INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS
31 December 2019

CONTENTS

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 Norge ASA Bank of Cyprus Public Company Ltd
Registration number:	HE319278

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activities
The principal activity of the Company, which is unchanged from last year, is 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.

Going concern
On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments have been taking increasingly stringent steps against the spread of the virus. These measures have slowed down the economy of Cyprus and other countries globally.

The Board expects the markets to remain challenging in the near future. However, with no debt, the Board notes that the Company is mainly a holding of investments entities and its liquidity it will not be significantly impacted by Covid-19. The Company has adequate cash to meet its financial obligations that fall due within the next twelve months and there are no significant investment plans for the near future.

Results
The Company's results for the year are set out on page 8.

Dividends
On 22 March 2019, the Board of Directors approved a dividend of approximate NOK 0.366 per share in kind. Payment of dividend was made by distributing the Company's shares in Petrolia Noco AS to the existing shareholders. The value of dividend in kind had a total value of NOK12,465,600 (2018: NOK nil).

Share capital
On 24 June 2019, the issued and paid up share capital of the Company has been reduced through the reduction of the nominal value of 34,053,211 issued shares from NOK 2.50 to NOK 1.00 resulting in the creation of a reserve in the accounts of the Company in the amount of NOK 51,079,817 called the share capital redemption reserve account, which shall be subject to the same treatment as the share premium account. The authorised share capital of the Company which was NOK 95,833,630 dividend into 38,333,452 shares of nominal value NOK 2.50 each, is converted into NOK 95,833,630 divided into 95,833,630 shares of nominal value NOK 1.00 each.

On 7 October 2019, the Board in an extraordinary general meeting ("EGM") authorised to issue and allot up to 25,000,000 new shares for enabling the Company to strengthen its financial position in order to be able to take advantage of commercial options, and to support current investments, on such price and other terms and to such person as the Board may determine. The shareholders waived any pre-emption rights they had, pursuant to the provisions of the Company's Articles of Association or otherwise, to subscribe for the new shares. The issued share capital of the Company was increased by 25,000,000 new shares.

REPORT OF THE BOARD OF DIRECTORS (continued)

Share capital (continued)

On 11 October 2019, the Board decided to proceed with a fresh issue of shares, utilising the authorisation granted to the Board by the EGM held on 7 October 2019. The right issue comprised an offering of up to 25,000,000 new shares, with a subscription price of NOK 1.00 per shares. The Board has decided not to engage any broker house for the right issue but will carry out the rights issue itself. The invitation for this right issue was sent to the 149 largest shareholders in the Company as of 11 October 2019. The subscription period in the offering has last from and including the 11 October 2019 to and including the 25 October 2019.

On 6 November 2019, the 25,000,000 shares were finally allocated to 29 existing shareholders who have indicated their interest to participate in the issue.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2019 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 2019.

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 2020

Building a better
working world

Ernst & Young House
27 Spyrou Kyprianou
4003 Mesa Geitonia
P.O. Box 50123
3601 Limassol, Cyprus

Tel: +357 2520 9999
Fax: +357 2520 9998
ey.com

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 8 to 31 and comprise the statement of financial position as at 31 December 2019, 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 2019, 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 NOK 26,846,979 on the statement of financial position as at 31 December 2019, and the Company's share of net loss of NOK 929,080 is included in the Company's statement of profit and 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 2019 due to the fact that Noco has not prepared audited consolidated financial statements for the year 2019, 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 audit opinion for the year ended 31 December 2018 was qualified on the same grounds. The associate company was carried at NOK 27,196,996 on the statement of financial position as at 31 December 2018, and the Company's share of Noco's net loss of NOK 2,289,469 was included in the Company's statement of profit or loss and other comprehensive income for the year then ended, based on the separate financial statements of Noco.

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 (including International Independence Standards) (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.

Building a better working world

Independent Auditor's Report (continued)

Emphasis of Matter relating to COVID-19 developments and low oil prices

At the date of our auditor's report, the oil industry which is the industry in which the most significant associates of the Company operate in, is in the middle of an unprecedented combination of a global pandemic (Covid-19) coupled with a dramatic fall in oil prices. The developments surrounding the Covid-19 virus have a profound impact on people's health and on our society, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on the Company's operations is disclosed in the Management Report and in the financial statement disclosure about events after the reporting period (Note 26). We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

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.

