

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2018

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2018

CONTENTS	PAGE
Board of Directors and other corporate information	1
Management Report	2
Independent auditor's report	3 - 5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 36

INDEPENDENT OIL & RESOURCES PLC

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors:	Jan Egil Moe (Chairman) Anastasia Demosthenous Robert Arnott
Company Secretary:	Fidelius Management Services Ltd
Independent Auditors:	Ernst & Young Cyprus Limited Certified Public Accountants and Registered Auditors 27 Spyrou Kyprianou Ave., 4003 Mesa Yitonia Limassol Cyprus
Registered office:	Christodoulou Chatzipavlou 205 LOULLOUPIS COURT, 4th Floor, Office 401 3036, Limassol Cyprus
Bankers:	Nordea Bank Bank of Cyprus Public Company Ltd
Registration number:	HE319278

INDEPENDENT OIL & RESOURCES PLC

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

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.

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 considered satisfactory.

The Company expects to continue the same activities in the future.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 7 of the financial statements.

Results and Dividends

The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend.

Share capital

On 30 November 2018, the authorised and issued share capital of the Company was increased by 10,000,000 shares to 38,333,452 shares and 34,053,211 respectively. The shares were issued at nominal value of NOK2.50 each and the total proceeds amounted to NOK25,000,000.

Associate companies hold 7,370,031 shares in the Company, constituting 21.64% of the total issued share capital of the Company.

For more details see also notes 20 and 22.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2018 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 2018.

In accordance with the Company's Articles of Association all Directors presently members of the Board retire and being eligible offer themselves for re-election.

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

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 26 to the financial statements.

Independent Auditors

The Independent Auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Fidelius Management Services Ltd
Secretary

Limassol, 3 June 2019

Independent Auditor's Report

To the Members of Independent Oil & Resources Plc

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Independent Oil & Resources Plc (the "Company"), which are presented in pages 6 to 36 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The Company's investment in Noco Oil & Resources Ltd ("Noco"), an associate company accounted for using the equity method (note 14), is carried at NOK27,196,996 on the statement of financial position as at 31 December 2018, and the Company's share of Noco's net loss of NOK2,289,469 is included in the Company's statement of profit or loss and other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Noco as at 31 December 2018 and the Company's share of Noco's net loss for the year, due to the fact that Noco has not prepared audited consolidated financial statements for the year 2018 and, therefore, the equity accounting is based on the separate financial statements of Noco. Consequently, we are unable to determine whether any adjustments to these amounts were necessary. Our prior year audit report for the year ended 31 December 2017 was also qualified on the same grounds; the associate company was carried at NOK28,451,365 on the statement of financial position as at 31 December 2017, and the Company's share of Noco's net loss of NOK11,052,115 was included in the Company's statement of profit or loss and other comprehensive income for the year then ended.

In addition, the Company's investment in Epsis AS ("Epsis"), an associate company accounted for using the equity method, is carried at NOK760,512 on the statement of financial position as at 31 December 2018 (note 14), and the Company's share of Epsis's result of NOK nil is included in the Company's statement of profit or loss and other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Epsis as at 31 December 2018 and the Company's share of Epsis's net result for the year, because the Company did not manage to receive any audited or unaudited financial statements of Epsis for the year 2018. In this respect the carrying amount of the investment in Epsis reported on the statement of financial position remains the same as in prior year. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Except for the matters described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Reporting on Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investments in Noco and in Epsis as at 31 December 2018 and the Company's share of Noco's and of Epsis's net result for the year then ended. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the Board of Directors and those charged with governance 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report, except for the possible effects from the matters described in the Basis for qualified opinion section above.

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 69 of the Auditors Law of 2017 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.

The engagement partner on the audit resulting in this independent auditor's report is Kyriakos Christodoulou.



Kyriakos Christodoulou

Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Limassol, 3 June 2019

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2018

	Note	2018 NOK	2017 NOK
Revenue			
Dividend income	18	1,432,811	1,189,417
Interest income	16,18	<u>1,398,323</u>	<u>2,108,668</u>
		2,831,134	3,298,085
Fair value gain on financial assets at fair value through profit or loss	8	919,733	8,288,047
Administration expenses		(2,614,529)	(2,387,126)
(Impairment) / reversal of impairment of investments in associates	14	(3,673,347)	7,041,665
Gain / (loss) on disposal of associate /subsidiary	13,14	<u>131,713</u>	<u>(1,250,118)</u>
Operating (loss) / profit	9	(2,405,296)	14,990,553
Finance income	11	5,345	417,919
Finance costs	11	(1,338,161)	(768,071)
Share of results of associates before tax	14	<u>4,099,031</u>	<u>(44,462,184)</u>
Profit/ (loss) before tax		360,919	(29,821,783)
Tax	12	<u>(13,833)</u>	<u>(910)</u>
Net profit/ (loss) for the year		<u>347,086</u>	<u>(29,822,693)</u>
Other comprehensive income			
Share of income/ (losses) from associates		5,682,923	(7,469,770)
Currency translation difference of associates		<u>7,270,508</u>	<u>(12,728,025)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<u>12,953,431</u>	<u>(20,197,795)</u>
Fair value change on equity instruments designated at fair value through other comprehensive income		<u>(214,331)</u>	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(214,331)</u>	-
Other comprehensive income / (loss) for the year		<u>12,739,100</u>	<u>(20,197,795)</u>
Total comprehensive income / (loss) for the year		<u>13,086,186</u>	<u>(50,020,488)</u>

The notes on pages 10 to 36 form an integral part of these financial statements.

