000)
Operating loss	5	(11.246.223)	(13.714.768)
Finance income	7	443.898	683.070
Finance costs	7	(31.634)	(71.319)
Loss before tax		(10.833.959)	(13.103.017)
Tax	8	-	-
Net loss for the year		(10.833.959)	(13.103.017)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10.833.959)	(13.103.017)

The notes on pages 10 to 24 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Note	2013 NOK	2012 NOK
ASSETS			
Non-current assets			
Investment in subsidiary company	9	1	11.690.032
Investment in associate companies	10	98.406.469	91.070.709
Available-for-sale financial assets	11	7.218.550	12.646.740
		<u>105.625.020</u>	<u>115.407.481</u>
Current assets			
Other receivables	12	7.192	1.483.555
Financial assets at fair value through profit or loss	13	100.666.097	89.785.749
Cash at bank and in hand	14	11.433.884	23.558.938
		<u>112.107.173</u>	<u>114.828.242</u>
Total assets		<u>217.732.193</u>	<u>230.235.723</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	15	23.962.846	23.962.846
Share premium		22.423.767	22.423.767
Treasury shares		(870.429)	(620.701)
Retained earnings		171.883.685	182.717.644
Total equity		<u>217.399.869</u>	<u>228.483.556</u>
Current liabilities			
Other payables	16	332.324	1.752.167
		<u>332.324</u>	<u>1.752.167</u>
Total equity and liabilities		<u>217.732.193</u>	<u>230.235.723</u>

On 16 April, 2014 the Board of Directors of Independent Oil & Resources PLC authorised these financial statements for issue.


.....
Foula Francis
Director


.....
Anastasia Dimosthenous
Director


.....
Jan Egil Moe
Chairman

The notes on pages 10 to 24 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Note	Share capital NOK	Share premium NOK	Treasury shares NOK	Retained earnings NOK	Total NOK
Balance at 1 January 2012		23.962.846	22.423.767	(620.701)	195.820.661	241.586.573
Comprehensive income						
Net loss for the year		-	-	-	(13.103.017)	(13.103.017)
Balance at 31 December 2012/ 1 January 2013		23.962.846	22.423.767	(620.701)	182.717.644	228.483.556
Comprehensive income						
Net loss for the year		-	-	-	(10.833.959)	(10.833.959)
Transactions with owners						
Buy back of shares	15	-	-	(249.728)	-	(249.728)
Balance at 31 December 2013		23.962.846	22.423.767	(870.429)	171.883.685	217.399.869

Share premium is not available for distribution.

The number of treasury shares as at 31 December 2013 amounted to 27.325.323 (2012: 24.828.040 shares).

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 distribution. Profits and to the extent that these are attributable to shareholders, who are not tax resident of Cyprus and own shares in the Company either directly and/or indirectly at the end of two years from the end of the tax year to which the profits relate, are exempted. 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.

The notes on pages 10 to 24 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

CASH FLOW STATEMENT

Year ended 31 December 2013

	Note	2013 NOK	2012 NOK
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(10.833.959)	(13.103.017)
Adjustments for:			
Loss from disposal of associate	9	-	6.873.000
Fair value gains on financial assets at fair value through profit or loss	13	(4.100.349)	(6.080.523)
Impairment charge - investments	9,10,11	18.906.134	14.419.000
Impairment charge - other receivables	12	1.067.269	-
Dividend income	13	(1.516.723)	(562.092)
Interest income	7,13	(7.347.136)	(6.117.014)
Cash flows used in operations before working capital changes		(3.824.764)	(4.570.646)
Decrease in receivables		409.094	3.710.000
(Decrease)/increase in other payables		(1.419.843)	1.508.167
Cash flows (used in)/from operations		(4.835.513)	647.521
Interest received		6.780.000	5.462.465
Dividends received		1.516.723	562.092
Net cash flows from operating activities		3.461.210	6.672.078
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of available-for-sale financial assets	11	(3.100.000)	-
Payment for purchase of financial assets at fair value through profit or loss	13	(56.508.216)	(20.616.948)
Payment for purchase of investments in subsidiaries	9	(1.500.786)	(3.504.032)
Payment for purchase of investments in associated undertakings	10	(4.522.887)	(2.584.000)
Proceeds from sale of financial assets at fair value through profit or loss	13	49.954.217	-
Proceeds from sale of investments in associated undertakings		-	16.094.291
Interest received		341.136	654.549
Net cash flows used in investing activities		(15.336.536)	(9.956.140)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for purchase of treasury shares		(249.728)	-
Net cash flows used in financing activities		(249.728)	-
Net decrease in cash and cash equivalents		(12.125.054)	(3.284.062)
Cash and cash equivalents:			
At beginning of the year		23.558.938	26.843.000
At end of the year	14	11.433.884	23.558.938

