Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	989 399 071
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	DNO NORTH SEA (NORGE) AS
Forretningsadresse:	Badehusgata 37 4014 STAVANGER

Regnskapsår

Årsregnskapets periode:	01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ørjan Nesvik
Dato for fastsettelse av årsregnskapet:	29.06.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert

År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 21.07.2021

Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Revenue	3	2 072 501 000	1 940 023 000
Other income		4 771 000	227 401 000
Sum inntekter		**2 077 272 000**	**2 167 424 000**
Kostnader			
Cost of Sales	4	921 159 000	947 309 000
Depreciation	4,12	499 862 000	215 645 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5,12	90 632 000	79 700 000
Net gain on disposal of property, plant and equipment	5	-761 060 000	-282 102 000
Exploration and evaluation expenses	10	684 780 000	421 202 000
Administrative expenses	6,8,9,19	26 373 000	109 197 000
Sum kostnader		**1 461 746 000**	**1 490 951 000**
Driftsresultat		**615 526 000**	**676 473 000**
Finansinntekter og finanskostnader			
Finance Revenue	7	18 687 000	27 972 000
Sum finansinntekter		**18 687 000**	**27 972 000**
Finance costs	7	307 063 000	140 592 000
Sum finanskostnader		**307 063 000**	**140 592 000**
Netto finans		**-288 376 000**	**-112 620 000**
Ordinært resultat før skattekostnad		**327 150 000**	**563 853 000**
Tax(-) Tax credit	11	-310 457 000	196 691 000
Ordinært resultat etter skattekostnad		**637 607 000**	**367 162 000**
Årsresultat		**637 607 000**	**367 162 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		637 607 000	367 162 000
Sum overføringer og disponeringer		**637 607 000**	**367 162 000**

Resultatregnskap

Beløp i: NOK	Note	2019	2018

Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	11	0	1 268 420 000
Goodwill	12	0	82 098 000
Sum immaterielle eiendeler		**0**	**1 350 518 000**
Varige driftsmidler			
Exploration, development and producing assets	12	0	2 808 779 000
Property, plant and equipment	12	0	9 294 000
Sum varige driftsmidler		**0**	**2 818 073 000**
Sum anleggsmidler		**0**	**4 168 591 000**
Omløpsmidler			
Varer			
Fordringer			
Trade and other receivables	13	0	974 376 000
Tax receivables	11	501 672 000	272 754 000
Asset held for sale	23	0	782 840 000
Konsernfordringer	21	3 553 221 000	0
Sum fordringer		**4 054 893 000**	**2 029 970 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	14	0	562 795 000
Sum bankinnskudd, kontanter og lignende		**0**	**562 795 000**
Sum omløpsmidler		**4 054 893 000**	**2 592 765 000**
SUM EIENDELER		**4 054 893 000**	**6 761 356 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Balanse

Beløp i: NOK	Note	2019	2018
Innskutt egenkapital			
Equity share capital	24	10 000 000	10 000 000
Overkurs		195 050 000	195 050 000
Sum innskutt egenkapital		**205 050 000**	**205 050 000**
Opptjent egenkapital			
Other reserves		-26 367 000	113 297 000
Retained earnings		3 876 210 000	341 063 000
Sum opptjent egenkapital		**3 849 843 000**	**454 360 000**
Sum egenkapital		**4 054 893 000**	**659 410 000**
Gjeld			
Langsiktig gjeld			
Provisions	16	0	2 169 909 000
Sum avsetninger for forpliktelser		**0**	**2 169 909 000**
Annen langsiktig gjeld			
Other long-term liabilities	17	0	2 249 263 000
Liabilities directly associated with assets held for sale	23	0	340 670 000
Sum annen langsiktig gjeld		**0**	**2 589 933 000**
Sum langsiktig gjeld		**0**	**4 759 842 000**
Kortsiktig gjeld			
Liabilities credit institutions	15,17	0	155 000 000
Trade and other payables	15,17	0	1 187 104 000
Sum kortsiktig gjeld		**0**	**1 342 104 000**
Sum gjeld		**0**	**6 101 946 000**
SUM EGENKAPITAL OG GJELD		**4 054 893 000**	**6 761 356 000**

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of DNO North Sea (Norge) AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DNO North Sea (Norge) AS, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 management;
- conclude on the appropriateness of management's 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 fair presentation.

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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE)

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3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 30 June 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

PENN30

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Erik Søreng
Statsautorisert revisor
På vegne av: Ernst & Young AS
Serienummer: 9578-5999-4-1529830
IP: 77.16.xxx.xxx
2020-06-30 07:46:04Z

bank ID

Penneo Dokumentnøkkel: 72XE4-P6BK4-HCK0W-LFSG3-GOIQB-MLWW6

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	13.10.2009	22.10.2009
Telefon	Deres referanse	Vår referanse
22078139	Nina Irene Henriksen	2009/806899

FAROE PETROLEUM NORGE AS
Postboks 309
4002 STAVANGER

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Faroe Petroleum Norge AS, org. nr. 989 399 071

Det vises til Deres brev av 13. oktober 2008. De søker på vegne av Faroe Petroleum Norge AS om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk.

I søknaden er det opplyst at selskapet er Faroe Petroleum Norge AS er heleid av morselskapet Faroe Petroleum PLC, som er et britisk selskap registrert på AIM på London børsen. Morselskapet er lokalisert i Aberdeen i Skottland. Selskapet er finansiert av morselskapet samt gjennom en lånefasilitet med Bank of Scotland og syndikat banken Barclays Bank. Bank of Scotland og Barclay Bank krever i låneavtalen at selskapet årlig skal sende de årsberetning og årsregnskap oversatt til engelsk. Styresammensetningen i selskapet er også internasjonal. Selskapet søker på denne bakgrunn om dispensasjon fra Regnskapsloven § 3-4 tredje ledd om at årsregnskap og årsberetning skal være på norsk.

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Goderegnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, ikke på vesentlige områder fraviker fra hensynet til brukere av regnskapsinformasjon. Søkeren må dessuten som et utgangspunkt for vurderingen ha en særlig interesse for kun å utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk.

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Fredrik Selmers vei 4	800 80 000
0134 Oslo	Org. nr: 974761076	Telefaks
skattedirektoratet@skatteetaten.no		22 17 08 60

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet er 100 % eid av Faroe Petroleum PLC, som er et britisk selskap registrert på AIM på London børsen. Selskapet er finansiert av morselskapet samt gjennom britiske banker. Selskapet må i dag på grunnlag av britiske eierinteresser, styrets sammensetning og lånefasiliteter med britiske banker oversette årsberetning og årsregnskap i sin helhet fra norsk til engelsk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Faroe Petroleum Norge AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven
§ 3-4 tredje ledd.

Dispensasjonen er gitt under den forutsetning at de ovennevnte opplysninger som vedtaket baserer seg på ikke endres vesentlig.

Med hilsen

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Directors' Report &
Financial Statements with notes

DNO North Sea (Norge) AS
(formerly known as Faroe
Petroleum (Norge) AS)

31 December 2019

Registered number 989 399 071

Contents

Registered number 989 399 071

Directors' Report

Principal activities and location

The principal activities of DNO North Sea (Norge) AS ("the Company" or "DNO NSN") were exploration, appraisal, development and production of oil and gas reserves on the Norwegian Continental Shelf ("NCS"). The Company was located in Badehusgata 37, Stavanger.

On 11 January 2019, DNO ASA obtained control of the Company's parent, Faroe Petroleum plc (later renamed to DNO North Sea plc) and subsequently de-listed the company from the London Stock Exchange Alternative Investment Market ("AIM") on 14 February 2019.

In December 2019, as a result of Norwegian regulatory requirements, the two DNO ASA subsidiaries on the NCS, DNO Norge AS and DNO NSN, were required to merge. As a result, the Company entered into a business purchase agreement with DNO Norge AS to sell all of DNO NSN's assets, except for tax carry forward losses and incurred unused uplift, and liabilities, for a consideration of a post-tax amount of Norwegian kroner ("NOK") 3 547 million. The transaction had effective date 1 January 2019 and was completed on 19 December 2019. Further information on the transaction is disclosed in note 22.

Going concern

The financial statements for 2019 are prepared on a going concern basis. Following the transaction with group company DNO Norge AS, there is no significant activity expected during 2020, and expected cash receipts from receivables will be distributed to the parent company. The Board confirms that the condition for going concern is present in accordance with section 3-3a of the Norwegian Accounting Act.