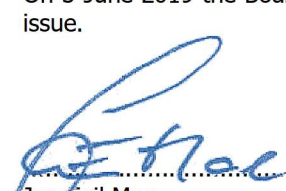
INDEPENDENT OIL & RESOURCES PLC

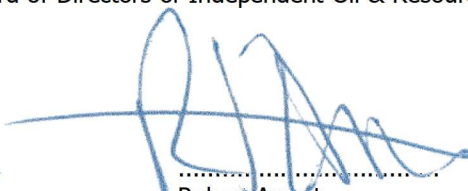
STATEMENT OF FINANCIAL POSITION

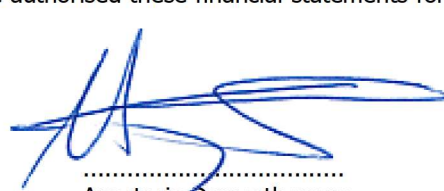
31 December 2018

	Note	2018 NOK	2017 NOK
ASSETS			
Non-current assets			
Investments in associates	14	130,508,892	101,164,722
Equity investments designated at fair value through other comprehensive income / Available for sale financial assets	15	785,669	1,000,000
Other financial assets at amortised cost	16	16,847,400	-
		148,141,961	102,164,722
Current assets			
Receivables	17	484,124	595,486
Financial assets at fair value through profit or loss	18	39,601,600	83,160,055
Refundable taxes	12	160,294	113,235
Cash at bank and in hand	19	36,714,167	13,853,601
		79,960,185	97,722,377
Total assets		225,102,146	199,887,099
EQUITY AND LIABILITIES			
Equity			
Share capital	20	85,133,028	60,133,028
Share premium		49,999,066	49,999,066
Translation reserve		41,110,609	33,840,101
Fair value reserve of financial assets at fair value through other comprehensive income		(214,331)	-
Retained earnings		48,682,079	46,001,988
Total equity		224,710,451	189,974,183
Non-current liabilities			
Borrowings	22.5	-	8,519,159
		-	8,519,159
Current liabilities			
Trade and other payables	21	391,695	1,393,757
		391,695	1,393,757
Total liabilities		391,695	9,912,916
Total equity and liabilities		225,102,146	199,887,099

On 3 June 2019 the Board of Directors of Independent Oil & Resources Plc authorised these financial statements for issue.


 Jan Egil Moe
 Director


 Robert Arnott
 Director


 Anastasia Demosthenous
 Director

The notes on pages 10 to 36 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CHANGES IN EQUITY

31 December 2018

	Note	Share capital NOK	Share premium NOK	Fair value reserve - Financial assets at fair value through other comprehensive income NOK	Translation reserve NOK	Retained earnings NOK	Total NOK
Balance at 1 January 2017		60,133,028	49,999,066	-	46,568,126	83,294,451	239,994,671
Comprehensive income							
Net loss for the year		-	-	-	-	(29,822,693)	(29,822,693)
Other comprehensive expense		-	-	-	(12,728,025)	(7,469,770)	(20,197,795)
Balance at 1 January 2018 as previously reported		60,133,028	49,999,066	-	33,840,101	46,001,988	189,974,183
Effect of initial application of IFRS 9 in associates	14	-	-	-	-	(3,349,918)	(3,349,918)
Balance at 1 January 2018 as restated		60,133,028	49,999,066	-	33,840,101	42,652,070	186,624,265
Comprehensive income							
Net profit for the year		-	-	-	-	347,086	347,086
Other comprehensive income/(expense)		-	-	(214,331)	7,270,508	5,682,923	12,739,100
Transactions with owners							
Issue of share capital	20	25,000,000	-	-	-	-	25,000,000
Balance at 31 December 2018		<u>85,133,028</u>	<u>49,999,066</u>	<u>(214,331)</u>	<u>41,110,609</u>	<u>48,682,079</u>	<u>224,710,451</u>

Share premium is not available for distribution.