The notes on pages 10 to 24 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

1. Corporate information

Country of incorporation

Independent Oil & Resources PLC (the "Company") was initially incorporated in Norway on 14 October, 1991, and on 14 February, 2013 was redomiciliated in Cyprus as a limited liability Company under the Cyprus Companies Law, Cap. 113. The redomiciliation was done as continuity both in accounting terms and tax terms. Its registered office is at 27 Spyrou Kyprianou, Limassol, 4001, Cyprus.

Independent Oil & Resources PLC is listed on the OTC list on the Oslo Stock Exchange under the ticker code IOTA. Following the relocation to Cyprus the Company changed its ISIN no. from NO 001 0248065 to CY 010 4270919.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and trading of investments.

2.1 Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the valuation of the investments in financial assets at fair value through profit or loss.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group").

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 2013 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

2.2 Changes in accounting policies and disclosures

During the current year the Company adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations and are effective for accounting periods commencing on 1 January 2013.

The adoption of these Standards did not have a material effect on the financial statements.

2.3 Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

- *IAS 27 Separate Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2014)*
- *IAS 28 Investments in Associates and Joint Ventures (Revised) (effective for annual periods beginning on or after 1 January 2014)*
- *IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)*
- *IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)*

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

Standards issued but not yet effective (continued)

(i) Issued by the IASB and adopted by the European Union (continued)

- *IFRS 12 Disclosures of Investments in Other Entities (effective for annual periods beginning on or after 1 January 2014)*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective for annual periods beginning on or after 1 January 2014)*
- *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective for annual periods beginning on or after 1 January 2014)*
- *Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*
- *Recoverable Amount Disclosures for Non Financial Assets (Amendments to IAS 36) (effective for annual periods beginning on or after 1 January 2014)*
- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014)*

(ii) Issued by the IASB but not yet adopted by the European Union

- *IFRS 9 Financial Instruments – Classification and Measurement (tentatively effective for annual periods beginning on or after 1 January 2018)*
- *IFRIC Interpretation 21 – Levies (effective for annual periods beginning on or after 1 January 2014)*
- *IAS 19 Defined Benefit Plans: Employee Contributions (Amendments) (effective for annual periods beginning on or after 1 July 2014)*
- *Annual Improvements to IFRSs 2010–2012 Cycle (effective for annual periods beginning on or after 1 July 2014)*
- *Annual Improvements to IFRSs 2011–2013 Cycle (effective for annual periods beginning on or after 1 July 2014)*
- *IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

3. Summary of significant accounting policies

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

Investment in subsidiary company

Investment in subsidiary company is stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Investment in associate companies

Associate companies are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate companies is stated at cost less provision for impairment, which is recognised as an expense in the period in which the impairment is identified. Dividends from associate companies are recognised in profit or loss when the Company's right to receive payment is established.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. Summary of significant accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Norwegian Kroner ('NOK'), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Other receivables

Other 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.

Loans receivable

Loans originated by the Company by providing money directly to the borrower are categorised as loans receivable. They are initially measured at the fair value of cash consideration given to originate those loans as is determined by reference to market rates of interest at origination date and are subsequently measured at amortised cost. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held at fair value through profit or loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit or loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit or loss or are expected to be realised within twelve months from the reporting date.