Overview

On 30 April 2019, the Company completed an asset swap agreement with Equinor Energy AS ("Equinor") a wholly owned subsidiary of Equinor ASA, following approval by the Norwegian authorities. The asset swap agreement was signed on 4 December 2018 with 1 January 2019 as the effective date. The transaction completed on 30 April 2019.

As part of the asset swap agreement with Equinor, the Company's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets (the "Divested Assets") were exchanged for interests in four producing assets on a cashless basis, i.e., Alve, Marulk, Ringhorne East and Vilje fields (the "Acquired Assets"). The Company booked a gain on the transaction of NOK 761 million and recognized a technical goodwill of NOK 868 million.

Income statement
Revenue for the year was NOK 2 073 million (2018: NOK 1 940 million). DNO NSN sold most of its oil under payment quantity contracts, which enable steady cashflow from operations. The payments from these contracts are recognized and presented as deferred income on the balance sheet ("Balance Sheet") until the oil is lifted and then is accounted for as revenue. The increase in revenue reflects higher production in 2019 from the Acquired Assets. Increased production was partly offset by lower commodity prices.

Cost of sales, including depreciation of producing assets, before impairment charges, was NOK 1 421 million (2018: NOK 1 163 million). The increase is mainly due to the cost of sales associated with the Acquired Assets. Impairment charges of NOK 91 million (2018: NOK 80 million) were incurred on Oselvar and technical goodwill allocated to Marulk and Vilje.

Other income was NOK 5 million (2018: NOK 227 million), of which NOK 3 million related to realized hedging losses (2018: NOK 13 million) offset by crude value adjustments.

Exploration and evaluation expenses for the year were NOK 685 million (2018: NOK 421 million). This includes pre-award exploration expenses of NOK 19 million and write-offs of exploration and evaluation expenditure of NOK 449 million which was previously capitalized on licenses where active exploration has now ceased. The write offs were mainly related to PL888 Canela (NOK 141 million), PL740 Brasse (NOK 136 million) and PL433 Fogelberg (NOK 129 million).

Expensed administration costs in 2019 were NOK 26 million (2018: NOK 109 million). The decrease is primarily due to reduced salary/personnel costs related to share based compensation following DNO ASA's acquisition of Faroe Petroleum plc.

The Company`s profit before tax was NOK 327 million (2018: NOK 564 million). Net profit for the year was NOK 638 million (2018: NOK 367 million).

Taxation
The Company, as of 31 December 2019, is no longer part of the petroleum tax regime, and will thus not be eligible for tax refunds, except for the refund of accumulated tax losses and uplift. The tax receivable for accumulated tax losses and uplift is expected to be settled in November 2020 and amounts to NOK 502 million. The Company will from 2020 be taxed under the corporate tax regime; the rate of tax is currently at 22 percent.

The tax credit in the income statement ("Income Statement") was NOK 310 million (2018: tax expense NOK 197 million).

OPERATIONAL REPORT

Exploration and Appraisal
In 2019, DNO NSN participated in four exploration wells of which the PL159 Snadd and PL836S Bergknapp exploration wells were discoveries. The PL836S spudded 8 November 2019 but was not completed until April 2020.The PL870 Pabow well was dry, while the PL888 Canela well discovered hydrocarbons, but was determined non-commercial. The Company also participated in an appraisal well on PL644 Iris/Hades.

License round awards
In January 2019, DNO NSN was awarded eight new exploration licenses, of which two were operatorships, under the 2018 Norwegian awards in pre-defined areas license round on the NCS.

Production
DNO NSN achieved net average production of 16 478 barrels of oil equivalent per day ("boepd") (2018: 9 400 boepd). This increase was mainly attributable to the Acquired Assets. In addition, the Oda field achieved first oil in March 2019.

Health, Safety and Environment
For activity where the Company was the operator, there were no incidents with severe personal injuries, or incidents that have caused impact on the external environment or assets in 2019. However, the majority of DNO NSN activities were undertaken in licenses operated by other companies, with DNO NSN as a non-operating partner. To ensure safe operations and to comply with applicable regulations, DNO NSN carries out its "see to it" duty with regard to operators, contractors and partners through audit, review and verification activities. These activities are based on risk evaluations. There have been no serious incidents on partner operated activity during 2019.

Occupational health.
During 2019, the Company has been through an integration process involving organizational changes. As part of integration between the Company and DNO Norge AS, all 53 employees were transferred to DNO Norge AS.

The sick leave rate was 2.5 percent in 2019.

Discrimination
The Company's policy was aimed to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. During 2019, the Company employed staff/long term consultants originating from several countries.

Events since the balance sheet date
On 3 April 2020, the Company distributed NOK 3 553 million in dividend.

Oslo, 29 June 2020

Name: Bjørn Kenneth Dale
Chairman of the Board

Name: Christopher Thomas Hyde Spencer
Board member

Name: Nicholas John Paul Whiteley
Board member

Name: Ørjan Gjerde
Managing Director

Income statement

for the year ended 31 December 2019

	Notes	**2019**	**2018 (Restated)**
		NOK000	**NOK000**
Revenue	3	2 072 501	1 940 023
Cost of sales	4	-921 159	-947 309
Depreciation	4,12	-499 862	-215 645
Gross profit		651 480	777 069
Other income		4 771	227 401
Asset impairment	5,12	-90 632	-79 700
Net gain on disposal of property, plant and equipment	5	761 060	282 102
Exploration and evaluation expenses	10	-684 780	-421 202
Administrative expenses	6,8,9,19	-26 373	-109 197
Operating profit		615 526	676 473
Finance revenue	7	18 687	27 972
Finance costs	7	-307 063	-140 592
Profit on ordinary activities before tax		327 150	563 853
Tax(-)/Tax credit	11	310 457	-196 691
Profit for the year attributable to equity holders of the parent		637 607	367 162

Statement of other comprehensive income

for the year ended 31 December 2019

	Notes	**2019** **NOK000**	**2018** **(Restated)** **NOK000**
Profit for the year		637 607	367 162
Total comprehensive profit for the year		637 607	367 162

Balance sheet – assets

at 31 December 2019

	Note	2019 NOK000	2018 (Restated) NOK000
Non-current assets			
Property, plant and equipment	12	-	9 294
Exploration, development and producing assets	12	-	2 808 779
Goodwill	12	-	82 098
Deferred tax asset	11	-	1 268 420
Total non-current assets		-	4 168 591
Current assets			
Intercompany receivables	21	3 553 221	-
Trade and other receivables	13	-	974 276
Current tax receivable	11	501 672	272 754
Cash and cash equivalents	14	-	562 795
Assets held for sale	23	-	782 840
Total current assets		4 054 893	2 592 765
Total assets		4 054 893	6 761 356

Balance sheet – equity and liabilities

at 31 December 2019

	Note	**2019** **NOK000**	**2018** **(Restated)** **NOK000**
Share capital			
Equity share capital	24	10 000	10 000
Share premium		195 050	195 050
Other reserves		-26 367	113 297
Retained earnings		3 876 210	341 063
Total equity		4 054 893	659 410
Non-current liabilities			
Other long-term liabilities	17	-	2 249 263
Provisions	16	-	2 169 909
Liabilities directly associated with assets held for sale	23	-	340 670
Total non-current liabilities		-	4 759 842
Current liabilities			
Liabilities credit institution	15,17	-	155 000
Trade and other payables	15,17	-	1 187 104
Total current liabilities		-	1 342 104
Total equity and liabilities		4 054 893	6 761 356

Cash flow statement

for the year ended 31 December 2019

	Note	2019	2018 (Restated)
		NOK000	NOK000
Operating activities			
Profit before tax		327 150	563 853
Depreciation	12	510 021	219 347
Asset impairment	5	90 632	79 700
Exploration asset write off	12	448 802	108 721
Fair value of share-based payments		-208 853	8 607
(Increase)/decrease in trade and other receivables		-290 519	-270 045
Increase/(decrease) in trade and other payables		257 522	309 754
Increase/(decrease) in tax payables		-65 653	-44 868
Interest received		-5 831	-4 189
Cash outflow from operating activities		1 063 271	975 069
Taxes received/ (-paid) for the period		-521 502	121 730
Net cashflow from operating activities		541 768	1 096 799
Investing activities			
Expenditure on intangible assets and property, plant and equipment		-1 766 141	-2 112 085
Transfers and sales		255 260	819 460
Net cashflow from investing activities		-1 510 881	- 1 292 625
Financing activities			
Long term borrowings (net)		539 248	527 638
Short term borrowings (net)		152 218	-210 000
Lease payments		-4 969	-
Net cashflow from financing activities		686 498	317 638
Net increase/-decrease in cash and cash equivalents	14	-282 615	121 812
Cash and cash equivalents at the beginning of the year	14	562 795	440 982
Cash transferred to DNO Norge AS	22	-280 180	-
Cash and cash equivalent at the end of the year	14	-	562 795

