

IOT ENERGY SERVICES LTD.
(FORMERLY INDEPENDENT OIL TOOLS LIMITED))
No. SC561768

FILLETED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020



IOT ENERGY SERVICES LTD.

COMPANY INFORMATION

Directors	Stuart Noble Ulf Eide
Secretary	Stronachs Secretaries Limited
Company number	SC561768
Registered office	Independent Oil Tools Ltd Building Sir William Smith Road Kirkton Industrial Estate Arbroath DD11 3RD
Business address	Sir William Smith Road Kirkton Industrial Estate Arbroath DD11 3RD
Auditor	Hall Morrice LLP 6 & 7 Queens Terrace Aberdeen AB10 1XL
Bankers	Royal Bank of Scotland 40 Albyn Place Aberdeen AB10 1YN
Solicitors	Stronachs LLP 28 Albyn Place Aberdeen AB10 1YL

IOT ENERGY SERVICES LTD.

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IOT ENERGY SERVICES LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of the repair, manufacture and sale of oilfield equipment.

Change of company name

On 28 April 2021, the company changed its name to IOT Energy Services Ltd. from Independent Oil Tools Limited by special resolution.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stuart Noble
Ulf Eide

Future developments

The company intends to continue to focus on the repair, manufacture and sale of oilfield equipment and does not envisage any significant changes to the operations of the company over the next 12 months.

Auditor

Hall Morrice LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has taken the exemption under Section 414B of the Companies Act 2006 from the requirement to prepare a Strategic report for the financial year.

IOT ENERGY SERVICES LTD.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to be 'S. Noble', written over a horizontal line.

Stuart Noble
Director
7 June 2021

IOT ENERGY SERVICES LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOT ENERGY SERVICES LTD.

Opinion

We have audited the financial statements of IOT Energy Services Ltd. (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities 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.

Comparative figures

The comparative figures for the year to 31 December 2019 are unaudited.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

IOT ENERGY SERVICES LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF IOT ENERGY SERVICES LTD.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the company is not entitled to claim exemption in preparing a Strategic report due to it being a member of an ineligible group.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, as set out in the Directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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 ISAs (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

IOT ENERGY SERVICES LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF IOT ENERGY SERVICES LTD.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Derek Mair, FCCA

Senior Statutory Auditor

For and on behalf of Hall Morrice LLP

Statutory Auditor

Aberdeen

7 June 2021

IOT ENERGY SERVICES LTD.**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Turnover	3	287,351	1,110,619
Cost of sales		(711,920)	(1,131,509)
Gross loss		(424,569)	(20,890)
Administrative expenses		(395,961)	(514,173)
Other operating income		209,736	42,000
Operating loss	4	(610,794)	(493,063)
Interest payable and similar expenses	7	(12,410)	(13,517)
Loss before taxation		(623,204)	(506,580)
Tax on loss	8	-	-
Loss for the financial year		(623,204)	(506,580)

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

IOT ENERGY SERVICES LTD.**BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Notes	£	2020 £	£	2019 £
Fixed assets					
Intangible assets	9		19,000		22,000
Tangible assets	10		754,899		175,173
			<u>773,899</u>		<u>197,173</u>
Current assets					
Stocks	11	14,459		63,913	
Debtors	12	100,211		184,187	
Cash at bank and in hand		113,449		66,843	
		<u>228,119</u>		<u>314,943</u>	
Creditors: amounts falling due within one year	13	(1,058,340)		(489,401)	
Net current liabilities			<u>(830,221)</u>		<u>(174,458)</u>
Total assets less current liabilities			<u>(56,322)</u>		<u>22,715</u>
Creditors: amounts falling due after more than one year	14		(44,167)		-
Net (liabilities)/assets			<u>(100,489)</u>		<u>22,715</u>
Capital and reserves					
Called up share capital	17		821,180		1,786,000
Share premium account	18		7,292		-
Profit and loss reserves	18		(928,961)		(1,763,285)
Total equity			<u>(100,489)</u>		<u>22,715</u>

The financial statements were approved by the board of directors and authorised for issue on 7 June 2021 and are signed on its behalf by:



