HAGUE AND LONDON OIL PLC
ANNUAL REPORT AND
FINANCIAL STATEMENTS
2019

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Directors, Officers and Advisers

Directors

Andrew Cochran
Chairman and Interim Chief Executive

William Phelps
Non-Executive Director

Rasik Valand
Non-Executive Director

Company Office

6 Charlotte Street
Bath BA1 2NE
United Kingdom

Telephone: +44 (0) 1225 428139
Facsimile: +44 (0) 1225 428140

Email: info@haloil.nl
Web: www.haloil.co.uk

Operational Office

Nieuwe Uitleg 24
2514 BR, The Hague
The Netherlands

Registered Number

03793723

Secretary and Registered Office

Matthew Small
6 Charlotte Street
Bath BA1 2NE
United Kingdom

Registrars

Link Asset Services
65 Gresham Street
London
EC2V 7NQ
United Kingdom

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Linklaters LLP
World Trade Centre
Zuidplein 180
NL-1077 Amsterdam
The Netherlands

Bankers

Royal Bank of Scotland
8-9 Quiet Street
Bath BA1 2JN
United Kingdom

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

ABN AMRO
Kneuterdijk, Postbus 19507
2500 CM The Hague
The Netherlands

ING
Tournooiveld 6
2511 CX The Hague
The Netherlands

Chairman's Statement

The past year has been a busy year for Hague and London Oil. The Company integrated the full portfolio of the Netherlands (NL) with the United Kingdom (UK) and participated in the Andromeda North exploration well, offshore UK. HALO also announced the terms of a Proposed Transaction to acquire additional assets in both NL and UK.

HALO generally achieved its plans for 2019 through the integration of exploration and development assets offshore UK, including the drilling of the Andromeda North exploration well. Despite the weaker gas prices in 2019, the HALO Group recorded revenues of £22m (2018: £31m) – this was achieved in part through the hedging policy adopted in 2018, and expanded in 2019, which has shielded the Company from some of the effects of price falls. Operating results were negatively impacted by the impairment charge of £20.8m arising from the Andromeda well result, giving rise to a loss (before interest and taxes) of £19.3m (2018: profit of £6.5m). HALO's assets produced an average of 2,198 boepd and the Group now has net proven plus probable ("2P") reserves of 16 mmboe, in the offshore UK and Dutch North Sea.

It was very disappointing to see the performance of natural gas prices in Europe during 2019, and in the first half of 2020. 2019 started strongly with gas prices at €21/Mwh but ended the year at €13/Mwh for an average annual price of €13.5/Mwh (2018: €21.9/Mwh). The short-term outlook remains weak; however, HALO is in a relatively strong position due to its hedging program. In 2019, 24% of gas produced was hedged at a price of €20.15/Mwh. In 2020, 64% of forecast production has been hedged at €17.80/Mwh and a further 24% of 2021 production at a price of €17.63/Mwh. The Group will look to expand its hedging program to further protect revenues from downside risk.

In the UK sector, HALO participated in the drilling of the Andromeda exploration well within the Greater Pegasus Area (GPA) in late 2019. Despite encountering better reservoir quality than expected, the volumes were at the low end of pre-drill estimates and the Partnership took the decision to plug and abandon the well without further testing. This resulted in the decision to take an impairment charge for the drop in value associated with the GPA asset. There remains, however, up-dip potential plus additional volumes south of the fault and further future appraisal remains possible for inclusion within the wider area development.

In respect of the proposed Pegasus West (PW) Development, operated by Spirit Energy (55% working interest), an initial field development plan (FDP) for PW was submitted to the UK's Oil and Gas Authority (OGA) in January 2019. Following difficulties encountered in finding a suitable export route for the gas, a revised FDP is now delayed until Q3 2020 at the earliest, with the final investment decision (FID) subject to market conditions and availability of infrastructure.

While the Company had been more focused previously on acquisitions, HALO also remained committed to organic growth through new licenses and continued exploration of the existing portfolio. As mentioned in 2018, HALO has since been formally awarded the license for the F5 block, with formal award of F4 expected shortly. The F5 license became effective in Q4 2019 and HALO is working in partnership with Neptune Energy (as operator); and with regard F4 license, Shell's subsidiary Nederlands Aardolie Maatschapij (NAM) has been nominated as operator of F4. Energie Beheer Nederlands (EBN) is a partner in both licenses. Plans to exploit these new licenses are now subject to revised budgeting for 2020 based on the TTF price projections and COVID-19 status.

Looking ahead to the future, the first half of 2020 has been focused on completing the Proposed Transaction relating to the acquisition of several ONE-Dyas assets in the Dutch and UK North Sea. Interests consist primarily of a 7.9% share of the Sillimanite Development unit, 0.85% of the Joint Development Area (JDA) (Halo currently holds 9.95% of this asset) and 2.3% of the Western Gas Transmission pipeline system (Halo currently holds 8.88% of this system). This acquisition represents a unique opportunity to add significantly to HALO's existing portfolio, adding c. 2mmboe reserves and c.1000 boepd production. We look forward to providing an update shortly on likely completion of this transaction.