Changes in equity

for the year ended 31 December 2019

	Equity share capital NOK000	Share premium account NOK000	Retained earnings NOK000	Other comprehensive income NOK000	Total NOK000
As at 1 January 2018	**10 000**	**195 050**	**160 132**	**104 690**	**469 872**
Change in accounting Principle	-	-	-186 231	-	-186 231
Restated as at 1 January 2018	**10 000**	**195 050**	**-26 099**	**104 690**	**283 641**
Share based payment reserve	-	-	-	8 607	8 607
Profit for the period (Restated)	-	-	367 162	-	367 162
As at 31 December 2018	**10 000**	**195 050**	**341 063**	**113 297**	**659 410**
Share based payment reserve	-	-	-	-139 664	-139 664
Business transfer (note 22)	-	-	2 897 540	-	2 897 540
Profit for the period	-	-	637 607	-	637 607
As at 31 December 2019	**10 000**	**195 050**	**3 876 210**	**-26 367**	**4 054 893**

Notes

1 Authorisation of financial statements and statement of compliance with IFRS

The financial statements of the Company for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company has used a simplified application of these international accounting standards in accordance with the Norwegian Accounting Act Section 3-9.

2 Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention, except for certain fair value adjustments required by the IFRS accounting standards. The financial statements are presented in NOK and all values are rounded to the nearest thousand ("NOK000") except when otherwise indicated.

The financial statements for 2019 are prepared on a going concern basis. Following the transaction with group company DNO Norge AS, there is no significant activity expected during 2020, and expected cash receipts from receivables will be distributed to the parent company. The Board confirms that the condition for going concern is present in accordance with section 3-3a of the Norwegian Accounting Act.

The accounting policies below set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

Accounting judgements estimates
The accounting policies make use of estimates and judgments in the following areas; Impairment, Derivatives, Depreciation, Decommissioning and Share based payments. These are described in more detail in the relevant accounting standards.

Foreign currencies
The functional currency for the Company is NOK.

Transactions in foreign currencies during the year are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are converted at the rate prevailing on the Balance Sheet date. Any gains or losses on conversion are reflected in the Income Statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are converted using the exchange rates at the date when the fair value was determined.

Interest in jointly controlled operations (assets)

A joint arrangement is present when the Company holds a long-term interest which is jointly controlled by the Company and one or more other parties under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

Under IFRS 11 Joint Arrangements, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities.

For those licenses that are not deemed to be joint arrangements pursuant to the definition in IFRS 11, either because unanimous consent is not required among the parties involved, or no single group of parties has joint control over the activity, the Company recognizes its share of related expenses, assets, liabilities and cash flows under the respective items in the Company's financial statements in accordance with applicable IFRS standards. In determining whether each separate arrangement related to the Company's joint operations is within or outside the scope of IFRS 11, the Company considers the terms of relevant license agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled.

All licenses held by the Company during 2019 were on the NCS, none of these were assessed as joint arrangements under the definition in IFRS 11.

Revenue
Revenues presented in the Income Statement consist of Revenue from contracts with customers (see Note 3) in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue from contracts with customers is recognized when the customer obtains control of the oil and gas, which normally will be when title passes at the point of delivery.

Tariff income from processing of oil and gas is recognized as earned in line with underlying agreements.

Interest income is recognized on an accrual basis using the effective interest method.

Finance costs and debt
Arrangement fees and issue costs are deducted from the proceeds on initial recognition of the liability and are amortized and charged to the Income Statement as finance costs over the term of the instrument.

Oil and gas expenditure – exploration and appraisal assets
Capitalization
The Company uses the successful efforts method to account for its exploration and appraisal assets. The Company temporarily capitalize drilling expenditures related to exploration wells, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is not considered technically or commercially viable, the costs of the exploration wells are expensed in the Income Statement. Decisions as to whether an exploration well should remain capitalized or expensed during the period may have a material effect on the financial results for the period.

Oil and gas expenditure – development and production assets
Capitalization
Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment together with exploration and appraisal assets ("E&A Assets") reclassified in accordance with the above policy, are capitalized as development and production assets ("D&P Assets"). Normally, each individual field development will form an individual D&P Asset but there may be cases, such as phased developments, or multiple fields around a single production facility, where fields are grouped together to form a single D&P Asset.

Business Combinations and Goodwill
In accordance with IFRS 3 Business Combinations, an acquisition is considered a business combination, when the acquired asset or groups of assets constitute a business (i.e., an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors).

Acquired businesses are included in the financial statements from the transaction date, which is defined as the date on which the Company achieves control over the assets. Comparative figures are not adjusted for acquired, sold or liquidated businesses.

Acquisition cost equals the fair value of assets used as consideration, including contingent consideration, equity instruments issued, and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities assumed. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. When calculating the fair value, the tax implications of any re-evaluations are taken into consideration.

If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets, goodwill arises. In contrast, if the fair value of identifiable assets exceeds the acquisition cost on the acquisition date, the excess amount is taken to the Income Statement.

Goodwill is allocated to the cash generating units or groups of cash generating units that are expected to benefit from the business combination. The allocation of goodwill may vary depending on the basis for its initial recognition.

The goodwill recognized is related to the requirement to recognize deferred tax for the difference between the assigned fair values and the related tax base ("Technical Goodwill"). The valuation at fair value of licenses is based on cash flows after tax, due to the licenses being sold in an after-tax market based on decisions made by the Norwegian Ministry of Finance pursuant to the Petroleum Taxation Act Section 10.

The purchaser is therefore not entitled to deduction for the consideration with tax effect through depreciation. In accordance with International Accounting Standards (IAS) 12 Income Taxes (paras 15 and 24), a provision is made for deferred tax corresponding to the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry to this deferred tax is goodwill. Hence goodwill arises as a technical effect of deferred tax.

Technical Goodwill is tested for impairment separately for each cash generating unit which gives rise to Technical Goodwill.

The estimation of fair value and goodwill may be adjusted up to 12 months after the acquisition date if new information has emerged about facts and circumstances that existed at the time of the acquisition and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition related costs, except costs related to the issue of debt or equity securities, are expensed as incurred.

Depreciation
All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is calculated on a unit of production basis ("UoP") based on the proven and probable ("2P") reserves of the asset. Any re-assessment of reserves affects the depreciation rate proportionately. Significant items of plant and equipment will normally be fully depreciated over the life of the field. However, these items are assessed to consider if their useful lives differ from the expected life of the D&P Asset and should this occur, a different depreciation rate would be charged.

The key areas of estimation regarding depreciation and the associated unit of production calculation for oil and gas assets are:

- 2P reserves; and
- Future capital expenditure

Impairment
A review is carried out for any indication that the carrying value of the Company's D&P Assets may be impaired. The impairment review of D&P Assets is carried out on an asset by asset basis and involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. The value in use is determined from estimated future net cash flows. Fair value less cost to sell is determined from estimated future net cash flows applying market participants' assumptions, unless an observable market value is available. Any additional depreciation resulting from the impairment testing is charged to the Income Statement.

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The discount rate is derived from the Company's post-tax weighted average cost of capital ("WACC") and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2019, the post-tax WACC used was 7.5 percent nominal (2018: 7.5 percent nominal). The discount rates applied in assessments of impairment are reassessed each year.

Key assumptions used in the value-in-use calculations
The calculation of value-in-use for oil and gas assets under development or in production is most sensitive to the following assumptions:

- Production volumes / 2P reserves;
- Commodity prices;
- Fixed and variable operating costs;
- Capital expenditure; and
- Discount rate and inflation rate.

Production volumes/ reserves
Future cash flows are calculated on the basis of expected production profiles and estimated proven and probable remaining reserves, and additional risked contingent resources when the impairment assessments are based on the fair value approach.