The notes on pages 10 to 36 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CASH FLOWS

31 December 2018

	Note	2018 NOK	2017 NOK
CASH FLOWS FROM OPERATING ACTIVITIES			
(Profit)/loss before tax		360,919	(29,821,783)
Adjustments for:			
Share of (profit)/loss from associates	14	(4,099,031)	44,462,184
(Gain)/loss from the sale of investments in associates/subsidiaries	14	(131,713)	1,250,118
Fair value gains on financial assets at fair value through profit or loss	8	(919,733)	(8,288,047)
Impairment charge/(reversal of impairment) on investments in associates	14	3,673,347	(7,041,665)
Dividend income	18	(1,432,811)	(1,189,417)
Interest income	11,16,18	(1,403,668)	(2,114,629)
Interest expense	11	164,129	730,278
Foreign exchange loss/(gain)		<u>1,076,792</u>	<u>(773,958)</u>
		(2,711,769)	(2,786,919)
Changes in working capital:			
Decrease/(increase) in receivables		293,192	(8,164)
(Decrease)/increase in trade and other payables		<u>(1,002,062)</u>	<u>425,838</u>
Cash used in operations		(3,420,639)	(2,369,245)
Interest received		1,523,186	3,493,038
Dividends received		1,250,981	1,135,965
Tax paid		<u>(58,163)</u>	<u>(114,144)</u>
Net cash generated (used in)/from operating activities		<u>(704,635)</u>	<u>2,145,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of financial assets at fair value through profit or loss	18	(33,575,196)	(66,382,251)
Payment for purchase of investments in associated undertakings	14	(19,643,806)	(16,958,921)
Proceeds from sale of financial assets at fair value through profit or loss	18	59,789,118	80,771,625
Proceeds from sale of investments in associate/subsidiary undertakings	14	460,547	8,318
Payment of purchase of available for sale investment	15	<u>-</u>	<u>(1,000,000)</u>
Net cash generated from/(used in) investing activities		<u>7,030,663</u>	<u>(3,561,229)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	22	(7,996,398)	(8,264,940)
Issue of share capital		25,000,000	-
Interest paid	22	<u>(469,064)</u>	<u>(1,042,669)</u>
Net cash generated from/ (used in) financing activities		<u>16,534,538</u>	<u>(9,307,609)</u>
Net increase/(decrease) in cash and cash equivalents		22,860,566	(10,723,224)
Cash and cash equivalents at beginning of the year		<u>13,853,601</u>	<u>24,576,825</u>
Cash and cash equivalents at end of the year	19	<u><u>36,714,167</u></u>	<u><u>13,853,601</u></u>

The notes on pages 10 to 36 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. Incorporation and principal activities

Country of incorporation

Independent Oil & Resources Plc (the "Company") was incorporated in Norway on 14 October 1991, and on 14 February 2013, was redomiciled in Cyprus as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The redomiciliation was done as a continuity both in accounting terms and tax terms. Its registered office is at Christodoulou Chatzipavlou 205, LOULLOUPIS COURT, 4th Floor, Office 401, 3036, Limassol, Cyprus.

Independent Oil & Resources Plc is listed on the OTC list on the Oslo Stock Exchange under the ticker code of IOTA. Following the relocation to Cyprus, the Company changed its ISIN no. from NO 001 02480265 to CY 010 2470919.

Principal activities

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

2. Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) 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 revaluation at fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption had a material effect on the accounting policies of the Company as follows:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from contracts with customers"

As explained below, in accordance with the transition provisions of IFRS 9 and IFRS 15, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18 and IAS 11, and the impact of adoption has been recognised in the opening retained earnings.

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

In particular, 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. 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 fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Company's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Company was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

As a result of the adoption of IFRS 9 the Company revised its impairment methodology for each class of assets subject to the new impairment requirements. 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 and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk and whether the debt investments qualify as low credit risk.

The Company has the following types of assets that are subject to IFRS 9's new expected credit loss model: trade receivables, financial assets at amortised cost and cash and cash equivalents.

The Company has adopted the simplified expected credit loss model for its trade receivables, as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for financial assets at amortised cost and cash and cash equivalents.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The following table reconciles the carrying amounts of financial instruments, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Measurement category		Carrying value per IAS 39 (closing balance at 31 December 2017) NOK	Effect of IFRS 9		Carrying value per IFRS 9 (opening balance at 1 January 2018) NOK
	IAS 39	IFRS 9		Remeasurement through Retained Earnings NOK	Reclassification NOK	
Unlisted equity securities	AFS (available-for-sale)	FVOCI (designated)	1,000,000	-	(1,000,000)	-
Investments in debt instruments	FVTPL	AC (amortised cost)	<u>18,120,465</u>	<u>-</u>	<u>(18,120,465)</u>	<u>-</u>
Financial assets			<u>19,120,465</u>	<u>-</u>	<u>(19,120,465)</u>	<u>-</u>
Investments in associates	Equity method	Equity method	<u>101,164,722</u>	<u>(3,349,918)</u>	<u>-</u>	<u>97,814,804</u>
Non-financial assets			<u>101,164,722</u>	<u>(3,349,918)</u>	<u>-</u>	<u>97,814,804</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

- *Investments in equity securities previously classified as available-for-sale (AFS):*

The Company elected to present in OCI changes in the fair value of all its non-listed equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a cost of NOK1,000,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

- *Investments in equity securities and listed bonds previously classified as financial assets at FVTPL:*

Listed equity securities and listed bonds - held for trading are required to be held as FVTPL under IFRS 9. As a result there was no impact on the amounts recognised in relation to the investments in listed equity securities and listed bonds held for trading that were previously classified as financial assets at FVTPL from the adoption of IFRS 9. Under IAS 39 equity securities and listed bonds designated as at fair value through profit or loss at inception were those that were managed and their performance was evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets was provided internally on a fair value basis to the Company's key management personnel. Under IFRS 9 investments in listed instruments are always measured at fair value, so as a result there was no impact from the adoption of IFRS 9.