- *Available-for-sale financial assets*

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless Management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on the trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Investments (continued)

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

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 measured at cost less impairment.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Other payables

Other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

4. Critical accounting estimates, judgments and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which had the most significant effect on the amounts recognised in the financial statements:

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises 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 income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

- **Impairment of investments in subsidiary and associate companies**

The Company periodically evaluates the recoverability of investments in subsidiary and associate companies whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of available-for-sale financial assets**

The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

5. Operating (loss)

	2013 NOK	2012 NOK
Operating loss is stated after charging the following items:		
Staff costs including Directors in their executive capacity (Note 6)	571.000	741.650
Auditors' remuneration - current year	199.504	417.500
Auditors' remuneration - prior years	271.250	-

6. Staff costs

	2013 NOK	2012 NOK
Directors' fees (Note 17)	565.262	741.650
Social insurance costs and other funds	5.738	-
	571.000	741.650

7. Net finance income

	2013 NOK	2012 NOK
Bank interest income	341.136	654.549
Exchange profit	102.762	28.521
Finance income	443.898	683.070
Exchange loss	(19.820)	(65.069)
Sundry finance expenses	(11.814)	(6.250)
Finance costs	(31.634)	(71.319)
Net finance income	412.264	611.751

8. Tax

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 NOK	2012 NOK
Loss before tax	(10.833.959)	(13.103.017)
Tax calculated at the applicable tax rates 12,5% (2012: 28%)	(1.354.245)	(3.668.845)
Tax effect of allowances and income not subject to tax	-	3.668.845
Tax effect of tax loss for the year	1.354.245	-
Tax charge	-	-

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

8. Tax (continued)

The corporation tax rate in Cyprus is 12,5%. In 2012, the Company was taxed in Norway at a tax rate of 28%.

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

9. Investment in subsidiary company

At cost	2013 NOK	2012 NOK
Balance at 1 January	11.690.032	82.469.000
Additions	1.500.786	3.504.032
Disposals	-	(74.283.000)
Impairment charge	(13.190.817)	-
Balance at 31 December	<u>1</u>	<u>11.690.032</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2013 Holding %	2012 Holding %	2013 NOK	2012 NOK
Heavy Minerals Limited	Isle of Man	Investment in mineral companies	63,7 (i)	64,3	<u>1</u>	<u>11.690.032</u>
					<u>1</u>	<u>11.690.032</u>

During the year the Company acquired 248.613 shares in Heavy Minerals Ltd for a consideration of NOK 1.500.786. An impairment provision was recognised for the year amounting to NOK 13.190.817. Accumulated impairment as at year end amounted to NOK 24.001.718.

During 2012, the Company disposed its shares in the subsidiary company IO&R AS to Petrolia SE, in return of shares in Petrolia SE.

(i) Direct ownership interest 27,6% and indirect ownership interest through Petroresources Ltd 36,18%.

10. Investment in associate companies

At cost	2013 NOK	2012 NOK
Balance at 1 January	91.070.709	51.590.000
Additions	4.522.887	76.867.000
Disposals	-	(16.094.291)
Impairment charge	(15.787.606)	(14.419.000)
Reversal of impairment charge	18.600.479	-
Loss on disposal	-	(6.873.000)
Balance at 31 December	<u>98.406.469</u>	<u>91.070.709</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

10. Investment in associate companies (continued)

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2013 Holding %	2012 Holding %	2013 NOK	2012 NOK
Petroresources Ltd (i)	Cyprus	Holding of licences for oil exploration	49,8	49,8	14.953.036	24.157.727
Epsis AS (ii)	Norway	Computer Software for Collaboration	23,3	23,3	3.297.416	5.357.444
Petrolia SE (iii)	Cyprus	Oil & Gas activities	49,1	49,1	<u>80.156.017</u>	<u>61.555.538</u>
					<u>98.406.469</u>	<u>91.070.709</u>

(i) During the year, the Company acquired 2.350 shares in Petroresources Ltd for a consideration of USD 749.275 (NOK 4.522.887). An impairment provision was recognised for the year amounting to NOK 13.727.578. Accumulated impairment as at year end amounted to NOK 66.805.378.

(ii) An impairment provision was recognised for the investment in Epsis AS of NOK 2.060.028. Accumulated impairment as at year end amounted to NOK 28.389.784.

(iii) On 31 December 2013 previous impairment of NOK 18.600.749 was reversed for investment in Petrolia SE. Accumulated impairment as at year end amounted to NOK 1.036.997. The carrying amount of investment in Petrolia SE is written down to market value as at 31 December 2013.

During 2012 the Company sold 37 million shares in Petrolia SE to the related company Larsen Oil & Gas AS for NOK 22,2m.