The Company's reserves are estimated and classified by the Company in accordance with the rules and guidelines of the Society of Petroleum Engineers ("SPE") and are in conformity with requirements from the Oslo Stock Exchange for the reporting of reserves and resources.

All estimates of reserves involve uncertainty. The Company's estimates are based on internal assessment where the Company is operator in a license and based on information received from the operators where the Company is partner in a license. International petroleum consultants Gaffney, Cline & Associates ("GCA") carried out an independent assessment.

Commodity prices
Forecasted oil and gas prices are based on management's estimates and market data. This includes consideration of forward curve pricing over the period for which there is deemed to be a sufficient liquid market (first year), price forecasts that are based on observable broker and analyst consensus (next four years) and thereafter prices are inflated by two percent per year.

Fixed and variable operating costs
Typical examples of variable operating costs are pipeline tariffs, treatment charges and freight costs. Commercial agreements are in place for most of these costs and the assumptions used in the value-in-use calculation are sourced from these where available. Examples of fixed operating costs are platform costs and operator overheads. Fixed operating costs are based on operator budgets.

Capital expenditure
Field development is capital intensive and future capital expenditure has a significant bearing on the value of an oil and gas development asset. In addition, capital expenditure may be required for producing fields to increase production and/or extend the life of the field. Cost assumptions are based on operator budgets or specific contracts where available.

Discount and inflation rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the WACC for the Company. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Company has applied a discount rate of 7.5 percent for the current year (2018: 7.5 percent). The inflation rate used in the calculation was 2 percent (2018: 2 percent).

Sensitivity to changes in assumptions
Following the Company's review of the above assumptions and having performed a sensitivity analysis on the impairment reviews performed, we conclude that commodity prices are the most sensitive assumption. A 10 percent change in commodity prices would have no effect on the impairment charge.

Oil & gas expenditure – acquisitions and disposals
Commercial transactions involving the acquisition of a D&P Asset in exchange for an E&A Asset or D&P Asset are accounted for at fair value with the difference between the fair value and cost being recognized in the Income Statement as a gain or loss. When a commercial transaction involves a D&P Asset and takes the form of a farm-in or farm-out agreement, the premium expected to be paid/received is treated as part of the consideration.

Fair value calculations are not carried out for commercial transactions involving the exchange of E&A Assets. The capitalized costs of the disposed asset are transferred to the acquired asset. Farm-in and farm-out transactions of E&A Assets are accounted for at cost. Costs are capitalized according to the Company's cost interest (net of premium received or paid) as costs are incurred.

Proceeds from the disposal of an E&A Asset, or part of an E&A Asset, are deducted from the capitalized costs and the difference recognized in the Income Statement as a gain or loss. Proceeds from the disposal of a D&P Asset, or part of a D&P Asset, are recognized in the Income Statement, after deducting the related net book value of the asset.

Decommissioning
The Company recognizes the discounted cost of decommissioning. The amount recognized is the present value of the estimated future expenditure determined by local conditions and requirements. A corresponding property, plant and equipment asset of an amount equal to the provision is created unless the associated activity resulted in an Income Statement write-off. This asset is subsequently depreciated as part of the capital cost on a unit of production basis. Any change to the present value of the estimated decommissioning cost is reflected as an adjustment to the provision and the property, plant and equipment

asset. The unwinding of the discount on the decommissioning provision is included as an interest expense.

Where the Company has an asset with nil carrying value, and subsequently based on new information makes an increase to the discounted cost of decommissioning, then such increase is taken to the Income Statement.

The key areas of estimation regarding decommissioning are:

- Expected economic life of field, determined by factors such as
    - Field reserves and future production profiles – see *Review of Activities* section
    - Commodity prices
- Inflation rate 2 percent (2018 2 percent);
- Nominal discount rate in range 3.5-4 percent, based on number of years to start of decommissioning (2018: 4 percent); and
- Decommissioning cost estimates (and the basis for these estimates)

See Note 16 Provisions in respect of decommissioning obligations.

Under/Over lift
Lifting arrangements for oil and gas produced in certain fields are such that each participant may not receive its share of the overall production in each period. The difference between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at the lower of production cost and market value and included within debtors ('underlift') or creditors ('overlift'). Movements during an accounting period are adjusted through cost of sales, such that gross profit is recognized on an entitlement basis.

Other property, plant & equipment

Property, plant and equipment other than oil and gas assets are stated in the Balance Sheet at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of the tangible fixed assets on a straight-line basis over their estimated useful lives as follows:

- IT equipment 3 years
- Other equipment 5 years

Financial assets
Financial assets which are trade investments of the Company are accounted for at fair value unless this cannot be reliably re-assessed. Foreign currency gains and losses on financial assets are recognized in the Income Statement.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Inventories
The Company's share of any physical stock is accounted for at the lower of cost and net realizable value.

Taxation
The Income Statement tax charge comprises both current and deferred tax. Tax is charged or credited in the Income Statement except on items related directly to equity, in which case it is recognized in equity.

Current tax liabilities are payable or receivable on income for the year and are based on rates of tax enacted or substantively enacted at the Balance Sheet date.

Deferred income tax is provided in full on temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exemptions:

- Where the temporary differences arise on initial recognition of an asset or liability in a transaction (other than a business combination), that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized or alternatively when recovery is probable under the tax regulation.

In accordance with special regulations in the Petroleum Tax Act, the Company can request the repayment of the tax value of exploration expenditure from the Norwegian State. The effect of the uplift, which is a particular deduction in the special tax basis for the offshore industry, is taken into consideration in the tax calculation as a temporary difference. Acquired uplift is capitalized.

Per 31 December 2019, the Company has a tax receivable of NOK 502 million which represents the tax value of carried forward losses and carried forward uplift per 31 December 2018. The refund is triggered by the Company`s cessation of petroleum activity per 31 December 2019.

Pensions
On 1 November 2015, the Company changed the pension arrangements in Norway where up until that date it had been operating both a defined benefit scheme up to a certain limit and above that a defined contributions scheme. The defined contributions scheme was enhanced, as described below, to replace the defined benefits scheme.

The Norwegian defined benefit scheme, which was in place until 31 October 2015, was designed to provide a pension, from 67 years of age, equivalent to 66 percent of base salary up to 12G. All staff employed up until 2015 participated in this scheme.

From 1 November 2015, following the closure of the defined benefit scheme, the Company made one off compensation payments to certain Norwegian employees to address any shortfall arising from the transfer to the expanded defined contribution scheme where the Company contributes to a pension scheme on behalf of the employee up to 25.1 percent of base salary limit up to 12G.

The existing defined contributions scheme, which continued in operation for all Norwegian staff throughout the period, involves the Company making the following contributions to the employees: 10 percent of base salary above 12G; and for certain other senior managers the Company a further 10 percent of base salary above 17G.

Defined contributions above the limit of 12G are a taxable benefit to the employee, and the Company meets the associated taxation on behalf of the relevant employees.

The Company's employees were in December 2019 transferred as part of transaction described in note 22.

Trade and other receivables
Trade and other receivables, which generally have 30 days terms, are shown at face value less any provision for unrecoverable debt. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents
Cash and short-term deposits in the statements of financial position comprise cash held in banks, cash in hand and short-term deposits with an original maturity of three months or less.

Share based payments
Prior to DNO ASA's acquisition of Faroe Petroleum plc in 2019, employees (including senior executives) of the Company could receive remuneration in the form of share-based payment transactions, which was equity settled. The cost of equity-settled transactions with employees, for awards granted after 1 February

2006, was measured by reference to the fair value at the date on which they were granted. The fair value was determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions was recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions were fulfilled, ending on the date on which the relevant employees became fully entitled to the award ("the Vesting Date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the Vesting Date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that would ultimately vest. The Income Statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The key areas of estimation regarding share-based payments were:

- Share price volatility; and
- Estimated lapse rates.

No expense was recognized for awards that did not ultimately vest, except for awards where vesting was conditional upon a market condition, which were treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions were satisfied.