The Company's capital requirements have been addressed through existing operating cash flow and expansion of the current structured facility with ENGIE Energy Management (ENGIE) S.A. The combination of the two sources of liquidity ensured that the Company was able to meet it needs through 2019. There remains additional capacity within the ENGIE facility for expansion in 2020 to cover commitments not covered by cash flow from operations. HALO has also implemented a plan to reduce corporate overheads by 50% by Q3 2020. So far, this appears to be achievable with only minimal impact to functionality and operations. However, the Company does face challenges ahead, in raising the new capital required to meet current liabilities and future commitments, as explained further in the Directors' Report.

To date, 2020 has already been extremely challenging to the global upstream Energy industry as a whole. HALO has, so far, managed itself relatively well and implemented revised plans for 2020. Hopefully, HALO can use this year to re-structure itself further so as to take full advantage of any natural gas price recovery in 2021. I would sincerely like to wish the best to all of the Company's shareholders and hope all, and their families, remain well during the COVID-19 epidemic.

Andrew Cochran
Chairman

Financial Review

Income Statement

In the year ended 31 December 2019, the Group recorded revenue from gas sales of £22.5m (2018: £31.1m) and cost of sales of £19.8m (2018: £21.9m), giving rise to gross profit of £2.7m (2018: £9.2m).

Administrative expenses were £1.2m (2018: £1.4m). Impairment charges relating to the Andromeda and Pegasus licences amounted to £20.8m (2018: £1.30m), as explained further in note 12 to the Financial Statements.

Finance income of £9.1m (2018: nil) arose from a fair value gain on derivative financial hedge instruments; finance costs of £3.1m (2018: £5.7m) arose from decommissioning unwinding, fair value adjustments to contingent consideration, derivative instruments and interest on the ENGIE facility. This resulted in an overall loss before taxation of £13.3m (2018: profit of £0.75m). After a tax charge of £1.02m (2018: £1.3m), there was a loss after tax of £14.30m (2018: £0.56m loss) and a loss per share of 47.85p (2018: 2.33p).

Balance Sheet

At the end of December 2019, cash resources stood at £3.74m (2018: £11.34m), reflecting the impact of the E18 decommissioning work in the Netherlands, the drilling of the Andromeda well on the UK Continental Shelf and the weaker gas price environment in the Dutch Continental Shelf.

Cash Flows

The Group generated positive cash flow from operations of £4.8m (2018: £12.2m). Cash invested in capital expenditure projects (mainly Andromeda and Pegasus (Greater Pegasus Area (GPA) or Pegasus Partnership)) amounted to £18.8m (2018: £4.91m); decommissioning payments of £3.2m in respect of the E18 field were incurred and, in addition, there was a contingent payment to Tullow resulting from the 2017 acquisition of £4.4m. To finance this activity, the Group increased its structured finance facility with ENGIE by a further £12.4m. Overall, there was a net decrease in the cash position of £9.3m (2018: increase of £7.3m).

Project Review

The Netherlands

During 2019, Halo sold 4.7 Bcf of gas, net share, plus several condensate liftings. The bulk of this production came from the JDA, with the HiCal system producing 34.5 Bcf and LoCal 9.6 Bcf of gross sales. These JDA sales were somewhat below the operator budget of 41.6 Bcf and 14.1 Bcf, due to delays and difficulties in bringing some key wells back onto production, as well as an extended unplanned one-month shutdown of the LoCal fields due to an electrical failure. At year end, HiCal was producing at 101 mmscf/d gross, and LoCal at 29 mmscf/d gross.

The JDA L13-FI platform, installed in 2018, continues to produce satisfactorily. No JDA drilling activity took place in 2019, but the operator NAM has firmed up two development infill targets in the L13-FF and FG fields to be drilled in 2021. A complete portfolio review of infill and exploration opportunities in the JDA has led to a merged portfolio, from which top-ranked items are being matured to feed an ongoing drilling programme of typically 2 wells per year starting, as mentioned above, in 2021.

Regarding the Netherlands operations, the JDA operator NAM has been very successful in achieving a substantial reduction in JDA Direct and Indirect Operating Cost over 2017-2019. Direct operating costs have been brought down from €179m in 2016 to an actual expenditure of €106m in 2019 (in gross JDA terms). Indirect operating costs has likewise been reduced from €38m to €20m (in gross JDA terms). These reductions have supported Halo's investment thesis with respect to the acquisition of 2017.

Elsewhere, future drilling plans include a possible development infill well in the K18-G field, and the Maple exploration well in the E15c Licence. Timings of both projects are under review given the current economic climate.

During 2019, the E18-A field wells and platform were permanently abandoned, following cessation of production in late 2018. The platform topsides were sold to the Sillimanite field development, and installed there in June 2019. An equity stake in the Sillimanite field development is a component of the Proposed Transaction.

During 2018, operators NAM and Neptune successfully negotiated a lifetime extension project for the JDA satellite fields K12-B and K12-B9. Production from these had originally been planned to be permanently shut down at the end of 2018, due to government regulation of emissions from the hub K12-BP platform. However, agreement was reached to move gas processing from K12-BP to Neptune's central L10 facility, and use local compression on the K12-BD platform. Production was expected to restart in Q1 2020 but has been delayed due to the current downturn.