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 investment in Noco as at 31 December 2019 and the Company's share of Noco'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 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.

Building a better working world

Independent Auditor's Report (continued)

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 scepticism 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.

Building a better working world

Independent Auditor's Report (continued)

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 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 NOK	2018 NOK
Revenue			
Dividend income	18	**870,910**	1,432,811
Interest income	16,18	**1,500,125**	1,398,323
		2,371,035	2,831,134
Fair value gain on financial assets at fair value through profit or loss	8	**3,701,449**	919,733
Fair value gain on financial asset at amortised cost	16	**2,607,330**	-
Administration expenses		**(2,724,429)**	(2,614,529)
Impairment charge of investments in associates	14	**(8,056,415)**	(3,673,347)
Expected credit losses on financial asset	16	**(803,037)**	-
Gain on dividend-in-kind distribution	14	**336,420**	-
Gain on disposal of associate	14	**-**	131,713
Operating loss	9	**(2,567,647)**	(2,405,296)
Finance income	11	**153,476**	5,345
Finance costs	11	**(25,807)**	(1,338,161)
Share of results of associates before tax	14	**(1,902,143)**	4,099,031
(Loss)/profit before tax		**(4,342,121)**	360,919
Income tax	12	**(17,363)**	(13,833)
Net (loss)/profit for the year		**(4,359,484)**	347,086
Attributable to the equity holders (NOK per share)			
Basic and diluted (loss)/earnings per share	13	**(0,11)**	0,01
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Share of comprehensive income from associates	14	**469,136**	5,682,923
Currency translation differences of associates	14	**2,240,941**	7,270,508
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**2,710,077**	12,953,431
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Fair value change on equity instruments designated at fair value through other comprehensive income	15	**(785,669)**	(214,331)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(785,669)**	(214,331)
Other comprehensive income for the year		**1,924,408**	12,739,100
Total comprehensive (expense) / income for the year		**(2,435,076)**	13,086,186

The notes on pages 12 to 31 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 NOK	2018 NOK
ASSETS			
Non-current assets			
Investments in associates	14	**112,697,631**	130,508,892
Equity investments designated at fair value through other comprehensive income	15	**-**	785,669
Other financial assets at amortised cost	16	**21,074,530**	16,847,400
		133,772,161	148,141,961
Current assets			
Receivables	17	**391,599**	484,124
Financial assets at fair value through profit or loss	18	**39,964,350**	39,601,600
Income tax refundable	12	**153,894**	160,294
Cash at bank	19	**60,867,595**	36,714,167
		101,377,438	76,960,185
Total assets		**235,149,599**	225,102,146
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**59,053,211**	85,133,028
Share premium		**49,999,066**	49,999,066
Share Capital redemption reserve		**51,079,817**	-
Translation reserve		**43,351,550**	41,110,609
Fair value change on equity instruments designated at fair value through other comprehensive income		**(1,000,000)**	(214,331)
Retained earnings		**32,326,131**	48,682,079
Total equity		**234,809,775**	224,710,451
Current liabilities			
Trade and other payables	21	**339,824**	391,695
		339,824	391,695
Total equity and liabilities		**235,149,599**	225,102,146

On 3 June 2020 the Board of Directors of Independent Oil & Resources Plc authorised these financial statements for issue.

....	....	....
Jan Egil Moe	Robert Arnott	Anastasia Demosthenous
Director	Director	Director

The notes on pages 12 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

31 December 2019

	Note	Share capital NOK	Share premium NOK	Share capital redemption reserve 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 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		-	-	-	-		(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
Issue of share capital	20	25,000,000	-	-	-		-	25,000,000
Other comprehensive income / (expense)		-	-	-	(214,331)	7,270,508	5,682,923	12,739,100
Balance at 31 December 2018/ 1 January 2019		**85,133,028**	**49,999,066**	**-**	**(214,331)**	**41,110,609**	**48,682,079**	**224,710,451**
Comprehensive income								
Net loss for the year		-	-	-	-		(4,359,484)	(4,359,484)
Other comprehensive income/ (expense)		-	-	-	(785,669)	2,240,941	469,136	1,924,408
Transactions with owners								
Issue of share capital	20	25,000,000	-	-	-	-	-	25,000,000
Decrease in the value of shares	20	(51,079,817)	-	51,079,817	-	-	-	-
Dividends	22	-	-	-	-	-	(12,465,600)	(12,465,600)
Balance at 31 December 2019		**59,053,211**	**49,999,066**	**51,079,817**	**(1,000,000)**	**43,351,550**	**32,326,131**	**234,809,775**

Share premium and capital redemption reserves are not available for distribution.