- *Other financial instruments:*

For all other financial assets Management assessed whether that the Company's business model for managing the assets is "hold to collect" and these assets meet SPPI tests. As a result non-listed debt instruments were classified as financial assets at amortised cost and reclassified from the category "financial assets at FVTPL" under IAS 39. Receivables were classified as financial assets at amortised cost and reclassified from the category "loans and receivables" under IAS 39 which was "retired". Previously under IAS 39 were also measured at amortised cost. There was no impact from the adoption of IFRS 9 on other financial instruments as of 1 January 2018.

At 31 December 2017, all of the Company's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Company's financial liabilities continued to be classified at amortised cost.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a Company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

The Company's new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out below in note 4.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(ii) IFRS 15 "Revenue from Contracts with Customers" (continued)

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the cumulative effect of transition to IFRS 15 if any, should be recognized as at 1 January 2018 as an adjustment to opening retained earnings directly in equity.

The Company has applied IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application and adopted the practical expedient not to retrospectively restate contracts for which contract modifications occurred before the date of initial application. In accordance with the transition method elected by the Company for implementation of IFRS 15 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 18 and IAS 11 and related interpretations.

The adoption on the new IFRS 15 standard did not have a material impact on the financial statements of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 25.

Investments in associate companies

The Company's investments in associated entities, in which the Company has significant influence, is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Company determines whether there is objective evidence that the investments in associates is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment charge of investments in associates' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Revenue

Recognition and measurement

Revenue shall be recognised in such a way to depict the transfer of services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those services to the customer; the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

Revenue from contracts with customers (in writing, orally or in accordance with other customary business practices) is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

- Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

- Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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 Krone (NOK), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

(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. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on financial assets at fair value through other comprehensive income are recognised in other comprehensive income and then included in the fair value reserve in equity. The exchange differences arising on translation of associates are recognised in OCI.

Tax

Current tax liabilities and assets 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

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 OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification 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). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Financial assets - Measurement

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 (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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. There are three measurement categories into which the Company classifies its debt instruments:

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 'interest income'. 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 profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

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 income 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 "interest income". Foreign exchange gains and losses are presented in "finance income/(costs)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL 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, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as Dividend income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "fair value changes" in the statement of profit or loss as applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, including cash at bank, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

(ii) Financial liabilities

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Trade and other payables

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

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to its net carrying amount.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. New accounting pronouncements

Standards issued but not yet effective

Up to the date of approval of these 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

- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017) (effective for annual periods beginning on or after 1 January 2019).*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (effective for annual periods beginning on or after 1 January 2019).*
- *Annual Improvements to IFRSs 2015-2017 Cycle (issued on 12 December 2017) (effective for annual periods beginning on or after 1 January 2019)*
- *IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).*

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

- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).*

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. Financial risk management

Financial risk factors

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

6.1 Market price 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 hold investments as shown in Note 18, which are affected by market price changes. The Company manages the market risk by holding a diversified portfolio of equity investments mainly listed on the Oslo Stock exchange.

6.2 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 has no significant interest-bearing assets and liabilities, other than the bonds shown in note 16 which carry fixed interest rate.

6.3 Credit risk

Credit risk is the risk that a 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 mainly held with high credit rating financial institutions and the Company has policies to limit the amount of credit exposure to any financial institutions, therefore Management is of the opinion that the credit risk is limited.

6.4 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.

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

31 December 2018	Total contractual cash flows NOK	Within 1 year NOK	1-5 years NOK	More than 5 years NOK
Trade and other payables	120,694	120,694	-	-
Payables to associated companies	75,000	75,000	-	-
	<u>195,694</u>	<u>195,694</u>	<u>-</u>	<u>-</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

31 December 2017	Total contractual cash flows NOK	Within 1 year NOK	1-5 years NOK	More than 5 years NOK
Trade and other payables	352,383	352,383	-	-
Payables to associated companies	1,000,000	1,000,000	-	-
Loans from shareholders	9,884,234	431,282	9,452,952	-
	<u>11,236,617</u>	<u>1,783,665</u>	<u>9,452,952</u>	<u>-</u>

6.5 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.

The Company is mainly exposed to exchange rate fluctuations connected to the value of NOK relatively to USD due to the fact that the Company has income and operating expenses in USD. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

	2018 NOK	Liabilities 2017 NOK	2018 NOK	Assets 2017 NOK
United States Dollars	-	8,519,159	867,697	1,665,430
	<u>-</u>	<u>8,519,159</u>	<u>867,697</u>	<u>1,665,430</u>

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity:

	Change in United States rate	Liabilities NOK	Assets NOK
2018			
Changes in monetary assets and liabilities	10%	-	(78,882)
	(10)%	-	96,411
		<u>-</u>	<u>17,529</u>
2017			
Changes in monetary assets and liabilities	10%	774,469	(150,494)
	(10)%	(946,573)	183,937
		<u>(172,104)</u>	<u>33,443</u>

6.6 Capital risk management

Capital includes equity shares and share premium.