Lastly, as a result of a Ministry initiative, 2019 saw the formal signature of Decommissioning Security Agreements (DSA's) for all of Halo's production and exploration licences. The DSA contains a mechanism to determine whether security is required, and how much, on an annual basis, taking into account the future cashflow of the assets involved. Halo was required to place securities for the JDA (€21.9m), F16-E (€1.6m) and K12-B/K12-B9 (€1.5m), which apply up till 31st January 2021. This was achieved by Halo placing a surety bond covered by Aspen American Insurance Company.

The United Kingdom

The Greater Pegasus Structure (GPS), located on the northern margin of the UK Southern North Sea (SNS) gas basin, comprises separate gas charged segments, within a large, late Carboniferous anticlinal structure truncated by the Base Permian Unconformity.

It lies within the UKCS Blocks 43/13b, 43/14b, 43/17b, 43/18b, 43/19b and 43/12 (Licence P1724, P1727 and P2128) that are licensed by Spirit Energy (55% Operator) and HALO Offshore UK Ltd. (45% non-operator).

<u>Greater Pegasus Area Gas Volumes</u>

Due to the subsurface uncertainty recognised by the partnership, the range in GIIP volumes attributed to each of the Greater Pegasus Area segments is wide. The Pegasus Partnership views the un-risked GIIP range to be 300 Bcf to 1Tcf.

The Pegasus West segment discovered by well 43/13b-7 is estimated to contain between 58 and 112 Bcf recoverable. The likely recoverable resources from the entire GPA remain highly uncertain and would be further constrained as part of the area development plan.

The philosophy adopted by the Pegasus partnership was to develop the discovered volumes connected to the Pegasus West well (43/13b-7) to provide the foundation infrastructure to enable the tie-in of potential future economic volumes from the Greater Pegasus Structure. The initial field development plan (FDP) was submitted in September 2018. This was based on the heads of terms (HoT) agreed between the Pegasus Partnership and the operator of the Cygnus Field for transportation of natural gas through those facilities. The HoT were cancelled unilaterally by the Cygnus Operator early in Q2 2019. Therefore, the FDP could not be applied and the final investment decision (FID) to be made by the Pegasus Partnership was deferred.

The situation was addressed by the UK's Oil & Gas Authority (OGA) through their non-binding dispute resolution (NBDR) process which commenced in early summer of 2019. The NBDR required involvement of all parties, operated and non-operated, within the HoT. The recommendations by the OGA were issued late in Q3 2019. These recommendations were accepted by all parties and, most significantly, recommended that the Pegasus Partnership seek alternative plans for the development of Pegasus West and the GPA, overall.

Therefore, the Pegasus Partnership embarked upon implementation of these recommendations by the OGA as well as pursuing license extensions within the GPA for those which were expiring early in Q4 2019. The extensions would have otherwise been met through the FID had the HoT been implemented. Regardless, license extensions were granted in Q4 2019 but requiring additional and/or revised work programs for 2020 and 2021.

Development Strategy

A revised FDP is now required by Q3 2020 and would be focused on the description of Pegasus West as a foundation project but also intended to be economically viable on a "stand-alone" basis. FDP addendums may be submitted to the OGA at later dates to address plans to develop additional resources within GPA once they reach suitable maturity and economic thresholds. The maturation of the additional targets could be addressed by the new 3D seismic commitment, which is part of the license extension commitments from 2019, that is to be acquired in 2021 addressing the entire GPA combined with the results of the Andromeda North discovery well drilled in 2019 as well as a potential follow-up well being drilled on the Andromeda Central structure in 2021, if approved by the Pegasus Partnership. Any well results and proposed new seismic could lead to optimisation of further appraisal and development within the GPA

Development Concept

The default development concept at this time may be for the Pegasus West (43/13b-7) well tied-back to the ETS pipeline system at the Wye connection currently used by the Trent Field when Trent reaches Cessation of Production ("COP"). Trent is forecast to reach CoP in 2024. Therefore, at present, available capacity could be available for Pegasus West via ETS in 2024.

The partnership is conducting FEED studies and has been in extensive dialogue with the OGA regarding development concepts and working towards a final FDP draft in 2020, pending commercial agreements for transportation of the GPA gas via existing facilities.

Andromeda Prospect

The Andromeda North well, 43/12-3 satisfied all licence obligations, whereby P2128 entered the second term. The well encountered better reservoir quality than expected, however, whereas the volumes were within the wider predicted range, they were much lower than the expected P50 volumes. The gas water contact (GWC) was much higher than prognosed in Andromeda North; or at least very different from the GWC observed in Pegasus West. The two discoveries are separated by a significant east-west (E-W) fault, and not being in communication between them, and this would be factored into any further exploration or development along the E-W fault in future. Due to the lower than anticipated volumes encountered, the decision was taken not to test the well and it was plugged and abandoned. However, there remains up-dip potential plus additional volumes south of the fault, with an easy tie-in to the Pegasus West facility.