11. Available-for-sale financial assets

At cost	2013 NOK	2012 NOK
Balance at 1 January	12.646.740	12.646.740
Additions	3.100.000	-
Impairment charge	<u>(8.528.190)</u>	-
Balance at 31 December	<u>7.218.550</u>	<u>12.646.740</u>

Available for sale financial assets relate to the investment in Opra Technologies ASA. During the year, the Company acquired 3.100.000 shares of NOK1 each, bringing the total number of shares held by the Company to 12.754.000 shares (2012: 9.654.000) and shareholding to 10,6% (2012: 9,6%). Impairment charge during the year amounted to NOK 8.528.190 (accumulated impairment NOK 33.809.332).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

12. Receivables

	2013 NOK	2012 NOK
Receivables from related companies (Note 17)	1.199	-
Other receivables (i)	5.993	1.483.555
	7.192	1.483.555

(i) A provision for bad debts was recognised in respect of receivables from Certified Oilfield Rentals Ltd (COR) for an amount of NOK 1.067.269. COR is under bankruptcy and the accumulated impaired receivable of NOK 1.266.184 is not expected to be recovered.

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

13. Financial assets at fair value through profit or loss

	2013 NOK	2012 NOK
At fair value		
Investment in Bond (i)	53.901.000	55.370.000
Investments in shares (ii)	46.765.097	34.415.749
Balance at 31 December	100.666.097	89.785.749

All investments are traded on the stock exchange.

(i) The Company owns bonds defined as "12.0 per cent Petrolia SE Callable Bond Issue 2013/2015" ISIN 0010683592. The bonds are issued by the associated company Petrolia SE and are listed in ABM market of Oslo Stock Exchange. At 31 December 2013 the Company held 53.675.000 bonds of nominal value 1 NOK and accrued interest of NOK 226.000. The interest income for the year amounted to NOK 7.006.000 (2012: NOK 5.462.465).

During 2012, the Company acquired bonds amounting to NOK 42m and sold bonds with a nominal value of NOK 8m to the related party Larsen Oil & Gas AS for NOK 7,8m.

During the year, the value of the bond was decreased by NOK 1.695.000 (2012: increase NOK 965.000).

The acquisition cost is NOK 54.405.000.

(ii) Investments in shares

	2013 NOK	2012 NOK
Balance at 1 January	34.415.749	42.192.000
Additions	56.508.216	-
Disposal proceeds	(49.954.217)	(12.891.774)
Change in fair value	5.795.349	5.115.523
Balance at 31 December	46.765.097	34.415.749

The investments in shares relate to marketable securities and are valued at market value at the close of business on 31 December by reference to Oslo Stock Exchange quoted bid prices.

The acquisition cost is NOK 44.760.663.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

13. Financial assets at fair value through profit or loss (continued)

During the year, the Company received dividends from its investments in listed shares totalling to NOK 1.516.723 (2012: NOK 562.092).

14. Cash at bank and in hand

	2013 NOK	2012 NOK
Cash at bank	<u>11.433.884</u>	<u>23.558.938</u>
	<u>11.433.884</u>	<u>23.558.938</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 18 of the financial statements.

15. Share capital

	2013	2013	2012	2012
	Number of shares	NOK	Number of shares	NOK
Authorised				
Ordinary shares of NOK 0,025 each	<u>958.508.828</u>	<u>23.962.720</u>	<u>958.508.828</u>	<u>23.962.720</u>
Issued and fully paid				
Balance at 1 January	<u>958.508.828</u>	<u>23.962.846</u>	<u>958.508.828</u>	<u>23.962.846</u>
Balance at 31 December	<u>958.508.828</u>	<u>23.962.846</u>	<u>958.508.828</u>	<u>23.962.846</u>

On 19 February, 2013, the Company's Board of Directors decided to buy back shares from shareholders whose shares had a total value not exceeding NOK 500.

The number of shares bought back during the year amounted to 2.497.283. The purchase price was NOK 0,10.