The Company manages its capital 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. The Company's overall strategy remains unchanged from last year.

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. Financial risk management (continued)

Fair value estimation

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying amounts		Fair values	
	2018 NOK	2017 NOK	2018 NOK	2017 NOK
Financial liabilities				
Loans from related parties	-	(8,519,159)	-	(8,122,954)
	<u>-</u>	<u>(8,519,159)</u>	<u>-</u>	<u>(8,122,954)</u>

All fair value disclosures above are categorised within Level 2 fair value hierarchy (see below).

Fair value measurements recognised in statement of financial position

The different levels of fair value hierarchy have been defined as follows:

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

Recurring fair value measurements recognised in the statement of financial position

31 December 2018	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Financial assets				
Financial assets (shares)	39,601,600	-	-	39,601,600
Financial assets at fair value through other comprehensive income	-	-	785,669	785,669
Total	<u>39,601,600</u>	<u>-</u>	<u>785,669</u>	<u>40,387,269</u>
31 December 2017	Level 1 NOK	Level 2 NOK	Level 3 NOK	Total NOK
Financial assets				
Financial assets (bonds and shares)	65,039,590	18,120,465	-	83,160,055
Total	<u>65,039,590</u>	<u>18,120,465</u>	<u>-</u>	<u>83,160,055</u>

The fair value of non-listed bonds in 2017 were estimated by reference to recent transactions, therefore classified as Level 2 in the fair value hierarchy.

The financial assets at fair value through other comprehensive income was defined as Level 3 based on the adjusted net assets valuation method.

7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

7. Critical accounting estimates and judgments (continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- 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.

- Impairment of investments in associate companies

The Company periodically evaluates the recoverability of investments in associates 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 associates may be impaired, the estimated recoverable amount (being the higher of value in use and fair value less cost to sell) associated with these associates would be compared to their carrying amounts to determine if a write down to the recoverable amount is necessary.

8. Fair value gain on financial assets at fair value through profit or loss

	2018 NOK	2017 NOK
Change in fair value on bonds (Note 18)	(2,289,411)	4,726,671
Change in fair value on shares (Note 18)	<u>3,209,144</u>	<u>3,561,376</u>
	<u>919,733</u>	<u>8,288,047</u>

9. Operating (loss)/profit

	2018 NOK	2017 NOK
Operating (loss)/profit is stated after charging the following items:		
Directors' fees (Note 22.1)	237,782	287,144
Staff costs including Directors in their executive capacity (Notes 10, 22.1)	214,618	208,993
Auditors' remuneration - current year	137,184	122,084
Other non-audit services	32,044	130,729
Consultancy fees (Note 22.2)	<u>1,360,000</u>	<u>1,350,000</u>

10. Staff costs

	2018 NOK	2017 NOK
Salaries	192,478	187,433
Social security costs	<u>22,140</u>	<u>21,560</u>
	<u>214,618</u>	<u>208,993</u>

The average number of employees employed by the Company during the year was 1 (2017:1).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

11. Net finance costs

	2018 NOK	2017 NOK
Bank interest income	5,345	5,961
Exchange profit	-	411,958
Finance income	<u>5,345</u>	<u>417,919</u>
Exchange loss on bond (note 16) and other exchange differences – net	(1,142,187)	-
Interest expense from amounts due to related parties (Note 22.5)	(164,129)	(730,278)
Sundry finance expenses	<u>(31,845)</u>	<u>(37,793)</u>
Finance costs	<u>(1,338,161)</u>	<u>(768,071)</u>
Net finance costs	<u>(1,332,816)</u>	<u>(350,152)</u>

12. Tax

	2018 NOK	2017 NOK
Corporation tax - current year	<u>13,833</u>	<u>910</u>
Charge for the year	<u>13,833</u>	<u>910</u>

Statement of Financial Position

	2018 NOK	2017 NOK
Corporation tax refundable - current year	<u>160,294</u>	<u>113,235</u>

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

	2018 NOK	2017 NOK
Profit/(loss) before tax	<u>360,919</u>	<u>(29,821,783)</u>
Tax calculated at the applicable tax rates	45,115	(3,727,723)
Tax effect of expenses not deductible for tax purposes	846,970	5,900,132
Tax effect of allowances and income not subject to tax	<u>(878,252)</u>	<u>(2,171,499)</u>
Tax charge	<u>13,833</u>	<u>910</u>

The corporation tax rate is 12,5%.

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

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. Investments in associates (continued)

13. Investments in subsidiaries

	2018 NOK	2017 NOK
Balance at 1 January	-	1,258,436
Disposal proceeds	-	(8,318)
Loss on disposal	-	(1,250,118)
Balance at 31 December	-	-

On 14 December 2017, the Company disposed to Noco Oil & Resources Ltd (associate company) its total holding in Petroresources Ltd for the amount of NOK8,318 (USD1,000) realising a loss on disposal of NOK1,250,118.