The Philippines

The Group (through its wholly owned subsidiary HALO SC54A BV) holds a 15% interest in Service Contract SC54A in the NW Palawan Basin, offshore Philippines. The project holds a number of undeveloped oil discoveries.

The license is currently suspended pending the lifting of a drilling moratorium in the West Philippine Sea and therefore Halo does not need to participate in any material capital expenditure programs. The suspension period ends on 4th August 2020, at which time the partners must elect to enter a new licence period or relinquish the licence. However, current global conditions may see this moratorium extended or extended on a reduced work program beyond the expiry of the moratorium.

Regardless, SC54A is currently outside of the Company's strategic plans though remains an interesting prospect. HALO will review its plans with respect to SC54A during the course of the year; internally, with partners and the Government of the Republic of the Philippines.

STRATEGIC REPORT

The Group's strategy is to build shareholder value through the exploration and development of its existing assets, while seeking potential new opportunities. In pursuit of these aims, the Group's management utilises its technical and financial expertise and connections to partner with other, like-minded companies in making applications for new exploration acreage.

Business Review

The Group's strategy has continued to focus on lower-risk assets with well-understood geology, near-term commercial potential, access to (or ownership of) infrastructure situated in established hydrocarbon basins and stable fiscal jurisdictions such as the Netherlands and the UK.

In 2019 HALO's results reflect the effects of a weaker gas price resulting in falling revenues, and the unsuccessful drilling campaign in the UK Andromeda licence, leading to an impairment charge of £20.8m in the period. There was progress in other aspects of the portfolio; notably, the awards of new licences in F4 and F5 offshore Netherlands.

We were also pleased to report that we were able to place Surety Bonds of €25m with Aspen American Insurance Company to cover the company's Decommissioning Security Agreements, in respect of the offshore Netherlands licences.

In terms of the Group's growth strategy, we believe the Proposed Transaction, announced in September 2019, is consistent with the objectives of expanding on existing core areas and will add material production and reserves for the Group. Despite delays encountered in receiving government and partner approvals, HALO expects to complete the acquisition but cannot guarantee that this will occur within the current global environment & industry conditions. Regardless, HALO will continue to screen suitable opportunities as they arise focusing on those which meet the strategic objectives and are deemed to be value-accretive within our established jurisdictions.

HALO's renewed strategy is a greater focus on maintaining cost-consciousness and efficient management capacity within the Group. In these very challenging times for the industry, the Group will continue the twin approach of strictly managing costs and protecting revenue through a well-managed hedging program and cost-reductions (or deferrals). Administrative costs were held at £1.20m, below the level in 2018 (£1.40m), and management expect to further reduce head office costs in 2020 towards a target of ca. 50% reduction by Q3 2020. At the same time, we will look for growth opportunities where they fit within the overall strategy and expand the fundamental base of the Company.

Further afield, HALO maintains its interests in the Philippines but will review its continuing participation during the course of the year, as it is not a core area of interest. However it remains an interesting prospect for the future and attracts de minimis costs net to the Group.

Key Performance Indicators

Traditional KPIs are not considered appropriate to the Company in its current stage of development. Nevertheless, the Board closely monitors two key performance areas: revenue/cost control and cashflow management. These controls are explained in more detail below, including the revenue hedging programme and the rolling 12-month cashflow forecasts.

Principal Risks and Uncertainties

Operating in the oil and gas sector involves a number of risks. The Directors have extensive experience in this business and attempt to mitigate these risks wherever possible but the Group is reliant on third party operators in most of its ventures and may have little control on cost overruns, timing issues, drilling problems and environmental damage. In addition, the Group has no control over political issues including changes in licence terms, increased taxation and conflicts that may lead to temporary or permanent cessation of activities.

There are also considerable uncertainties in the estimation of the chance of success for particular exploration prospects, the potential resources they could contain and volumes of oil and gas actually discovered.

The Directors utilise the Group's Health, Safety and Environmental Policies and other internal controls, together with their strong relationships with operators and other companies to help predict, understand and, where possible, mitigate risks and uncertainties in the Group's business.

The Directors have identified the following current principal risks in relation to the Group's performance in the future.

Commodity price risk: The Group's revenues may be negatively impacted by the volatility of the gas market in the Netherlands. In 2019, the board of Directors extended its price protection program started in 2018, in conjunction with its offtake agreement with ENGIE. Under the current program, the Group has hedged 878 GwH of gas, approximating to 64% of 2020 gas production, at a price of €17.80/MwH. A further 298 GwH of 2021 production (approx. 24%) has been hedged at a price of €17.63/MwH. The Board will continue to monitor hedging levels and act where appropriate to protect the Group from future price impacts.

Coronavirus: The combined impact of the collapse in oil prices and the shock to global markets caused by Covid-19 have created a toxic level on uncertainty. The Directors are yet to fully assess the short-medium term outlook for the Group but have taken immediate steps to address liquidity concerns. Operators with whom Halo has joint interests have been asked to seek cost savings or deferral of non-core projects; likewise, internally Halo has undertaken a review of staff and overhead costs to find immediate savings across the board.