STATEMENT OF CASH FLOWS
31 December 2019

	Note	2019 NOK	2018 NOK
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(4,342,121)**	360,919
Adjustments for:			
Share of loss/(profit) from associates	14	**1,902,143**	(4,099,031)
Gain from the sale of investments in associates	14	**-**	(131,713)
Gain on dividend-in-kind distribution	14	**(336,420)**	-
Fair value gains on financial assets at fair value through profit or loss	8	**(3,701,449)**	(919,733)
Fair value gain on financial asset at amortised cost	16	**(2,607,330)**	
Impairment charge on investments in associates	14	**8,056,415**	3,673,347
Expected credit losses on financial asset at amortised cost	16	**803,037**	
Dividend income	18	**(870,910)**	(1,432,811)
Interest income	11,16, 18	**(1,521,367)**	(1,403,668)
Interest expense	11	**-**	164,129
Foreign exchange (gain)/loss		**(185,715)**	1,076,793
		(2,803,717)	(2,711,768)
Changes in working capital:			
(Increase)/decrease in receivables		**(134)**	293,192
Decrease in trade and other payables		**(51,870)**	(1,002,062)
Cash generated from/(used in) operations		**(2,855,721)**	(3,420,639)
Interest received		**1,458,797**	1,523,186
Dividends received		**987,258**	1,250,981
Tax paid		**(12,449)**	(58,163)
Net cash used in operating activities		**(422,115)**	(704,634)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of financial assets at fair value through profit or loss	18	**(24,003,942)**	(33,575,196)
Payment for purchase of investments in associated undertakings	14	**(1,566,400)**	(19,643,806)
Payment for purchase of financial assets at amortised cost	16	**(2,196,756)**	-
Loan granted	16	**(20,000,000)**	-
Proceeds from sale of financial assets at fair value through other comprehensive income	18	**27,342,641**	59,789,118
Proceeds from sale of Investment in associated undertakings		**-**	460,546
Loan repayments received	16	**20,000,000**	-
Net cash (used in)/generated from investing activities		**(424,457)**	7,030,662
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	20	**25,000,000**	25,000,000
Repayments of borrowings		**-**	(7,996,398)
Interest paid		**-**	(469,064)
Net cash generated from financing activities		**25,000,000**	16,534,538
Net increase in cash and cash equivalents		**24,153,428**	22,860,566
Cash and cash equivalents at beginning of the year		**36,714,167**	13,853,601
Cash and cash equivalents at end of the year	19	**60,867,595**	36,714,167

The notes on pages 12 to 31 form an integral part of these financial statements.

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 re-domiciliation 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 activity

The principal activity of the Company, which is unchanged from last year, is 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 of financial assets at fair value through profit or loss and its non-listed investments at fair value through other comprehensive income.

The Covid-19 and low oil price crisis increases the risk regarding the going concern assumption. A prolonged crisis greater than one year will have substantial negative effects on the global economy, and thereby also have a negative effect on the results of associate companies and therefore the results of the Company as well. Management notes that the Company has adequate cash, its current assets are significantly higher than current liabilities and there is no external financing or any other significant financial obligations falling due within the period of 12 months from the reporting period. Therefore, Management concluded that there is no material uncertainty for use of the going concern assumption and that the financial statements be prepared on a going concern basis.

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 2019. The adoption of the below new and revised IFRSs, did not have a material effect on the accounting policies of the Company.

- IFRS 16: Leases
- IFRS 9: Prepayment features with negative compensation (Amendment)
- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

4. Significant accounting policies

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

Investments in associate companies

The Company's investments in associated entities, in which the Company has significant influence, are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, the investment in the associate is initial 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.

4. Significant accounting policies (continued)

Investments in associate companies (continued)

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 profit or loss.

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 the profit or loss.

Revenue

Recognition and measurement

Revenue is 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).

4. Significant accounting policies (continued)

- **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.

(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.

Income Tax

Current income 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.

Dividends payable

Interim dividends are deducted from retained earnings in the year in which they are approved by the Company's Directors. Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's board of directors.