14. Investments in associates

	2018 NOK	2017 NOK
At equity less impairment	101,164,722	93,877,480
Additions	19,643,806	64,905,556
Disposal proceeds	(460,547)	-
Effect of adoption of new accounting standard (IFRS 9) in associated books	(3,349,917)	-
(Impairment charge)/reversal of impairment	(3,673,347)	7,041,665
Exchange differences	7,270,508	(12,728,025)
Other comprehensive income/(expense)	5,682,923	(7,469,770)
Share of results of associates before tax	4,099,031	(44,462,184)
Gain on disposal	131,713	-
Balance at 31 December	130,508,892	101,164,722

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2018 Holding %	2017 Holding %	2018 NOK	2017 NOK
Epsis AS (i)	Norway	Computer Software for Collaboration	23.30	23.30	760,512	760,512
Petrolia SE (ii)	Cyprus	Oil & Gas activities	45.97	45.97	86,984,227	61,778,572
Petrolia Noco AS (iii)	Norway	Oil & Gas activities	24.43	24.44	12,128,580	10,174,273
Noco Oil & Resources Ltd (iv)	Cyprus	Oil & Gas activities	38.75	39.25	27,196,996	28,451,365
Rigloan Yields Ltd (v)	Cyprus	Investment holding	20.00	-	3,438,577	-
					130,508,892	101,164,722

(i) Epsis AS had no available financial statements and the carrying amount of the investment remained the same as prior year.

(ii) The carrying amount has been impaired to the market value of shares. The impairment charge for the year amounted to NOK3,064,386 (2017: reversal of impairment- NOK7,041,665).

The market value of Petrolia SE's shares at the Oslo Stock Exchange as at 31 December 2018 was NOK3.20 per share (2017: NOK2.50).

In June 2018, the Company has participated in the additional shares issued in Petrolia SE by purchasing 2,471,142 additional shares, for a total consideration of NOK7,907,655.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. Investments in associates (continued)

(iii) In August 2016, the Company purchased 109,000 shares in Petrolia Noco AS, for an amount of NOK 12,208,000.

In June 2018, the Company has participated in the additional shares issued in Petrolia Noco AS by purchasing 77,000 additional shares, for a total consideration of NOK8,624,000.

During 2018, the Company recognised an impairment charge of NOK344,708 (2017: nil). The accumulated impairment as at 31 December 2018 is NOK344,708 (2017: nil).

(iv) In March 2016, the Company purchased 19,404 shares in Noco Oil & Resources Ltd for the amount of USD1,940,400 (NOK16,937,751). In August 2016, the Company purchased 7,502 additional shares for the amount of USD750,200 (NOK6,160,795). In February 2017, 20,194 additional shares were purchased for the amount of USD2,019,400 (NOK16,958,921). In February 2018, the Company disposed 600 shares held in Noco Oil & Resources Ltd to a related party for the total consideration of USD60,000 (NOK460,547), realizing a gain on disposal of USD17,160 (NOK131,713).

Noco Oil & Resources Ltd has not prepared audited consolidated financial statements because of its subsidiaries registered in the United Kingdom, which are not required by local legislation to prepare and has not prepared audited consolidated financial statements.

During 2018, the Company recognised an impairment charge of NOK225,203 (2017: nil). The accumulated impairment as at 31 December 2018 is NOK225,203 (2017: nil).

(v) During 2018, the Company subscribed for 6,400 shares in Rigloan Yields Ltd, a company incorporated in Cyprus for the total amount of USD400,240 (NOK3,112,151).

During 2018, the Company recognised an impairment charge of NOK39,050 (2017: nil). The accumulated impairment as at 31 December 2018 is NOK39,050 (2017: nil).

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. Investments in associates (continued)

Significant aggregate amounts in respect of associated undertakings:

2018	Holding	Total assets NOK	Total liabilities NOK	Total net assets NOK	Share of net assets NOK
Petrolia SE	45.97%	536,687,084	(179,960,567)	356,726,517	163,987,180
Epsis AS	23.30%	13,107,000	(9,843,000)	3,264,000	760,512
Petrolia NOCO AS	24.43%	134,037,384	(84,391,128)	49,646,256	12,128,580
Noco Oil & Resources Ltd	38.75%	70,241,685	(55,889)	70,185,796	27,196,996
Rigloan Yields Ltd	20.00%	17,192,885	-	17,192,885	<u>3,438,577</u>
TOTAL					207,511,845
			Less: accumulated impairment		<u>(77,002,953)</u>
				Net amount	<u>130,508,892</u>

2018	Holding	Income NOK	Expense NOK	Results of the year NOK	Share of other comprehensive results NOK	Share of other comprehensive income NOK
Petrolia SE	45.97%	491,437,812	(462,985,935)	28,451,877	13,079,328	5,682,923
Epsis AS	23.30%	-	-	-	-	-
Petrolia NOCO AS	24.43%	952,133	(28,297,331)	(27,345,198)	(6,680,432)	-
Noco Oil & Resources Ltd	38.75%	595,796	(6,504,102)	(5,908,307)	(2,289,469)	-
Rigloan Yields Ltd	20.00%		(51,980)	(51,980)	<u>(10,396)</u>	<u>-</u>
					4,099,031	5,682,923