Access to capital markets: The Group, in common with upstream Oil & Gas companies at a similar stage of development, may seek external capital to finance future activities. In the current market downturn and as a direct result of the Covid-19 Pandemic, access to external capital and the ability to issue new shares or debt may be restricted by prevailing market conditions. This has impacted the energy sector, as well as many others, and may impact on the Group's ability to fund operations and new opportunities until global conditions change.

Liquidity Risk: The board of Directors are provided with monthly updates of rolling 12-month cash flow forecasts to ensure that any liquidity risks are identified and quantified and that steps are taken to mitigate them. Further details are contained in the going concern paragraph in Note 1 to the Financial Statements.

Cost escalation: Given the uncertainties inherent in the oil and gas industry, cost over-runs on major capital projects are a constant risk factor. To mitigate the risk, the Board closely monitors actual expenditure against pre-approved work programmes and budgets. Overall, costs are being reduced within the various joint ventures the Group is involved in.

Approval of the Board

This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration, appraisal, development and production business. While the Directors believe the expectations reflected within the Annual Report to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be different owing to factors either beyond the Group's control or otherwise within the Group's control, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

On behalf of the Board

Andrew Cochran

Chairman
8 June 2020

The Directors present their report together with the consolidated financial statements of HALO and its subsidiaries for the year ended 31 December 2019.

The Directors have chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in the Group's Strategic Report information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' Report. This information includes future developments of the Company and the risks associated with the use of financial instruments.

Principal activity and business review

The principal activity of the Group is the exploration for and production of oil and gas. Significant developments during the period, as well as future prospects and strategy for the Group, are reviewed in the Chairman's Statement and the Strategic Report.

Results and dividends

The Group loss for the year ended 31 December 2019 was £14.30 million (2018: loss of £0.56m). The Directors do not recommend the payment of a dividend (2018: nil).

Going concern

At the year end, the Group had cash balances of £3.7m (2018: £11.3m). Cash flow forecasts have been prepared for the next 15 months from the date of signing of these financial statements. Existing commitments for the forthcoming period include outstanding payables of £6.4m. In addition, further payments of contingent consideration of up to €8.3m are potentially payable in the forecast period. Discussions with the parties involved are under way to address these issues within a wider Group refinancing. Existing gas producing assets in the Netherlands continue to make positive cash contribution, bolstered by the current hedging program. The Group has hedged 64% of 2020 production at €17.80/MwH, and a further 24% of 2021 production at €17.63/MwH. However, the cash forecasts show that the Group will require additional short-term funding in 2020.

The Company has embarked on a significant cost cutting program; this initially targeted capital expenditures and operating expenditures within the portfolio but also instigated a review of HALO's general and administrative (G&A) costs. The Company has implemented a G&A cost reduction plan to reduce these costs by 50% by Q3 2020.

Decommissioning security arrangements (DSA) were introduced for the Group's Dutch offshore licences at the end of 2019. The Group placed a surety bond for €25m to cover these security obligations. A cash collateral of €1.87m was posted in January 2020 as part of the security arrangements. Due to the weaker gas market in Europe, and the likely impact of Covid-19, it is possible that the DSA requirements at the end of 2020 will be higher. However, the Company is working with other industry bodies, including the Netherlands Oil & Gas Exploration and Production Association (NOGEPA), and partners to address and mitigate future DSA obligations in 2021 and beyond.

In addition, the negative impacts of Covid-19 on global demand and oil and gas prices may make it harder to secure additional financing than has been the case in the past. However, the Group is in advanced negotiations with ENGIE and other lender(s) to provide short-medium term financing to cover the anticipated shortfall in 2020 and 2021, and the new capital required to close the Proposed Transaction, should that proceed within the current environment.

Whilst acknowledging the material uncertainties represented by the current environment, within the Covid-19 pandemic and historically low commodity price, which may cast potential doubt over the Group's ability to continue as a going concern, the Directors remain confident of raising the additional funding required.

Directors

The Directors in office during the year and at the end of the year are shown below:

Andrew Cochran

William Phelps

Rasik Valand

Directors' interests in the shares of the Company as at 31 December 2019 and 31 December 2018, were as shown in the table below.

	31 December 2019 Number	31 December 2018 Number
Ordinary Shares	4.0p	4.0p
Mr A Cochran	2,581,469	2,581,469
Mr W Phelps	1,596,030	1,596,030
Mr R Valand	53,832	-

Directors' Remuneration

The remuneration of the Directors for the year ended 31 December 2019 and 31 December 2018 was as follows:

	Salaries, Fees and Compensation for loss of office		Pension Contributions	
	2019	2018	2019	2018
	£	£	£	£
Mr A Cochran	224,733	227,167	-	-
Mr W Phelps	45,000	45,000	-	-
Mr R Valand	45,000	-	-	-

A copy of the Service Agreement in respect of each of the Directors is available for inspection at the Company's Registered Office.

Events after the Balance Sheet Date

Since 31 December 2019 the rapidly evolving COVID-19 crisis has caused increasing restrictions of all forms of travel and many normal business and commercial activities globally. This has impacted markets generally with oil and gas commodity markets particularly disrupted.