Distribution of non-cash assets to the owners

The Company recognises a liability to pay a dividend in the form of non-cash assets when the distribution is authorised and the distribution is no longer at the discretion of the Company. The Company measures the liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. The amount of dividend distribution is recognised directly in equity. Upon distribution, any difference between the fair value of the liability and the carrying value of the asset derecognised is recorded in profit and loss.

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.

4. Significant accounting policies (continued)

(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.

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.

<u>Debt instruments</u>

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.

4. Significant accounting policies (continued)

Financial assets - Measurement (continued)

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

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 and contract 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.

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

For all other financial asset that are subject to impairment under IFRS 9, 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.

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

The Company measures financial assets at amortised cost when the objective is 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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables.

4. Significant accounting policies (continued)

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.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

4. Significant accounting policies (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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

- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to IFRS 7, IFRS 9 and IAS 39 for pre-replacement issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020).*

(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).*
- *IAS 1 ("Presentation of Financial Statements") – "Amendments regarding the classification of liabilities as current or non-current" (effective for annual periods beginning on or after 1 January 2022).*

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

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 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 its investments in financial assets at amortised cost and cash at bank.

Credit risk related to financial instruments and cash deposits: Cash balances are mainly held with high credit rating financial institutions and the credit risk is insignificant.

Credit risk related to financial assets at amortised cost: This is managed based on established policies, procedures and controls relating to financial assets at amortised cost credit risk management. Credit quality of the financial assets at amortised cost is assessed and outstanding financial assets are regularly monitored in accordance with ECL method. The Company does not hold collateral as security. Management concluded that there has not been a significant increase in credit risk since initial recognition. Management applied the ECL model by using market observable inputs for the probability of default and loss given default rates.

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 2019	**Total contractual cash flows NOK**	**Within 1 year NOK**	**1-5 years NOK**	**More than 5 years NOK**
Trade payables	**10,000**	**10,000**		
Other creditors	**135,680**	**135,680**	-	-
	145,680	**145,680**	**-**	**-**

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

31 December 2018	Total contractual cash flows	Within 1 year	1-5 years	More than 5 years
	NOK	NOK	NOK	NOK
Other creditors	120,694	120,694	-	-
Payables to associated companies	75,125	75,125	-	-
	195,819	195,819	-	-

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 exposed to exchange rate fluctuations mainly connected to the value of NOK relatively to USD and Euro due to the fact that the Company has financial assets denominated in USD and Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

	Assets	
	2019	2018
	NOK	NOK
United States Dollars	**21,148,835**	17,715,098
Euro	**355,451**	31,799
	21,504,286	17,746,897

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 foreign currency rate	**Assets NOK**
2019		
Changes in monetary assets	**10%**	**2,150,429**
	(5)%	**(1,705,214)**
2018		
Changes in monetary assets	10%	1,744,690
	(5)%	(887,345)

6.6 Capital risk management

Capital includes equity shares, share premium and capital redemption reserve.

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. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

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	
	2019	2018	**2019**	2018
	NOK	NOK	**NOK**	NOK
Financial assets				
Other financial assets at amortised cost (level 3)	**21,074,530**	16,847,400	**18,669,784**	16,847,400
	21,074,530	16,847,400	**18,669,784**	16,847,400

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 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	NOK	**NOK**	**NOK**	**NOK**
Financial assets				
Financial assets at fair value through profit and loss	39,964,350	-	-	39,964,350
Total	**39,964,350**	**-**	**-**	**39,964,350**

31 December 2018	Level 1	Level 2	Level 3	Total
	NOK	NOK	NOK	NOK
Financial assets				
Financial assets at fair value through profit and loss	39,601,600	-	-	39,601,600
Financial assets at fair value through other comprehensive income	-	-	785,669	785,669
Total	**39,601,600**	**-**	**785,669**	**40,387,269**

The financial assets at fair value through other comprehensive income was defined as Level 3 based in its net assets.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

7. Critical accounting estimates and judgments (continued)

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:

- **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

	2019 NOK	2018 NOK
Change in fair value on bonds (Note 18)	-	(2,289,411)
Change in fair value on shares (Note 18)	3,701,449	3,209,144
	3,701,449	919,733

9. Operating loss

	2019 NOK	2018 NOK
Operating loss is stated after charging the following items:		
Directors' fees (Note 23.1)	251,253	237,782
Staff costs including Directors in their executive capacity (Notes 10, 23.1)	223,477	214,618
Auditors' remuneration - current year	155,352	147,605
Auditors' remuneration - prior years	5,178	21,623
Other non-audit services	-	32,044
Consultancy fees (Note 23.2)	1,368,000	1,360,000

10. Staff costs

	2019 NOK	2018 NOK
Salaries	196,811	192,478
Social security costs	26,666	22,140
	223,477	214,618

The average number of employees employed by the Company during the year was 1 (2018:1).