2017	Holding	Total assets NOK	Total liabilities NOK	Total net assets NOK	Share of net assets NOK
Petrolia SE	45.97%	507,961,408	(220,604,639)	287,356,769	132,097,907
Epsis AS	23.30%	13,107,000	(9,843,000)	3,264,000	760,512
Petrolia NOCO AS	24.44%	71,082,868	(29,453,273)	41,629,595	10,174,273
Noco Oil & Resources Ltd	39.25%	72,531,605	(44,050)	72,487,555	<u>28,451,365</u>
TOTAL					171,484,057
			Less: accumulated impairment		<u>(70,319,335)</u>
				Net amount	<u>101,164,722</u>

2017	Holding NOK	Income NOK	Expense NOK	Results for the year NOK	Share of other comprehensive results NOK	Share of other comprehensive income NOK
Petrolia SE	45.97%	356,994,585	(419,812,57)	(62,817,972)	(28,877,422)	(7,654,073)
Epsis AS	23.30%	18,081,000	(23,406,000)	(5,325,000)	(1,240,725)	184,303
Petrolia NOCO AS	24.44%	2,282,895	(15,572,298)	(13,469,403)	(3,291,922)	-
Noco Oil & Resources Ltd	39.25%	2,288,145	(30,446,399)	(28,158,254)	<u>(11,052,115)</u>	<u>-</u>
TOTAL					<u>(44,462,184)</u>	<u>(7,469,770)</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

15. Equity investments designated at fair value through other comprehensive income / Available for sale financial assets

	2018 NOK	2017 NOK
Balance at 1 January	1,000,000	-
Additions	-	1,000,000
Fair value change	<u>(214,331)</u>	<u>-</u>
Balance at 31 December	<u>785,669</u>	<u>1,000,000</u>

On 9 November 2017, the Company acquired from the associate company Noco Oil & Resources Limited, 1,160,000 shares in Grundigen AB, a company incorporated in Sweden, for a total consideration of NOK1,000,000.

During 2018, the Company recognised a fair value change of NOK214,331 (2017: nil) in the investment in Grundigen AB.

16. Other financial assets at amortised cost

	2018 NOK	2017 NOK
Transfer from financial assets at fair value through profit or loss (Note 18)	18,120,465	-
Interest income	949,753	-
Interest received	(925,469)	-
Exchange differences	<u>(1,297,349)</u>	<u>-</u>
Balance at 31 December	<u>16,847,400</u>	<u>-</u>

The Company owns bonds issued by the associate company Petrolia SE which are denominated in United States Dollars. At 31 December 2018, the Company held 1,888,298 (2017:1,888,298) bonds of nominal value NOK16,407,142 (2017: NOK17,704,490 presented in note 18) and accrued interest of NOK440,258 (2017: NOK415,975 presented in note 18). The interest income for the year amounted to NOK949,753 (2017: NOK1,076,772 presented in note 18).

The maturity of the bond is on 21 July 2022.

17. Receivables

	2018 NOK	2017 NOK
Receivables from related companies (Note 22.3)	843	294,035
Dividends receivable	<u>483,281</u>	<u>301,451</u>
	<u>484,124</u>	<u>595,486</u>

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

18. Financial assets at fair value through profit or loss

	2018 NOK	2017 NOK
Investments in bonds (i)	-	28,122,572
Investments in shares (ii)	<u>39,601,600</u>	<u>55,037,483</u>
	<u>39,601,600</u>	<u>83,160,055</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

Investments in bonds	2018 NOK	2017 NOK
Balance at 1 January	28,122,572	75,397,611
Additions	-	2,466,294
Disposal proceeds	(7,568,894)	(5,142,960)
Conversion of bonds into shares	-	(47,946,635)
Interest income	448,570	2,108,668
Interest received	(592,372)	(3,487,077)
Change in fair value	(2,289,411)	4,726,671
Transfer to other financial assets at amortised cost (Note 16)	<u>(18,120,465)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>28,122,572</u>

The interest income for the year from the bonds amounted to NOK448,570 (2017: NOK2,108,668).

Investments in shares	2018 NOK	2017 NOK
Balance at 1 January	55,037,484	63,188,816
Additions	33,575,196	63,915,957
Disposal proceeds	(52,220,224)	(75,628,665)
Change in fair value	<u>3,209,144</u>	<u>3,561,376</u>
Balance at 31 December	<u>39,601,600</u>	<u>55,307,484</u>

The investment 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 total acquisition cost before the fair value adjustments is NOK47,919,286 (2017: NOK 63,402,457).

During the year, the Company received dividends from its investments in listed shares totalling to NOK1,432,811 (2017: 1,189,417).