The Group's priority has been to continue to ensure the health and safety of its employees and technical staff. Plans have been implemented and active measures have been taken to mitigate risk, such as limiting one-to-one contact and remote-working. The Group is also in frequent contact with its Joint Venture partners to assess any potential impact on operations. We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders.

To date, the exploration, development and production activities of the Group's assets have continued in line with plans and with minimal impact from COVID-19. However, the Group has reacted to the Covid-19 situation by implementing cost cutting measures and working with Joint Venture partners to review future spending plans within the current market conditions. Currently, the Board does not plan to make further changes but will continue to monitor the situation closely. With the added protection provided by the Group's price hedging programme in 2020-2021, further adjustments to carrying values are not currently envisaged.

Auditor

BDO LLP were appointed as auditors during the year, replacing Nexia Smith & Williamson. A resolution to reappoint the auditor, BDO LLP, will be proposed at the forthcoming Annual General Meeting.

Disclosure of Information to the Auditor

The Directors at the date of approval of this Annual Report individually confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Directors' indemnity

Directors and Officers insurance cover was in force during 2019 and remains in place for all current and past Directors of the Company. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006.

Company Name and Registered Number

The registered number of Hague and London Oil PLC is 03793723.

On behalf of the Board

Andrew Cochran

Director

8 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 December 2019

The Directors are responsible for preparing the Directors' Report, the Strategic 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 consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Reporting 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 Group and of the profit or loss of the Group 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;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- For the Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAGUE AND LONDON OIL PLC

Opinion

We have audited the financial statements of Hague and London Oil Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the twelve months period ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs) and, as regards the Parent Company financial statements, as applied in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101; and
- the financial statements 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 Group and the Parent 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which notes the negative impact of Covid-19 on the global economy and oil prices, and the potential consequential impact on the Group's ability to secure additional funding. It further notes the Group and Parent Company has a requirement for additional funding in order to meet their existing commitments for the forthcoming period, which include outstanding payables and contingent consideration. As stated in Note 1, these events or conditions, along with other matters as set out in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities 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 Group's and the Parent 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 Group or the Parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
8 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement
for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Revenue	2	22,486,767	31,107,390
Cost of sales		(19,804,809)	(21,934,777)
		2,681,958	9,172,613
Administrative expenses:			
Other administrative expenses		(1,200,635)	(1,407,946)
Exploration and impairment expenses		(20,795,071)	(1,298,864)
Total Administrative expenses		(21,995,706)	(2,706,810)
Operating (loss) / profit	3	(19,313,748)	6,465,803
Finance income	5	9,157,737	72
Finance costs	5	(3,122,946)	(5,711,355)
Share of losses of joint ventures	11	(5,474)	(1,542)
(Loss) / profit before taxation		(13,284,431)	752,978
Taxation	6	(1,017,304)	(1,315,857)
Loss for the financial year		(14,301,735)	(562,879)
Attributable to:			
Equity shareholders of the Company		(14,301,735)	(562,616)
Non-controlling interests		-	(263)
Loss per share attributable to equity shareholders of the Company			
Basic and diluted loss per share (pence)	7	(47.85)	(2.33)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	2019	2018
	£	**£**
Loss for the financial year	(14,301,735)	(562,879)
Other comprehensive (expense) / income		
Currency translation adjustments	(223,957)	34,018
Other comprehensive (expense) / income for the financial year, net of tax	(223,957)	34,018
Total comprehensive loss for the financial year	(14,525,692)	(528,861)
Attributable to:		
Equity shareholders of the Company	(14,525,692)	(528,598)
Non-controlling interests	-	(263)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 December 2019

	Notes	2019	2018
Assets		**£**	**£**
Non-current assets			
Intangible assets	12	11,356,744	13,490,820
Property, plant and equipment	13	70,422,218	83,084,521
Derivative financial instruments	20	72,796	-
		81,851,758	96,575,341
Current assets			
Inventories	14	690,558	485,228
Trade and other receivables	15	2,443,439	3,369,469
Derivative financial instruments	20	4,593,263	-
Cash and cash equivalents	16	3,742,594	11,344,126
		11,469,854	15,198,823
Total assets		93,321,612	111,774,164
Equity and liabilities			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	17	1,195,473	1,195,473
Share premium account		16,800,122	16,800,122
Merger reserve account		5,830,270	5,830,270
Share-based payments reserve		1,170,205	1,170,205
Accumulated deficit		(35,495,206)	(21,193,471)
Translation reserve		(305,744)	(81,787)
		(10,804,880)	3,720,812
Non-controlling interests		(58,093)	(58,093)
Total equity		(10,862,973)	3,662,719
Current liabilities			
Trade and other payables	18	10,004,797	6,306,935
Borrowings	20	3,734,300	4,866,164
Derivative financial instruments	20	-	3,184,860
Lease liabilities	19	33,445	-
Current taxation		2,134,917	2,394,834
Provisions	27	6,731,013	6,988,750
		22,638,472	23,741,543
Non-current liabilities			
Borrowings	20	7,053,292	-
Derivative financial liabilities	20	206,099	-
Lease liabilities	19	53,630	-
Provisions	27	72,893,547	84,123,970
Deferred tax	6	1,339,545	245,932
		81,546,113	84,369,902
Total liabilities		104,184,585	108,111,445
Total equity and liabilities		93,321,612	111,774,164