16. Trade and other payables

	2013 NOK	2012 NOK
Social insurance and other taxes	364	-
Accruals	243.833	-
Other creditors	<u>88.127</u>	<u>1.752.167</u>
	<u>332.324</u>	<u>1.752.167</u>

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

17. Related party balances and transactions

List of main shareholders

	Shareholders as at 31 December 2013 and at 15 April 2014	No of shares	Shareholding
1	INCREASED OIL RECOVERY AS	413.915.779	43.18%
2	NET AS	163.892.692	17.10%
3	INDEPENDENT OILFIELDS RENTALS LTD	134.894.721	14.07%
4	BERNH LARSEN HOLDING AS	75.185.758	7.84%
5	INDEPENDENT OIL & RESOURCES PLC (the Company)	27.325.323	2.85%
6	ASKELADDEN INVEST AS	12.502.370	1.30%
7	SKARET INVEST AS	10.837.706	1.13%
	Other shareholders with shareholding under 1%	119.954.479	12,53%
	Total number of shares	958.508.828	100%

The Chairman of the Company, Jan Egil Moe, holds indirectly 0,33% of the shares of the Company, through the company, Janem SA.

The following transactions were carried out with related parties:

17.1 Directors' remuneration

The remuneration of Directors and other members of key management were as follows:

	2013 NOK	2012 NOK
Directors' fees	565.262	650.000
Directors' remuneration	-	91.650
	565.262	741.650

17.2 Purchases of services

	2013 NOK	2012 NOK
Larsen Oil & Gas As (shareholder)	312.500	1.250.000
Janem AS (shareholder)	925.500	804.000
	1.238.000	2.054.000

17.3 Receivables from related parties (Note 12)

	2013 NOK	2012 NOK
<u>Name</u>		
Heavy Minerals Limited (subsidiary company)	590	-
Petroresources Limited (associate company)	609	-
	1.199	-

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

18. Financial risk management objectives and policies

Financial risk factors

The Company is exposed to market price risk, currency risk, interest rate risk, credit risk, liquidity risk and capital management risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect the Company's income or the value of its holdings of financial instruments. As at the year end, the Company holds investments as shown in Note 13, which are affected by market price changes. The Company manages the market risk by holding a diversified portfolio of equity and bond investments in the Oslo Stock exchange.

18.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and operating cash inflows are substantially independent of changes in market interest rates as the Company holds bonds as stated in Note 13, which carry fixed interest rate. Interest income from cash at bank is not significant.

18.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

18.4 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily other receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to financial instruments and cash deposits: Cash balances are held with reputable financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

18.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company has established procedures with the objective of maintaining a balance between continuity of funding and flexibility through the use of various investment products.

18.6 Capital management

Capital includes equity shares and share premium.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's overall objectives, policies and processes remain unchanged from last year.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2013.

20. Commitments

The Company had no capital or other commitments as at 31 December 2013.

21. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 4 and 5

INDEPENDENT OIL & RESOURCES PLC

DETAILED INCOME STATEMENT

Year ended 31 December 2013

	Page	2013 NOK	2012 NOK
Dividend income		1.516.723	562.092
Interest income		7.006.000	5.462.465
Other operating income			
Fair value gain		4.100.349	(15.211.477)
		12.623.072	(9.186.920)
Operating expenses			
Administration expenses	26	(3.895.892)	(4.527.848)
Impairment charge of receivables	26	(1.067.269)	-
Impairment charge on investments		(18.906.134)	-
Operating loss		(11.246.223)	(13.714.768)
Finance income		443.898	683.070
Finance costs		(31.634)	(71.319)
Net loss for the year before tax		(10.833.959)	(13.103.017)

INDEPENDENT OIL & RESOURCES PLC

OPERATING EXPENSES

Year ended 31 December 2013

	2013 NOK	2012 NOK
Administration expenses		
Directors' remuneration	-	91.650
Directors' fees	565.262	650.000
Social insurance etc.	5.738	-
Licenses and taxes	675	-
Courier expenses	986	-
Auditors' remuneration - current year	199.504	417.500
Auditors' remuneration - prior years	271.250	-
Accounting fees	193.388	-
Legal fees	44.156	761.699
Other professional fees	2.171.551	1.356.999
Travelling	125.032	-
Inland travelling and accommodation	5.850	-
Management fees	312.500	1.250.000
	<u>3.895.892</u>	<u>4.527.848</u>

	2013 NOK	2012 NOK
Impairment charge of receivables		
Bad debts written off	<u>1.067.269</u>	-
	<u>1.067.269</u>	<u>-</u>