Stuart Noble
Director

Company Registration No. SC561768

IOT ENERGY SERVICES LTD.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019		1,212,842	-	(1,256,705)	(43,863)
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(506,580)	(506,580)
Issue of share capital	17	573,158	-	-	573,158
Balance at 31 December 2019		1,786,000	-	(1,763,285)	22,715
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(623,204)	(623,204)
Issue of share capital	17	492,708	7,292	-	500,000
Reduction of shares	17	(1,457,528)	-	1,457,528	-
Balance at 31 December 2020		821,180	7,292	(928,961)	(100,489)

IOT ENERGY SERVICES LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	£	2020 £	£	2019 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		138,248		(494,330)
Interest paid			(12,410)		(13,517)
Net cash inflow/(outflow) from operating activities			125,838		(507,847)
Investing activities					
Purchase of tangible fixed assets		(637,232)		(36,562)	
Proceeds on disposal of tangible fixed assets		8,000		-	
Net cash used in investing activities			(629,232)		(36,562)
Financing activities					
Proceeds from issue of shares		500,000		573,158	
Receipt of bank loans		50,000		-	
Net cash generated from financing activities			550,000		573,158
Net increase in cash and cash equivalents			46,606		28,749
Cash and cash equivalents at beginning of year			66,843		38,094
Cash and cash equivalents at end of year			113,449		66,843

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

IOT Energy Services Ltd. is a majority owned subsidiary of Independent Oil Tools AS and the results of IOT Energy Services Ltd. are included in the consolidated financial statements of Petrolia SE which are available from 205 Christodoulou Chatzipavlou Street, Loulloupis Court, 4th floor, office 401, 3036 Limassol, Cyprus.

1.2 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue to trade. This assumption is based upon assurances received from the directors of Independent Oil Tools AS and NOCO (UK) Limited that it is their intention to provide such assistance as is required to enable the company to meet its financial commitments. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities that might arise.

After the closure of the 2020 financial year, there were no events that could have significant effects on the financial statements.

However, due to the uncertainty regarding the effects of the spread of Coronavirus and the consequent measures that have been put in place by the UK Government to combat it, the company has undertaken and continues to monitor the activity of reviewing the scenario and evaluating the management actions to mitigate the impact to the business. The company has adopted initiatives to safeguard the health of its people and actions aimed at maintaining operational activity. The effects of any adjustments to the financial statements are currently not determinable in light of the volatility of the scenario. These will be reflected in the 2021 results.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for the provision of services is recognised by reference to the date on which services were rendered.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Goodwill	10 years
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1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	7-12 years
Office equipment	3 years
Motor vehicles	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

1 Accounting policies (continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (continued)

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Useful lives of tangible fixed assets

Depreciation is recognised so as to write off tangible fixed assets over their expected useful lives. Management review the useful lives periodically to ensure they remain appropriate and accurately reflect the diminution in value.

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Sales of goods	287,351	1,110,619
	<u> </u>	<u> </u>
	2020 £	2019 £
Other significant revenue		
Grants received	125,736	-
Other income	84,000	42,000
	<u> </u>	<u> </u>

4 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	307	896
Government grants	(125,736)	-
Depreciation of owned tangible fixed assets	53,873	34,693
Profit on disposal of tangible fixed assets	(4,367)	-
Amortisation of intangible assets	3,000	3,000
Operating lease charges	69,041	74,197
	<u> </u>	<u> </u>

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	2,500	-

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for 'Other services' as this information is included in the consolidated financial statements of Petrolia SE.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	13	17

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	548,079	671,312
Social security costs	56,396	70,403
Pension costs	9,662	10,574
	614,137	752,289

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	38	-
Interest payable to group undertakings	12,372	13,517
	12,410	13,517

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These changes included a reduction in the main rate to 17% from April 2020. In March 2020, the UK Government substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 to cancel the reduction in corporate tax rate, from 1 April 2020, and maintain the rate at 19%. Deferred taxes at the balance sheet date, in relation to UK companies, continue to be measured using tax rates enacted as at the balance sheet date (19%).