The financial statements were approved by the Board of Directors on 8 June 2020 and were signed on its behalf by:

Andrew Cochran
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Attributable to equity shareholders of the Company							
	Share capital £	**Share premium account £**	**Merger reserve account £**	**Accumulated deficit £**	**Share-based payment reserve £**	**Translation reserve £**	**Non-controlling interests £**	**Total £**
Balance at 1 January 2019	1,195,473	16,800,122	5,830,270	(21,193,471)	1,170,205	(81,787)	(58,093)	3,662,719
For the financial year ended 31 December 2019								
Loss for the year	-	-	-	(14,301,735)	-	-	-	(14,301,735)
Currency translation	-	-	-	-	-	(223,957)	-	(223,957)
Total comprehensive expense	-	-	-	(14,301,735)	-	(223,957)	-	(14,525,692)
Balance at 31 December 2019	1,195,473	16,800,122	5,830,270	(35,495,206)	1,170,205	(305,744)	(58,093)	(10,862,973)
Balance at 1 January 2018	965,343	16,800,122	1,060,400	(20,630,855)	1,170,205	(115,805)	(57,830)	(808,420)
For the financial year ended 31 December 2018								
Loss for the year	-	-	-	(562,616)	-	-	(263)	(562,879)
Currency translation	-	-	-	-	-	34,018	-	34,018
Total comprehensive expense	-	-	-	(562,616)	-	34,018	(263)	(528,861)
Issue of shares (note 17)	230,130	-	4,769,870	-	-	-	-	5,000,000
Balance at 31 December 2018	1,195,473	16,800,122	5,830,270	(21,193,471)	1,170,205	(81,787)	(58,093)	3,662,719

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Cash flow from operating activities			
(Loss) / Profit for the financial year before tax		(13,284,431)	752,978
Finance income		(9,157,737)	(72)
Finance costs		3,122,946	5,711,355
Impairment of amounts invested in joint venture		5,474	1,542
Decommissioning adjustments on impaired intangible assets		(3,915,758)	972,498
Depreciation		7,524,109	7,227,804
Impairment of intangible assets		20,671,124	-
Impact of foreign exchange movements		576,654	(38,151)
		5,542,381	14,627,954
Changes in working capital			
(Increase) / decrease in inventories		(205,330)	390,450
(Increase) / decrease in trade and other receivables		(4,315,974)	(566,175)
Increase / (decrease) in trade and other payables		3,799,323	(1,894,576)
Cash flow from operating activities		4,820,400	12,557,653
Cash flow from investing activities			
Payment of contingent consideration		(4,368,335)	-
Cash acquired on acquisition of subsidiaries	8	-	416
Purchase of intangible assets		(18,548,996)	(139,829)
Purchase of property, plant and equipment		(273,845)	(4,772,623)
Decommissioning payments		(3,245,760)	(295,815)
Costs incurred relating to joint ventures		(5,474)	(1,542)
Interest received		30	72
Net cash used in investing activities		(26,442,380)	(5,209,321)
Cash flow from financing activities			
Proceeds from issue of loan	20	12,403,680	-
Other interest paid		(9,353)	-
Lease payments		(36,039)	-
Net cash generated from financing activities		12,358,288	-
Net (decrease) / increase in cash and cash equivalents		(9,263,692)	7,348,332
Impact of foreign exchange on cash balances		1,662,160	230,133
Cash and cash equivalents at beginning of financial year		11,344,126	3,765,661
Cash and cash equivalents at end of financial year	16	3,742,594	11,344,126

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

1. Principal Accounting Policies

Basis of Preparation

Hague and London Oil PLC ("the Group") is a public limited company, limited by shares, incorporated in England and Wales. The address of the registered office is 6 Charlotte Street, Bath, BA1 2NE, United Kingdom.

The statutory group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS are subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods beginning on 1 January 2019.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern basis of preparation

At the year end, the Group had cash balances of £3.7m (2018: £11.3m). Cash flow forecasts have been prepared for the next 15 months from the date of signing of these financial statements. Existing commitments for the forthcoming period include outstanding payables of £6.4m. In addition, further payments of contingent consideration of up to €8.3m are potentially payable in the forecast period. Discussions with the parties involved are under way to address these issues within a wider Group refinancing. Existing gas producing assets in the Netherlands continue to make positive cash contribution, bolstered by the current hedging program. The Group has hedged 64% of 2020 production at €17.80/MwH, and a further 24% of 2021 production at €17.63/MwH. However, the cash forecasts show that the Group will require additional short-term funding in 2020.

The Company has embarked on a significant cost cutting program; this initially targeted capital expenditures and operating expenditures within the portfolio but also instigated a review of HALO's general and administrative (G&A) costs. The Company has implemented a G&A cost reduction plan to reduce these costs by 50% by Q3 2020.