Where the terms of an equity-settled award were modified, the minimum expense recognized was the expense as if the terms had not been modified. An additional expense was recognized for any modification, which increased the total fair value of the share-based payment arrangement or was otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award was cancelled, it was treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award was recognized immediately. However, if a new award was substituted for the cancelled award and designated as a replacement award on the date that it was granted, the cancelled and new awards were treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions relate to phantom options, where employees were entitled to a cash payment equivalent to the gain that would have been made by exercising options at notional price over a notional number of shares and then selling the shares at the date of exercise. The ultimate cost of a cash-settled transaction was the fair value of the cash paid at the settlement date. The cumulative cost recognized until settlement date was a liability on the face of the Balance Sheet and not a component of equity. The fair value of the liability is determined by an external valuer using an appropriate pricing model. All changes in the liability are recognized in the Income Statement.

Any shares issued under the above were shares in DNO North Sea plc.

All awards were exercised/forfeited in January 2019 and no further awards were made.

Held for sale assets

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are amortized over the life of the facility. Borrowing costs are stated at amortized cost using the effective interest method.

The effective interest method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period to the net carrying amount of the financial liability where appropriate.

Interest on borrowing directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Derivative financial instruments and hedging

The Company used, in the first half of 2019, derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices in addition to trading purposes. Such derivative financial instruments were initially recognized at fair value on the date on which a derivative contract was entered into and was subsequently re-measured at fair value. Derivatives relating to unquoted equity instruments were carried at cost where it was not possible to reliably measure their fair value subsequent to initial recognition. Derivatives were carried as assets when the fair value was positive and liabilities when the fair value was negative.

Financial liabilities at fair value through profit or loss are carried on the Balance Sheet at fair value, with realized and unrealized gains or losses arising from changes in fair value recognized in the Income Statement. Derivatives are classified as held for trading and are included in this category. Unrealized gains or losses are calculated by comparing the derivative contract pricing to forward curve data.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, with the exception of changes described below:

Other amendments and interpretations may apply for the first time in 2019 but are not considered to have any material impact on the Company`s financial statements.

Changes in accounting policies entered into force during 2019.

Oil and gas expenditure – exploration and appraisal assets

The Company has with effect of 1 January 2018 implemented the "successful effort method" under IFRS 6 Exploration for and Evaluation of Mineral Resources, as opposed to the policy in the signed 2018 financial statements, where all expenditures, such as geological and geophysical surveys, drilling and commercial appraisal costs and other directly attributable costs of exploration and appraisal, including technical and administrative costs, were capitalized as intangible E&A Assets. As a result, the comparative numbers in the financial statements have been restated per 1 January 2018 with NOK 692 million pre-tax. The 78 percent tax effect is booked against equity. For 2018, the change in policy has resulted in a restated increase in exploration and evaluation expense of NOK 165 million pre-tax. Tax effect is booked against restated tax expense for 2018.

Valuation Under/Over lift

Effective 1 January 2018, overlift/underlift balances are valued at the lower of production cost, including depreciation and market value. Such balances were previously valued at net realizable value. The reason for this change is the implementation of IFRS 15. As a result, the comparative numbers in the financial statements have been restated per 1 January 2018 as NOK 154 million pre-tax. The 78 percent tax effect is booked against equity. For 2018, the change in policy resulted in a restated reduction in cost of sales of NOK 64 million pre-tax. The tax effect is booked against restated tax expense for 2018.

IFRS 16 Leases

The IFRS 16 Leases standard was issued in January 2016 and replaced IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (i.e., a right-of-use asset ("RoU Asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the RoU Asset.

The Company implemented IFRS 16 on 1 January 2019. The following implementation and application policy choices were made:

IFRS 16 transition choices:

- Follow the modified retrospective approach, which requires no restatement of comparative information.
- Apply the standard to contracts that were previously identified as leases applying IAS 17 and International Financial Reporting Interpretations Committee ("IFRIC") 4 and therefore will not apply the standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For leases previously classified as operating leases under IAS 17, the lease liabilities at the date of initial application are measured as the present value of the remaining lease payments. The discount rate is the lessee's incremental borrowing rate at that date. The RoU Assets are measured at an amount equal to the lease liability.
- Leases for which the lease term ends within 12 months of 1 January 2019 are not reflected as leases under IFRS 16.
- RoU Assets are initially reflected at an amount equal to the corresponding lease liability.

IFRS 16 policy application choices:

- Short term leases (12 months or less) and leases of low value assets have not been reflected in the Balance Sheet but expensed or capitalized as incurred, depending on the activity in which the leased asset is used.
- Non-lease components within lease contracts are accounted for separately for all underlying classes of assets and reflected in the relevant cost category or capitalized as incurred, depending on the activity involved.

On transition date to IFRS 16, the Company recognized in the Balance Sheet NOK 39 million in RoU Assets and NOK 39 million in lease liabilities. The RoU Assets recognized related to office rent. The Company also leased computers and IT equipment with contract terms of one to three years but elected to apply the practical expedient on low value assets and did not recognize lease liabilities or RoU Assets, and the leases were instead expensed when the costs was incurred. The value of these leases was insignificant upon implementation. A practical expedient was applied to not recognize lease liabilities and RoU Assets for short-term leases. The value of these leases was insignificant upon implementation.

The RoU Assets were depreciated linearly over the lifetime of the related lease contract.

The identified lease liabilities had no significant impact on the Company's financing, loan covenants or dividend policy.

Extension options are included in the lease liability when, based on the management's judgment, it is reasonably certain that an extension will be exercised.

In the statements of comprehensive income, operating lease costs are replaced by depreciation and interest expense.

In the cash flow statement, lease payments related to lease liabilities in accordance with IFRS 16 are presented as cash flow used in financing activities.

The Lease liability and RoU Asset was at the end of 2019 disposed as part of transaction described in note 22.

3 Revenue

Revenue recognized in the Income Statement is analyzed as follows:

	2019 NOK000	**2018 NOK000**
Gas sales	324 003	369 659
Oil sales	1 602 636	1 508 985
Condensate sales	107 495	24 001
Tariff income	38 367	37 379
Total revenue	2 072 501	1 940 023

The Company hedged a proportion of the forecast oil and natural gas production using a variety of hedging instruments and incurred hedging loss, net of costs, of NOK 3 million (2018: NOK 12 million loss) in the year. All outstanding hedging instruments at 31 December 2018 were realized by May 2019.

Other income recognized in the Income Statement is analyzed as follows:

	2019 NOK000	**2018 NOK000**
Hedge income/-expense	-3 339	-12 461
Crude oil value adjustments	8 110	4 941
Oda/Oselvar compensation	-	234 921
Total other income	4 771	227 401

4 Cost of sales

Cost of sales recognized in the Income Statement is analyzed as follows:

	2019 NOK000	**2018 (Restated) NOK000**
Operating costs	-756 337	-629 580
Commercial tariffs	-319 186	-214 646
Movement in over-/underlift in the year	154 363	-103 083
Cost of sales	-921 159	-947 309
Depreciation, depletion and amortization	-499 862	-215 645
Total cost of sales and depreciations	-1 421 021	-1 162 954

5 Impairment/Net gain on disposal of property, plant and equipment

Impairment losses (pre-tax)

The following impairments were done:

	2019 NOK000	2018 NOK000
Ula	-	-60 200
Brage	-	-19 500
Oselvar	-31 478	-
Marulk	-40 939	-
Vilje	-18 215	-
Total asset impairment	-90 632	-79 700

The Company's operated asset Oselvar was shut down during the year, pending evaluation of future resources. The NOK 31 million impairment charge for 2019 relates to an increase in the decommissioning asset. Marulk and Vilje impairment charges relate to their respective share of Technical Goodwill recognized as part of asset swap with Equinor 30 April 2019. The Vilje and Marulk charge is recognized post tax.

Net gain on disposal of property, plant and equipment

	2019 NOK000	2018 NOK000
Asset swap with Equinor	761 060	-
PL433 Fogelberg	-	-6 262
PL586 Fenja	-	288 364
Net gain	761 060	282 102

Assets swap agreement with Equinor Energy AS
On 30 April 2019, the Company completed an asset swap agreement with Equinor, following approval by the Norwegian authorities. The asset swap was signed on 4 December 2018 with 1 January 2019 as the effective date.

As part of the asset swap agreement with Equinor, the Company's interests in the non-producing Njord and Hyme redevelopment and Bauge development assets (the "Divested Assets") were exchanged for interests in four producing assets on a cashless basis, i.e., Alve, Marulk, Ringhorne East and Vilje fields (the "Acquired Assets"). For further details see note 23.