11. Net finance costs

	2019 NOK	2018 NOK
Bank interest income	21,242	5,345
Net foreign exchange gains	132,234	-
Finance income	153,476	5,345
Net foreign exchange losses	-	(1,142,187)
Interest expense from amounts due to related parties	-	(164,129)
Sundry finance expenses	(25,807)	(31,845)
Finance costs	(25,807)	(1,338,161)
Net finance income/(cost)	127,669	(1,332,816)

12. Tax

	2019	2018
	NOK	NOK
Corporation tax - current year	17,363	13,833
Charge for the year	**17,363**	13,833

Statement of Financial Position

	2019	2018
	NOK	NOK
Corporation tax refundable - current year	153,894	160,294

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

	2019	2018
	NOK	NOK
(Loss)/profit before tax	(4,342,121)	360,919
Tax calculated at the applicable tax rates	(542,765)	45,115
Tax effect of expenses not deductible for tax purposes	1,585,625	846,970
Tax effect of allowances and income not subject to tax	(1,025,497)	(878,252)
Tax charge	**17,363**	13,833

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.

13. Earnings per share

	2019	2018
Results attributable to the equity holders of the entity (NOK)	(4,359,484)	347,086
Weighted average no. of shares	39,414,563	24,743,330
No. of shares at period end	59,053,211	34,053,211
Basic (loss)/earnings per share (NOK per share)	**(0,11)**	0,01

14. Investments in associates

	2019	2018
At share of equity less impairment	**NOK**	NOK
Balance at 1 January	**130,508,892**	101,164,722
Additions	1,566,400	19,643,806
Disposals	-	(460,546)
Effect of adoption of new standard (IFRS 9)	-	(3,349,918)
Impairment charge	(8,056,415)	(3,673,347)
Currency translation differences	2,240,941	7,270,508
Share of other comprehensive income	469,136	5,682,923
Share of results of associates before tax	(1,902,143)	4,099,031
Gain on dividend in kind distribution	336,420	-
Gain on disposal	-	131,713
Dividend distribution of the 24.43% shareholding in Petrolia Noco AS	(12,465,600)	-
Balance at 31 December	**112,697,631**	130,508,892

14. Investments in associates (continued)

The details of the investments in associates are as follows:

Name	Country of incorporation	Principal activities	**2019 Holding %**	2018 Holding %	**2019 NOK**	2018 NOK
Epsis AS (i)	Norway	Computer Software for Collaboration	22.48	22.48	**806,582**	760,512
Petrolia SE (ii)	Cyprus	Oil & Gas activities	45.97	45.97	**81,547,713**	86,984,227
Petrolia Noco AS (iii)	Norway	Oil & Gas activities	-	24.43	**-**	12,128,580
Noco Oil & Resources Ltd (iv)	Cyprus	Oil & Gas activities	38.75	38.75	**26,846,979**	27,196,996
Rigloan Yields Ltd (v)	Cyprus	Investment holding	20.00	20.00	**3,496,357**	3,438,577
					112,697,631	130,508,892

(i) During 2019, the Company recognised an impairment charge of NOK702,058 (2018: NOK nil). The accumulated impairment charge as at 31 December 2019 is NOK31,628,746 (2018: NOK30,926,688).

In August 2019, the Company participated in the associate's equity increase and purchased 19,580 additional shares in Epsis AS, for an amount of NOK1,566,400, maintaining its percentage shareholding.

(ii) The carrying amount has been impaired to the market value of shares. The impairment charge for the year amounted to NOK7,336,446 (2018: NOK3,064,386). The accumulated impairment charge as at 31 December 2019 is NOK85,735,130 (2018: NOK77,002,953).

The market value of Petrolia SE's shares as at 31 December 2019 was NOK3.00 per share (2018: NOK3.20).