19. Cash at bank and in hand

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2018 NOK	2017 NOK
Cash at bank and in hand	<u>36,714,167</u>	<u>13,853,601</u>
	<u>36,714,167</u>	<u>13,853,601</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

20. Share capital

	2018 Number of shares	2018 NOK	2017 Number of shares	2017 NOK
Authorised				
Ordinary shares of NOK2.50 each	<u>38,333,452</u>	<u>95,833,630</u>	<u>28,333,452</u>	<u>70,833,630</u>
		NOK		NOK
Issued and fully paid				
Balance at 1 January	24,053,211	60,133,028	24,053,211	60,133,028
Issue of shares	<u>10,000,000</u>	<u>25,000,000</u>	-	-
Balance at 31 December	<u>34,053,211</u>	<u>85,133,028</u>	<u>24,053,211</u>	<u>60,133,028</u>

On 30 November 2018, the authorised and issued share capital of the Company was increased by 10,000,000 shares to 38,333,452 shares and 34,053,211 respectively. The shares were issued at nominal value of NOK2.50 each and the total proceeds amounted to NOK25,000,000.

Associate companies hold 7,370,031 shares in the Company, constituting 21.64% of the total issued share capital of the Company (Note 22).

21. Trade and other payables

	2018 NOK	2017 NOK
Social insurance and other taxes	3,206	6,335
Accruals	192,795	35,039
Other creditors	120,694	352,383
Payables to associates (Note 22.4)	<u>75,000</u>	<u>1,000,000</u>
	<u>391,695</u>	<u>1,393,757</u>

22. Related party transactions

Shareholders	No of shares 31/12/2018	No of shares 24/05/2019	Shareholding 31/12/2018	Shareholding 24/05/2019
1 Increased Oil Recovery AS	16,881,883	16,881,883	49.58%	49.58%
2 Noco Oil & Resources Ltd	7,370,031	7,370,031	21.64%	21.64%
3 Time Critical Petroleum Resources	5,710,757	5,710,757	16.77%	16.77%
4 Bernh Larsen Holding AS	1,363,109	1,363,109	4.00%	4.00%
5 EGD Capital AS	312,210	312,210	0.92%	0.92%
Other shareholders with shareholding under 1%	<u>2,415,221</u>	<u>2,415,221</u>	<u>7.09%</u>	<u>7.09%</u>
Total number of shares	<u>34,053,211</u>	<u>34,053,211</u>	<u>100%</u>	<u>100%</u>

The chairman of the Company, Jan Egil Moe, holds indirectly 0.41% of the shares of the Company, through the company Janem SA.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

22. Related party transactions (continued)

In addition to the related party transactions and balances reported in notes 14 and 16, other related parties transactions are as follows:

22.1 Directors' remuneration (Note 9)

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

	2018	2017
	NOK	NOK
Directors' remuneration	214,618	208,993
Directors' fees	237,782	287,144
	<u>452,400</u>	<u>496,137</u>

22.2 Purchases of services (Note 9)

	<u>Nature of transactions</u>	2018	2017
		NOK	NOK
Janem AS (shareholder)	Consultancy fees	1,360,000	1,350,000
		<u>1,360,000</u>	<u>1,350,000</u>

22.3 Receivables from related parties (Note 17)

<u>Name</u>	<u>Nature of transactions</u>	2018	2017
		NOK	NOK
Heavy Minerals Limited	Financing	843	795
Petroresources Limited	Financing	-	293,240
		<u>843</u>	<u>294,035</u>

22.4 Payables to related parties (Note 21)

<u>Name</u>	<u>Nature of transactions</u>	2018	2017
		NOK	NOK
Noco Oil & Resources Limited	Trade	75,000	1,000,000
Petroresources Limited	Trade	125	-
		<u>75,125</u>	<u>1,000,000</u>

22.5 Loans due to related parties

<u>Name</u>	<u>Nature of transactions</u>	2018	2017
		NOK	NOK
TOT Drilling Ltd	Financing	-	8,519,159
		<u>-</u>	<u>8,519,159</u>

In October 2015, the Company entered into a loan agreement with TOT Drilling Ltd for the amount of NOK34,007,600 (US\$4,000,000).

The loan was repayable in 5 years and bore interest at 5% per annum. Interest was payable in two instalments in June and December each year.

During the year 2018, the total amount of principal and interest were fully repaid.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

22. Related party transactions (continued)

	2018 NOK	2017 NOK
Balance at 1 January	8,519,159	17,870,448
Repayment during the year	(7,996,398)	(8,264,940)
Interest charge for the year (Note 11)	164,129	730,278
Interest paid	(469,064)	(1,042,669)
Foreign exchange gain	(217,826)	(773,958)
Balance at 31 December	<u>-</u>	<u>8,519,159</u>

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

24. Commitments

The Company had no capital or other commitments as at 31 December 2018.

25. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows:

Revenue recognition

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

- Interest income
Interest income is recognised as it accrued, using the effective interest method.
- Dividend income
Dividend income is recognised when the right to receive payment is established.

Financial instruments

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

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 and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

25. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Loans receivable (continued)

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 instruments 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 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 need 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 financial assets are recognised on 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 financial assets 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.

Realised and unrealised gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented 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 recognised at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

25. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Investments (continued)

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 purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Other payables

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

26. Events after the reporting period

At the Extraordinary General Meeting held on 22 March 2019, the Company decided to distribute the shareholding in Petrolia Noco AS to its shareholders. The Company held the 24.43% stake in Petrolia Noco AS, and the shares were allocated to the shareholders on 5 April 2019.

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