Farm down of Fenja to Suncor Energy Norge AS
In February 2018, the Company executed a farm-down agreement with Suncor Energy Norge AS relating to PL586 in Norway. Under the terms of the farm-down agreement, upon completion on 16 May 2018, 17.5 percent of the Company's working interest in the Fenja development located in the Norwegian Sea was sold for a cash consideration of USD 55 million (excluding tax balances), together with working capital adjustments, notably capital expenditure, incurred since the effective date of 1 January 2018. The Company retained a 7.5 percent working interest.

Fogelberg equity
Following three separate transactions on the Fogelberg license (PL433), DNO NSN's equity was 15 percent, with an effective date of 1 January 2018. The Company's equity at 31 December 2017 was 25 percent.

6 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019 NOK000	2018 NOK000
Audit of financial statements (net of VAT)	325	660
Services relating to taxation (net of VAT)	466	410
	791	1 070

7 Finance revenue and cost

	2019 NOK000	2018 NOK000
Bank and other interest receivable	16 818	7 046
Interest income from tax rebate	1 869	1 778
Unwinding abandonment discount	-	19 149
Total finance revenue	18 687	27 972
Bank interest payable and other loans	-188 781	-128 825
Exchange loss	-27 612	-11 767
Unwinding abandonment discount	-89 342	-
Interest on lease liability	-1 327	-
Total finance cost	-307 063	-140 592
Total net finance revenue and costs	-288 376	-112 620

8 Employment costs

The aggregate payroll costs of staff (including management) were as follows:

	2019 NOK000	2018 NOK000
Wages and salaries	94 700	105 623
Social security costs	35 189	29 869
Pension costs	13 246	16 336
Share Options	139	82 802
Other salary related costs	5 198	11 962
	148 472	246 591

The number of man-years in the Company (including executive directors) during the year was as follows:

	2019 No	2018 No
Technical, finance and administration	52.7	57.1

Remuneration of management – Managing Director

	2019 NOK000
Wages and salaries and other	7 981
Pension costs	88
Other remuneration	58 388
	66 457

The current Managing Director Ørjan Gjerde was hired at the end of April 2020. Other remuneration mainly consists of the value of share options exercised as part of the DNO ASA's acquisition of Faroe Petroleum plc in January 2019.

No remuneration is paid to the Board from the Company.

9 Specification of administrative expenses

	2019 NOK000	2018 NOK000
Salary and personnel costs	148 472	246 591
Misc. office costs	20 437	19 922
Consultants, legal and professional fees	75 512	43 439
Misc. travel expenses	3 271	2 499
Entertainment and commercial costs	1 273	5 930
Reallocation of time writing	-232 973	-213 192
Other operating costs	222	304
Office/ RoU asset depreciation	10 160	3 702
	26 373	109 197

10 Exploration costs in the income statement

	2019 NOK000	2018 (Restated) NOK000
Expensed drilling and exploration costs (note 12)	448 802	112 910
Expenses for license rounds	19 167	32 316
Seismic data and other exploration costs	216 811	275 976
	684 780	421 202

Expensed drilling and exploration cost for 2019 mainly relates to; Brasse (NOK 136 million), as a result of dry well results on the Brasse East exploration well and sidetrack. PL888 Canela (NOK 140 million), where a well during the year discovered gas volumes which at Balance Sheet date are not determined commercial. Fogelberg (NOK 128 million) where the historic costs were written off due to lack of commerciality.

11 Taxation

Calculation of tax basis	2019 NOK000	2018 (Restated) NOK000
Profit/-loss before taxes	327 150	563 853
Change in temporary differences	-259 156	-678 563
Norm price adjustment	7 062	20 554
Other permanent differences	-565 793	-281 105
Basis corporate tax refund 22% (2018: 23%)	-490 737	-375 262
Net financial items added back	161 056	36 274
Basis for Special tax (tax refund) 56% (2018: 55%)	-329 681	-338 987
Taxes payable/-receivable*	-292 584	-272 753

* Tax receivable 2019 transferred to DNO Norge AS.

Specification of tax expenses	2019 NOK000	2018 NOK000
Taxes payable/-claim refund of tax value for exploration expenses	-292 584	-272 753
Change deferred tax	167 404	472 147
Deferred tax on interest tax loss carry forward	-	-6 919
Booked against balance sheet in connection with acquisition	-193 528	-
Deferred Tax asset reversal	4 036	3 669
Other adjustment (derivatives)	-	-1 332
Prior year adjustments	3 935	1 879
Total tax expenses:	-310 457	196 691

Deferred tax	**2019 NOK000**	**2018 NOK000**
Capitalized exploration costs/producing assets/other assets	- 2 677 712	- 1 554 600
Onshore assets	3 046	1 651
Abandonment	2 354 719	2 154 639
Over/Underlift	-3 607	-48 351
Share options	-	117 370
Change of Control	-	10 177
Exchange gain/loss	-	52 018
Derivatives	-	-3 826
Tax loss carry forward	238 361	238 361
Basis for 22% (2018: 22%) corporation tax	-85 194	967 440
Deferred tax at 22%	**-18 743**	**212 837**
Basis for 40% (estimate) corporation/special tax	-37 861	-75 472
Deferred tax at 40%	**-15 144**	**-30 189**
Basis for 22% (2018: 22%) corporation tax (see above)	-85 194	967 440
Uplift	806 912	640 054
Derivatives	-	-48 193
Change tax loss carry forward for special tax	-76 214	-76 501
Basis for deferred special tax	645 504	1 482 800
Deferred tax at 56%	**361 482**	**830 368**
Deferred tax benefit on future uplift	**2 832**	**887**
Total deferred tax asset excl. asset held for sale	**330 427**	**1 013 904**
Asset held for sale	-	254 516
Reclassification of carry forward losses and uplift to tax receivable, per cessation of petroleum activities	-501 672	-
Transferred deferred tax liability to DNO Norge AS	171 245	-
Total deferred tax asset	**-**	**1 268 420**

Calculation of total taxes	**2019 NOK000**	**2018 NOK000**
Profit before taxes	327 150	563 853
Expected tax	-255 177	-439 820
Prior years adjustments	-1 457	-1 879
Norm price	-3 762	1 388
Interest of norm price	-493	-5 047
Other permanent differences	564 599	218 957
Financial items	-80 631	-41 279
Current year uplift	93 175	81 436
Change tax rate	-	6 934
Deferred tax charge on future uplift	-4 036	-2 337
Derivatives	-1 763	-15 044
Total taxes	**310 457**	**-196 691**
Effective tax rate	**94.90%**	**-34.88%**

As of 31 December 2019, the Company is no longer part of the petroleum tax regime. As a result, the Company is entitled to a tax refund of accumulated tax losses and uplift, amounting to NOK 502 million. All other tax positions related to petroleum activity were transferred to DNO Norge AS per 31 December 2019, see note 22. The Company will retain its onshore corporate carry forward tax loss, valued at NOK 7 million per 31 December 2019. The amount is not reflected as a deferred tax asset at Balance Sheet date.

12 Intangible assets and property, plant & equipment

Intangible Assets	Exploration & evaluation costs NOK000	Goodwill NOK000	Total NOK000
Restated 31 December 2017 and 1 January 2018	**452 024**	**82 098**	**534 122**
Additions	425 372	-	425 372
Write-offs	-112 910	-	-112 910
Asset held for sale	-28 750	-	-28 750
Transfer to D&P	-84 462	-	-84 462
At 31 December 2018 and 1 January 2019	**651 274**	**82 098**	**733 372**
Additions	618 081	868 452	1 486 533
Write-offs	-448 802	-	-448 802
Impairment loss	-	-59 153	-59 153
Assets held for sale 2018	28 750	-	28 750
Transfer to D&P	-41 854	-	-41 854
Disposal	-807 449	-891 396	-1 698 8457 450
At 31 December 2019 and 1 January 2020	**-**	**-**	**-**

Property, Plant and Equipment	Development & production costs NOK000	RoU Assets NOK000	Other NOK000	Total NOK000
Restated at 31 December 2017 and 1 January 2018	**1 473 896**	**-**	**7 292**	**1 481 188**
Additions	1 681 197	-	5 705	1 686 912
Depreciation charge for year	-215 641	-	-3 702	-219 343
Impairment loss	-79 700	-	-	-79 700
Asset held for sale	481 702	-		-481 702
Asset held for sale 2018	-712 857	-	-	-712 857
Transferred to D&P	-471 094	-	-	-471 094
At 31 December 2018 and 1 January 2019	**2 157 504**	**-**	**9 294**	**2 166 798**
Right of use assets post implementation IFRS 16	-	39 249	-	39 249
Additions	2 310 376	-	7 210	2 317 586
Depreciation charge for year	-499 862	-4 576	-5 584	-510 022

Impairment loss	-31 624	-	-	-31 624
Assets held for sale 2018	712 857	-		712 857
Transfer to D&P	41 854	-	-	41 854
Disposals	-4 691 106	-34 674	-10 921	-4 736 701
At 31 December 2019 and 1 January 2020	**-**	**-**	**-**	**-**

13 Trade and other receivables

	2019 NOK000	2018 NOK000
Amounts falling due within one year:		
Trade and other receivables	374 413	728 303
Oil and gas underlift	283 389	128 073
Prepayments	606 993	166 092
Derivative Financial Assets	-	-48 192
	1 264 795	974 276

All amounts in trade and other receivables are not past due date or impaired. The receivable balance per 31 December 2019 was part of the DNO Norge AS business transfer, see note 22.