(iii) 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. The accumulated impairment as at 31 December 2018 is NOK344,708.

On 22 March 2019, the Board of Directors approved a dividend of approximate NOK 0.366 per share in kind. Payment of dividend was made by distributing the Company's shares in Petrolia Noco AS to the existing shareholders. The value of dividends in kind per share had a total value of NOK 12,465,600 (2018: NOK nil). From the dividend in kind, the Company generated a profit of NOK336,420, representing the difference between the fair value of the shares in associate distributed and their previous carrying amount.

(iv) 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). During 2018, the Company recognised an impairment charge of NOK225,203.

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 financial statements. The preparation of consolidated financial statements will cause undue costs. The equity accounting is based on the separate financial statements of the associate.

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

During 2019, the Company recognised an impairment charge of NOK17,911 (2018: NOK39,050). Accumulated impairment as at 31 December 2019 is NOK56,961 (2018: NOK39,050).

The Company does not have any contingent liabilities in relation to its interest in associates.

The Company does not have capital or other commitments in relation to its interest in associates.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

14. Investments in associates (continued)

Significant aggregate amounts in respect of associated undertakings:

2019	**Holding**	**Total assets NOK**	**Total liabilities NOK**	**Total net assets NOK**	**Share of net assets NOK**
Petrolia SE	45.97%	626,611,549	262,715,872	363,895,677	167,282,843
Epsis AS	22.48%	13,518,000	9,930,000	3,588,000	806,582
Noco Oil &Resources Limited	38.75%	69,326,761	44,235	69,282,526	26,846,979
Rigloan Yields Ltd	20.00%	17,498,375	16,588	17,481,787	3,496,357
TOTAL					198,432,761
				Less: accumulated impairment	(85,735,130)
				Net amount	112,697,631

2019	**Holding**	**Income NOK**	**Expenses NOK**	**Results of the year NOK**	**Share of net results NOK**	**Share of other comprehensive income NOK**
Petrolia SE	45.97%	531,245,969	531,562,685	(316,716)	(145,594)	469,136
Epsis AS	22.48%	20,734,000	24,374,000	(3,640,000)	(818,272)	-
Noco Oil &Resources Limited	38.75%	4,173,399	6,571,025	(2,397,626)	(929,080)	-
Rigloan Yields Ltd	20.00%	-	45,985	(45,985)	(9,197)	-
					(1,902,143)	469,136

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	22.48%	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	34,385,790
TOTAL					207,511,845
				Less: accumulated impairment	(77,002,953)
				Net amount	130,508,892

2018	Holding NOK	Income NOK	Expenses NOK	Results for the year NOK	Share of 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	22.48%	-	-	-	-	-
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)	(10,396)	-
TOTAL					4,099,031	5,682,923

15. Equity investments designated at fair value through other comprehensive income

	2019	2018
	NOK	NOK
Balance at 1 January	**785,669**	1,000,000
Fair value change	**(785,669)**	(214,331)
Balance at 31 December	**-**	785,669

During 2019, the Company recognised a fair value loss of NOK785,669 (2018: NOK214,331) in the non-listed investment in Grundigen AB, by reference to its financial results.

16. Other financial assets at amortised cost

	2019	2018
	NOK	NOK
Balance at 1 January	**16,847,400**	-
Transfer from financial assets at fair value through profit or loss (Note 18)	**-**	18,120,465
Loan granted to related party	**20,000,000**	-
Loan repayments received from related party	**(20,000,000)**	-
Interest income	**1,500,125**	949,753
Interest received	**(1,437,555)**	(925,469)
Exchange differences	**163,511**	(1,297,349)
Additions	**4,804,086**	-
Expected credit losses on financial assets	**(803,037)**	-
Balance at 31 December	**21,074,530**	16,847,400

The Company owns bonds issued by the associate company Petrolia SE denominated in United States Dollars. At 31 December 2019, the Company held 2,510,045 (2018:1,888,298) bonds with a carrying amount of NOK20,567,984 (2018: NOK16,407,142) and accrued interest of NOK506,546 (2018: NOK440,458). The interest income for the year amounted to NOK985,057 (2018: NOK949,753).

On 20 December 2019, an agreement was made for the purchase of additional Petrolia SE bonds for a total amount of NOK2,196,756. The fair value of this additional bond was NOK4,804,086, realising a fair value gain of initial recognition of NOK2,607,330.