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(623,204)	(506,580)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	(118,409)	(96,250)
Tax effect of expenses that are not deductible in determining taxable profit	536	1,421
Gains not taxable	(830)	-
Unutilised tax losses carried forward	227,451	81,618
Group relief	-	12,958
Permanent capital allowances in excess of depreciation	(108,748)	31
Warranty provision movement	-	32
Unutilised qualifying charitable donations	-	190
Taxation charge for the year	-	-

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2020 and 31 December 2020	30,000
Amortisation and impairment	
At 1 January 2020	8,000
Amortisation charged for the year	3,000
At 31 December 2020	11,000
Carrying amount	
At 31 December 2020	19,000
At 31 December 2019	22,000

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2020	224,938	11,576	7,315	243,829
Additions	635,042	2,190	-	637,232
Disposals	(5,984)	-	-	(5,984)
At 31 December 2020	853,996	13,766	7,315	875,077
Depreciation and impairment				
At 1 January 2020	60,325	3,759	4,572	68,656
Depreciation charged in the year	47,741	4,303	1,829	53,873
Disposals	(2,351)	-	-	(2,351)
At 31 December 2020	105,715	8,062	6,401	120,178
Carrying amount				
At 31 December 2020	748,281	5,704	914	754,899
At 31 December 2019	164,613	7,817	2,743	175,173

11 Stocks

	2020 £	2019 £
Work in progress	317	50,907
Finished goods and goods for resale	14,142	13,006
	14,459	63,913

12 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	72,312	103,875
Amounts owed by group undertakings	7,400	50,807
Other debtors	-	3,712
Prepayments and accrued income	20,499	25,793
	100,211	184,187

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans	15	5,833	-
Trade creditors		61,335	102,086
Amounts owed to group undertakings		970,175	326,332
Taxation and social security		10,252	18,184
Other creditors		1,750	22,407
Accruals and deferred income		8,995	20,392
		<u>1,058,340</u>	<u>489,401</u>

14 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	15	44,167	-
		<u>44,167</u>	<u>-</u>
Amounts included above which fall due after five years are as follows:			
Payable by instalments		4,167	-
		<u>4,167</u>	<u>-</u>

15 Loans and overdrafts

	2020 £	2019 £
Bank loans	50,000	-
	<u>50,000</u>	<u>-</u>
Payable within one year	5,833	-
Payable after one year	44,167	-
	<u>50,000</u>	<u>-</u>

The bank loan of £50,000 is repayable in monthly instalments ending in May 2026 with interest being charged at a fixed rate of 2.5%.

16 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	9,662	10,574
	<u>9,662</u>	<u>10,574</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	821,180	1,786,000	821,180	1,786,000

During the year the company cancelled 1,457,528 Ordinary shares of £1 each.

Subsequently the company issued 492,708 Ordinary shares of £1 each at a premium of £0.014799 each, for a total consideration of £500,000, resulting in a share premium of £7,292.

18 Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve records the accumulated distributable profits made by the company net of distributions to shareholders.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	53,981	124,851
Between two and five years	210,107	506,762
In over five years	107,708	530,924
	<u>371,796</u>	<u>1,162,537</u>

20 Related party transactions

Transactions with related parties

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due to related parties		
Other related parties	970,175	326,332

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due from related parties		
Other related parties	7,400	50,807

IOT ENERGY SERVICES LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

21 Controlling party

Until 3 March 2020 the company was wholly owned by NOCO (UK) Limited, a company incorporated in the United Kingdom.

From 4 March 2020 the company was majority owned by Independent Oil Tools AS, a company incorporated in Norway.

The largest group in which the results of the company are consolidated is that headed by Petrolia SE. The financial statements of Petrolia SE are available from its registered office at 205 Christodoulou Chatzipavlou Street, Loulloupis Court, 4th floor, office 401, 3036 Limassol, Cyprus.

22 Cash generated from/(absorbed by) operations

	2020 £	2019 £
Loss for the year after tax	(623,204)	(506,580)
Adjustments for:		
Finance costs	12,410	13,517
Gain on disposal of tangible fixed assets	(4,367)	-
Amortisation and impairment of intangible assets	3,000	3,000
Depreciation and impairment of tangible fixed assets	53,873	34,693
Movements in working capital:		
Decrease/(increase) in stocks	49,454	(35,900)
Decrease/(increase) in debtors	83,976	(41,185)
Increase in creditors	563,106	38,125
Cash generated from/(absorbed by) operations	138,248	(494,330)

23 Analysis of changes in net funds

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	66,843	46,606	113,449
Borrowings excluding overdrafts	-	(50,000)	(50,000)
	<u>66,843</u>	<u>(3,394)</u>	<u>63,449</u>

24 Company information

IOT Energy Services Ltd. is a private company limited by shares incorporated in Scotland. The registered office is Independent Oil Tools Ltd Building, Sir William Smith Road, Kirkton Industrial Estate, Arbroath, DD11 3RD.