14 Cash and cash equivalents

	2019 NOK000	2018 NOK000
Cash at bank*	280 180	562 794
Cash in hand	-	1
	280 180	562 795

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash balances were part of business transfer with DNO Norge AS, see note 22.

*Includes NOK 7 886 thousand in restricted tax funds (2018: NOK 17 727 thousand)

15 Trade and other payables and financial liabilities

	2019 NOK000	2018 NOK000
Amounts falling due within one year:		
Trade payables	234 435	384 796
Accrued tax liabilities	9 907	18 591
Other payables	38 197	173 314
Accruals and deferred income	955 480	610 403
Trade and other payables	1 238 020	1 187 104
Short-term bank borrowing	307 519	155 000
Long-term bank borrowing	56 499	-
Financial liabilities transferred to DNO Norge AS	- 1 602 038	-
Financial liabilities	-	1 342 104

Exploration Financing Facility ("EFF")
The Company entered into a new facility dated 7 November 2019. The facility has a NOK 1 000 million commitment, with a NOK 500 million accordion. This facility replaces facility dated 19 December 2016. Interest charged on utilizations is based on the NIBOR rate prevailing at the time and a margin of 1.7 percent (2018: 1.3 percent). At 31 December 2019, NOK 308 million was utilized under the facility (2018: NOK 155 million). The facility is secured against the annual Norwegian tax refund under which 78 percent of all allowable expenditure is repaid to the Company (together with interest thereon), approximately 11 months after the end of the tax year.

Reserve Based Lending Facility ("RBL")
The Company is part of a reserve based lending facility in relation to its assets on the NCS, managed by the parent company, DNO North Sea plc, with a total facility amount of USD 350 million, available for both debt and issuance of letters of credit. An additional tranche of USD 350 million is available on an uncommitted accordion basis. Interest charged on utilizations is based on the LIBOR, NIBOR or EURIBOR rates (depending on the currency of the drawdown) plus a margin ranging from 2.75 to 3.25 percent. The facility will amortize over the loan life with a final maturity date of 7 November 2026. The security under the RBL includes, without limitation, a pledge over the shares in DNO North Sea plc and its subsidiaries, assignment of claims under shareholder loans, intra-group loans and insurances, a pledge of certain bank accounts and mortgages over the license interests. The Company had drawn NOK 56 million per 31 December 2019 (2018: nil) and utilized USD 17 million (2018: USD 14 million) as cover for letter of credit.

16 Provision

	Decommissioning provision 2019 NOK000	Decommissioning provision 2018 NOK000
At 1 January	2 169 909	2 024 356
New provisions and changes in estimates	167 221	177 085
Accretion	89 342	-19 149
Other provision	9 228	-12 384
Asset swap Equinor - disposal	-65 712	-
Provision transferred to DNO Norge AS	-2 369 989	-
Total Provisions at 31 December	-	2 169 909

Decommissioning

The total decommissioning provision of NOK 2 370 million (2018: NOK 2 170 million) relates primarily to the Company's production and development facilities. The decommissioning provision was recorded as the Company's share of the decommissioning cost expected to be incurred. These costs are expected to be incurred at various intervals over the next 18 years. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflationary changes in the service costs of third parties. Major change from 2018 relates to the acquisition of Marulk, Alve and Vilje and Ringhorne East, which led to the recognition of NOK 120 million in provision. The provision was part of transfer to DNO Norge AS per 31 December 2019. The short-term decommissioning estimate was NOK 4 million per 31 December 2019.

Lease liability

The Company implemented IFRS 16, as of 1 January 2019. Assumptions upon implementation are described in detail under note 2. At 31 December 2019, the remaining lease liability was NOK 36 million, whereof NOK 6 million was short-term.

17 Financial instruments, financial risk factors and capital management

(a) Market risk

Market risk is the risk arising from possible market price movements and their impact on the future performance of the business. The Company was in 2019 exposed to commodity price risks in the form of oil and gas prices, movement in foreign currency exchange rates and interest rates. The Company is at 31 December 2019 no longer exposed to these risks as all activity has ceased and outstanding receivables are in functional currency.

(i) Commodity price risk

The Company was exposed to commodity price risk during 2019. The Company had put in place suitable hedging arrangements to mitigate the risk of a fall in commodity prices. All hedging arrangements were settled during the year. The realized hedging losses were NOK 3 million (2018: NOK 13 million).

(ii) Foreign currency exchange risk

The Company had potential currency exposures in respect of items denominated in foreign currencies relating to transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations. As at 31 December 2019, the Company has no foreign currency exchange risk.

(iii) Interest rate risk
The Company has at 31 December 2019 no exposure to interest rate risk.

(b) Credit risk
Credit risk is the risk that a customer or partner fails to pay amounts due causing financial loss to the Company. The Company has per 31 December 2019 limited exposure to such credit risk as debtors are other group companies and the Norwegian tax authorities.

(c) Liquidity risk
Liquidity risk is the risk that sources of funding for the Company's business activities are not available. The Board always ensures that there is sufficient funding available before committing to any significant expenditure. As at 31 December 2019, there are no current liabilities.

The table below shows the maturity analysis of the Company's financial liabilities at 31 December 2018. The Company had no financial liabilities at 31 December 2019.

31 December 2018	On demand NOK000	Less than 3 months NOK000	3 to 12 months NOK000	1 to 5years NOK000	>5 years NOK000	Total NOK000
Trade and other payables	-	1 187 104	-	2 249 263	-	3 436 368
Short-term bank borrowing	-	-	155 000	-	-	155 000

Capital Management
As a major part of the Company's focus has been on exploration, equity has been the principal form of funding. However, the Company's policy has been to utilize debt where possible. The EFF has been arranged in Norway to bridge the tax refund receivable and the RBL banking facility was in place to finance operations and further growth in the business.

18 Pension scheme

The Company was obliged to have a pension scheme according to the Norwegian Act of Compulsory Lifecycle Fund. The Company's pension scheme satisfied the requirements of the law.

For Norwegian employees with a base salary above 12G, the Company made contributions to defined contributions schemes nominated by employees for which the pension cost for the year amounted to NOK 4 732 thousand (2018: NOK 5 349 thousand). There were no prepaid or accrued contributions at either the beginning or the end of the financial year. All employees were transferred to DNO Norge AS, part of business transfer at year end 2019.

19 Share based payments

Current status of share incentive schemes
Upon DNO ASA obtaining control over Faroe Petroleum plc in January 2019, all employees participating in the share incentive schemes exercised their options and accepted DNO ASA's offer. Consequently, there are no further awards outstanding under the share incentive schemes in 2019. The total number of exercised options was 11 752 480, at a market price of £1.6 per share.

The options exercised were granted under three share schemes to incentivize employees: the Faroe Petroleum Co-Investment Plan ("CIP"), the Faroe Petroleum Share Incentive Plan ("SIP"); and the Faroe Petroleum Incentive Plan ("FPIP") which also incorporated the Restricted Share Plan ("RSP"), details of which are summarized below:

CIP:
Under this plan key employees could invest up to 100 percent of their bonus in any financial year to purchase company shares ("Investment Shares"). Investment Shares was matched by new shares to be issued by the company dependent upon the company's performance over a three-year period. The maximum match was 1:1 but on a grossed-up basis (i.e., assuming an investment was made on pre-tax

basis) requiring the company to satisfy stretching share price growth targets and be subject to a comparative total shareholder return underpin.