Petrolia SE bonds carry interest at 6% per annum and have a maturity date on 21 July 2022.

During 2019, the Company entered into a loan agreement with Petrolia Noco AS for an amount of NOK20,000,000. The associate company withdrew the amount in two instalments, on 12 July 2019 and 14 October 2019, for an amount of NOK10,000,000 each. The loan principal was fully repaid on 29 November 2019 along with the interest for a total of NOK20,515,068. Interest income amounted to NOK515,068.

17. Receivables

	2019	2018
	NOK	NOK
Receivables from related companies (Note 23.3)	**852**	843
Dividends receivable	**366,933**	483,281
Other receivables	**23,814**	-
	391,599	484,124

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

18. Financial assets at fair value through profit or loss

	2019	2018
	NOK	NOK
Investments in shares	**39,964,350**	39,601,600
	39,964,350	39,601,600

Investment in bonds	**2019**	2018
	NOK	NOK
Balance at 1 January	**-**	28,122,572
Disposal proceeds	**-**	(7,568,894)
Interest income	**-**	448,570
Interest received	**-**	(592,372)
Change in fair value	**-**	(2,289,411)
Transfer to other financial assets at amortised cost (Note 16)	**-**	(18,120,465)
Balance at 31 December	**-**	-

Investments in shares	**2019**	2018
	NOK	NOK
Balance at 1 January	**39,601,600**	55,037,484
Additions	**24,003,942**	33,575,196
Disposal proceeds	**(27,342,641)**	(52,220,224)
Change in fair value	**3,701,449**	3,209,144
Balance at 31 December	**39,964,350**	39,601,600

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 NOK 43,841,641 (2018: NOK47,919,286).

During the year, the Company received dividends from its investments in listed shares totalling to NOK870,910 (2018: NOK1,432,811).

19. Cash at bank

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

	2019	2018
	NOK	NOK
Cash at bank	**60,867,595**	36,714,167
	60,867,595	36,714,167

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.

20. Share capital

	2019 Number of shares	**2019 NOK**	2018 Number of shares	2018 NOK
Authorised				
Ordinary shares of NOK1.00 each (2018: NOK2.50 each)	**95,833,630**	**95,833,630**	38,333,452	95,833,630
		NOK		NOK
Issued and fully paid				
Balance at 1 January	**34,053,211**	**85,133,028**	24,053,211	60,133,028
Issue of shares	**25,000,000**	**25,000,000**	10,000,000	25,000,000
Decrease in the value of share	**-**	**(51,079,817)**	-	-
Balance at 31 December	**59,053,211**	**59,053,211**	34,053,211	85,133,028

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 of nominal value of NOK 2.50 each.

Associate companies 12,800,000 shares constituting 21,67% of the total issued share capital of the Company (Note 23).

On 24 June 2019, the issued and paid up share capital of the Company has been reduced through the reduction of the nominal value of 34,053,211 issued shares from NOK 2.50 to NOK 1.00 resulting in the creation of a reserve in the accounts of the Company in the amount of NOK 51,079,817 called the share capital redemption reserve account, which shall be subject to the same treatment as the share premium account. The authorised share capital of the Company which was NOK 95,833,630 dividend into 38,333,452 shares of nominal value NOK 2.50 each, is converted into NOK 95,833,630 divided into 95,833,630 shares of nominal value NOK 1.00 each.

On 7 October 2019, the Board in an extraordinary general meeting ("EGM") authorised to issue and stay to 25,000,000 new shares for enabling the Company to strengthen its financial position in order to be able to take advantage of commercial options, and to support current investments, on such price and other terms and to such person as the Board may determine. The shareholders waived any pre-emption rights they had, pursuant to the provisions of the Company's Articles of Association or otherwise, to subscribe for the new shares. The issued share capital of the Company was increased by 25,000,000 new shares.

On 11 October 2019, the Board decided to proceed with a fresh issue of shares, utilising the authorisation granted to the Board by the EGM held on 7 October 2019. The right issue comprised an offering of up to 25,000,000 new shares, with a subscription price of NOK 1.00 per shares. The Board has decided not to engage any broker house for the right issue but will carry out the rights issue itself. The invitation for this right issue was sent to the 149 largest shareholders in the Company as of 11 October 2019. The subscription period in the offering has last from and including the 11 October 2019 to and including the 25 October 2019.

On 6 November 2019, the 25,000,000 shares were finally allocated to 29 existing shareholders who have indicated their interest to participate in the issue.

21. Trade and other payables

	2019 NOK	2018 NOK
Trade payables	**10,000**	-
Social insurance and other taxes	**3,926**	3,206
Accruals	**190,218**	192,670
Other creditors	**135,680**	120,694
Payables to associates (Note 23.4)	**-**	75,125
	339,824	391,695

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

22. Dividends

	2019 NOK	2018 NOK
Dividend paid	**12,465,600**	-
	12,465,600	-

On 22 March 2019, in an extraordinary general meeting, the shareholders approved a dividend of approximate NOK 0.366 per share in kind. Payment of dividend was made by distributing the Company's shares in Petrolia Noco AS to the existing shareholders.

23. Related party transactions

	Shareholders	No of shares 31/12/2019	No of shares 07/10/2019	No of shares 26/05/2020	No of shares 31/12/2018	Shareholding 31/12/2019	Shareholding 07/10/2019	Shareholding 26/05/2020	Shareholding 31/12/2018
1	Increased Oil Recovery AS	29,278,582	16,881,883	29,278,582	16,881,883	49.58%	49.58%	49.58%	49,58%
2	Noco Oil & Resources Ltd	12,800,000	7,370,031	12,800,000	7,370,031	21.67%	21.64%	21.67%	21.64%
3	Time Critical Petroleum Resources	11,623,463	5,710,757	11,623,463	5,710,757	19.68%	16.77%	19.68%	16.77%
	Other shareholders with shareholding under 1%	5,351,166	4,090,540	5,351,166	4,090,540	9.07%	12.01%	9.07%	12.01%
	Total number of shares	**59,053,211**	**34,053,211**	**59,053,211**	**34,053,211**	**100%**	**100%**	**100%**	**100%**

On 12 November 2019, the chairman of the Company, Mr Jan Egil Moe, has transferred his shareholding of 250,000 shares from his wholly owned company Janem AS to himself private. Following the transfer, his shareholding in the Company still stand at 250,000 shares, and thus represent no change in shareholding.

The chairman of the Company, Jan Egil Moe, holds the 0.42% of the shares of the Company.

In addition to the related party transactions and balances reported in note 14 and note 17, other related parties' transactions are as follows:

23.1 Directors' remuneration (Note 9)

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

	2019 NOK	2018 NOK
Directors' fees	**251,253**	237,782
Directors' remuneration	**223,477**	214,618
	474,730	452,400

23.2 Purchases of services (Note 9)

	Nature of transactions	2019 NOK	2018 NOK
Janem AS (shareholder)	Consultancy fees	**1,368,000**	1,360,000
		1,368,000	1,360,000

23.3 Receivables from related parties (Note 17)

Name	Nature of transactions	2019 NOK	2018 NOK
Heavy Minerals Limited	Financing	**852**	843
		852	843

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

23. Related party transactions (continued)

23.4 Payables to related parties (Note 21)

Name	Nature of transactions	**2019 NOK**	2018 NOK
Noco Oil & Resources Limited	Trade	-	75,000
Petroresources Limited	Trade	-	125
		-	75,125

23.5 Loans due to related parties

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.

	2019 NOK	2018 NOK
Balance at 1 January	-	8,519,159
Repayment during the year	-	(7,996,398)
Interest charge for the year	-	164,129
Interest paid	-	(469,064)
Foreign exchange gain	-	(217,826)
Balance at 31 December	-	-

24. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

25. Commitments

The Company had no capital or other commitments as at 31 December 2019.

26. Events after the reporting period

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Demand for oil is significantly reduced and it is highly uncertain how long this will persist.

The financial effect of the current oil crisis and the Covid-19 pandemic on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019. As of the date of issuance of these financial statements, the market value of Petrolia SE was NOK66,869,125, which is lower by NOK14,678,588 compared to the carrying amount in these financial statements. This is not an adjusting event.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the event will not have a significant impact on the Company's liquidity position, as the Company is mainly a holding of investment entity without any debt. The Company has adequate cash to meet its financial obligations that fall due within the next twelve months and there are no significant investment plans for the near future. Management will continue to monitor the situation closely and will assess the need for measures in case the period of disruption becomes prolonged and the investments in associates are significantly impacted.

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