SIP:
Under this scheme employees committed to invest a monthly amount of up to an annual maximum of £1,500 through market purchases of the company's shares and for every share purchased the company matched it with two matching shares. The matching shares was released at the end of a three-year holding period.

FPIP & RSP:
Under the scheme, awards were granted in the form of whole shares as either nil-cost options or cash equivalent phantom options. The options vested after three years, dependent upon the company's performance over the three-year period.

In the case of a phantom share, the award holder was entitled to receive a cash payment to the extent that the award had vested. In the case of a nil-cost option, the award holder was entitled to exercise the nil-cost option at any time during the exercise period to the extent that the option had vested. Options were forfeited if the employee left the Company before the options was exercised.

The Company applied the requirements of IFRS 2 Share-based Payment and elected to adopt the exemption to apply IFRS 2 only to awards made after 7 November 2002 and which had not vested on 1 January 2006.

The Company recognized immaterial expenses in 2019 (2018: NOK 83 million), all of which related to share-based payment transactions under the current schemes up to change of control in January 2019.

20 Related party disclosures

The Company has not provided any loans or guarantees to management, employees, board members or members of the corporate assembly.

For the purpose of related party disclosure in accordance with IAS 24 Related Party Disclosures, only directors are considered key management personnel. For compensation of key management, personnel, note 8 contains additional information regarding remuneration of management – Managing Director.

21 Intercompany accounts and other long-term liabilities

Specifications of intercompany accounts included in payables and receivables:

	2019	**2018**
	NOK000	**NOK000**
Short term accounts receivable – intercompany	3 553 221	-
Long term accounts payable – intercompany	-2 731 711	-2 314 965
Assets held for sale	-	65 070
	821 510	- 2 249 263

No intercompany liabilities are lent by security. The short-term accounts receivable relates to DNO Norge AS, see note 22. Interest charge on the receivable amounted to NOK 6 million for 2019 and is calculated at market terms at 5 percent. The long-term accounts payable consists off, NOK 1 620 million (2018: NOK 1 212 million) is an intercompany loan from parent DNO North Sea plc to the Company. NOK 708 million (2018: NOK 830 million) is bond financing from DNO North Sea plc and other intercompany payables of NOK 403 million (2018: NOK 273 million).

Interest calculated on the intercompany loans from plc was NOK 114 million (2018: NOK 117 million) with an interest rate of LIBOR plus 3 percent, interest on the intercompany bond is fixed at 8 percent.

22 Business transfer to DNO Norge AS

In December 2019, as a result of Norwegian regulatory requirements, the two DNO ASA subsidiaries on the NCS, DNO Norge AS and DNO NSN, were required to merge. As a result, the Company entered into a business purchase agreement with DNO Norge AS to sell all of DNO NSN's assets, except for tax carry forward losses and incurred unused uplift, and liabilities, for a consideration of a post-tax amount of NOK 3 547 million. The transaction had effective date 1 January 2019 and was completed on 19 December 2019. The fair value of the consideration was based on a purchase price allocation ("PPA") related to DNO ASA's acquisition of Faroe Petroleum plc.

The table below shows the balances transferred in the transaction, with calculated surplus, which is booked as an adjustment to retained earnings. The transaction was performed applying the pooling of interest method, where the carrying values of assets and liabilities are transferred to the acquirer without any fair value measurement and netted against offsetting values.

	2019
	NOK000
Assets	
Goodwill	891 316
E&A assets	807 449
D&P assets	3 949 361
Property, plant and equipment, incl. RoU assets	45 594
Trade and other current assets	1 264 795
Current tax receivables	292 584
Cash and cash equivalents	280 180
Total Assets	**7 531 361**
Liabilities	
Deferred tax liabilities	-171 245
Non-current liabilities to credit institution	-56 499
Other long-term liabilities	-2 731 711
Decommissioning provisions	-2 369 988
Current liabilities to credit institution	-307 519
Lease liabilities	-35 608
Trade payables and other current liabilities	-1 208 939
Total liabilities	**-6 881 511**
Total identifiable net assets at book value	649 949
Consideration	3 547 389
Surplus against retained earnings	**2 897 540**

23 Held for sale assets/Business combinations

Assets swap agreement with Equinor
On 30 April 2019, the Company completed an asset swap agreement with Equinor, following approval by the Norwegian authorities. The asset swap agreement was signed on 4 December 2018 with 1 January 2019 as the effective date. Under the asset swap agreement with Equinor, the Company's interests in the Divested Assets were exchanged for interests in the Acquired Assets. The Company booked a gain on the transaction of NOK 761 million and recognized a technical goodwill of NOK 868 million.

Purchase price allocation ("PPA")
The acquisition date for accounting purposes was 30 April 2019, which was when the Norwegian authorities approved the transaction. A PPA was performed as of this acquisition date to allocate the consideration to provisional fair values of acquired assets and assumed liabilities of the acquired assets. Provisional fair values of the acquired assets and liabilities assumed as of the acquisition date were as shown in the table below:

	2019
	NOK000
Assets	
Property, plant and equipment	1 208 776
Trade and other receivables	19 353
Tax receivables	-194 395
Cash and cash equivalents	253 380
Total Assets	**1 287 115**
Liabilities	
Deferred tax liabilities	-755 264
Provisions for other liabilities and charges	-120 497
Total liabilities	**-875 761**
Total identifiable net assets at fair value	411 354
Fair value of acquired assets	1 279 788
Goodwill	**868 434**

The goodwill recognized in the transaction was related to Technical Goodwill due to the requirement to recognize deferred taxes for the temporary difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licenses under development and licenses in production can only be sold on a post-tax value pursuant to the Norwegian Petroleum Taxation Act, Section 10. The assessment of fair value of such licenses is therefore based on cash flows after tax. In accordance with IAS 12, a provision is made for deferred tax corresponding to the tax rate multiplied by the difference between the fair values of the acquired assets and the transferred tax depreciation basis (i.e., tax values). The offsetting entry to this deferred tax is technical goodwill. This goodwill is not deductible for tax purposes.

In the Financial Statements for 2018 the disposed assets, was recognized as assets held for sale.

The major classes of assets and liabilities for the Divested assets classified as held for sale as at 31 December 2018 are as follows:

	2018
	NOK000
Assets	
Property, plant and equipment: development	712 857
Property, plant and equipment: exploration	28 750
Current Assets	41 233
Assets held for sale	782 840
Liabilities	
Current liabilities	-20 451
Deferred tax liabilities	-254 516
Decommissioning provision	-65 702
Liabilities directly associated with assets held for sale	-340 670
Net assets directly associated with assets held for sale	**442 170**

24 Shareholders and number of shares

The share capital of the Company is NOK 10 million. Of these NOK 5 million is fully paid and distributed as 5 shares and NOK 5 million was, in December 2010, converted from intercompany loan to equity and is distributed as 5 shares. Value per share is NOK 1 million. DNO North Sea plc holds all 10 shares.

At 31 December 2018 the Chairman of the Board was Graham Stewart, and the other board members were Jonathan Cooper and Helge Hammer. On 11 January 2019, DNO ASA obtained control of Faroe Petroleum plc and subsequently de-listed Faroe Petroleum plc from AIM on 14 February 2019 and renamed it to DNO North Sea plc.

Following the change of control of DNO North Sea plc, new board members were appointed on 28 January 2019. The new board members appointed was Bjørn Kenneth Dale (Chairman of the Board) and Nicholas John Paul Whiteley and Christopher Thomas Hyde Spencer (board members).

25 Subsequent events

On 3 April 2020, the Company distributed NOK 3 553 million in dividend.

26 Corporation

At 31 December 2019, DNO North Sea plc owned 100 percent of the shares in DNO NSN.

The immediate and ultimate holding company of DNO North Sea plc is DNO ASA, which is incorporated in Norway.

Registered Office:
DNO ASA
Dokkveien 1
0250 Oslo

The consolidated annual accounts can be provided by contacting DNO ASA. The consolidated annual accounts will be published on the Internet page www.dno.no.

Oslo, 29 June 2020

Name: Bjørn Kenneth Dale
Chairman of the Board

Name: Christopher Thomas Hyde Spencer
Board member

Name: Nicolas John Paul Whiteley
Board member

Name: Ørjan Gjerde
Managing Director