Decommissioning security arrangements (DSA) were introduced for the Group's Dutch offshore licences at the end of 2019. The Group placed a surety bond for €25m to cover these security obligations. A cash collateral of €1.87m was posted in January 2020 as part of the security arrangements. Due to the weaker gas market in Europe, and the likely impact of Covid-19, it is possible that the DSA requirements at the end of 2020 will be higher. However, the Company is working with other industry bodies, including the Netherlands Oil & Gas Exploration and Production Association (NOGEPA), and partners to address and mitigate future DSA obligations in 2021 and beyond.

In addition, the negative impacts of Covid-19 on global demand and oil and gas prices may make it harder to secure additional financing than has been the case in the past. However, the Group is in advanced negotiations with ENGIE and other lender(s) to provide short-medium term financing to cover the anticipated shortfall in 2020 and 2021, and the new capital required to close the Proposed Transaction, should that proceed within the current environment.

Whilst acknowledging the material uncertainties represented by the current environment, within the Covid-19 pandemic and historically low commodity price, which may cast potential doubt over the Group's ability to continue as a going concern, the Directors remain confident of raising the additional funding required. For this reason, the Directors continue to adopt the going concern basis in preparing these financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

These financial statements consolidate the results and Balance Sheet of the Company and entities controlled by the Company using the acquisition method of accounting. Details of these entities are disclosed in Note 9 of these Financial Statements. Total comprehensive income within a subsidiary not wholly owned is attributed to the non-controlling interest.

Entities whose economic activities are controlled jointly by the Group and by other venturers independent of the Group are accounted for using equity accounting.

Intra-Group transactions are eliminated on consolidation. Transactions, balances, income and expenses with Joint Operations are eliminated to the extent of the Group's interest in these entities.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Segment expenses are expenses that are directly attributable to a segment together with the relevant portion of expenses that can be reasonably allocated to the segment. Unallocated expenses relate to corporate head office expenses not recharged to the Company's subsidiaries or allocated to a business segment. Segment assets and liabilities include items that are directly attributable to a segment.

Revenue

Revenue comprises invoiced sales of hydrocarbons to customers, excluding value added and similar taxes. Also disclosed within revenue is tariff income recognised, excluding value added and similar taxes, for gas transportation facilities provided to third parties.

Revenue is recognised at a point in time as control passes to the customer, which is typically the point of delivery of hydrocarbons. The Group does not have performance obligations subsequent to delivery.

Inventories

The Group hold inventories of condensate and materials.

Materials inventories are stated at cost. Condensate inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale or is assessed in consideration of the carrying value of the CGU in the case of material inventories.

Cash at bank

Cash at bank comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Leases

For reporting in the comparative period, where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease were charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives was recognised as a reduction of the rental expense over the lease term on a straight-line basis.

From 1 January 2019, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments held by the Group fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, embedded derivative financial instruments and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Embedded derivative financial instruments

A borrowing arrangement which includes a contract to purchase a commodity at a fixed price for delivery at a future date has embedded in it a derivative that is indexed to the price of the commodity. This is considered to be a separable embedded derivative of the loan instrument.

At the date of issue, the fair value of the embedded derivative is estimated by considering the derivative as a series of forward contracts with modelling of the fixed and floating legs to determine a repayment schedule and derive a net present value for the forward contract embedded derivative.

This amount is recognised separately as a financial liability or financial asset and measured at fair value through the income statement. The residual amount of the loan is then recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Derivative financial instruments

At the date of issue, the fair value of the derivative is estimated by considering the derivative as a series of forward contracts with modelling of the fixed and floating legs to determine a repayment schedule and derive a net present value for the forward contract derivative.

This amount is recognised separately as a financial liability or financial asset and measured at fair value through the income statement.

Foreign Currency

The functional and presentational currency for the Company's financial statements is Sterling, and the presentational currency for the Group's consolidated financial statements is also Sterling.

Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement.

Assets and liabilities of subsidiaries that have a functional currency different from the presentation currency are translated at the closing rate at the date of each balance sheet presented. Income and expenses are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income (loss).

Exploration and Evaluation Costs

Exploration and evaluation costs are accounted for in accordance IFRS 6 Exploration for and Evaluation of Mineral Resources.

Pre-exploration costs incurred prior to having secured the legal rights to explore an area and general seismic data and other costs not specifically directed to an identified exploration licence are expensed directly to the income statement as they are incurred.

Costs of exploration and development are initially capitalised as exploration and evaluation assets.

Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling, activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral asset and testing are capitalised as intangible exploration and evaluation assets.

Intangible exploration and evaluation assets are not amortised prior to the conclusion of appraisal activities but are carried forward until the existence of commercial reserves has been determined.

Following evaluation of successful exploration wells, if commercial reserves are established and the technical feasibility of extraction demonstrated, and once a project is sanctioned for commercial development then, after testing for impairment, the related capitalised exploration/evaluation costs are transferred into a single cost centre within development/production assets within Property, Plant and Equipment. Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

For intangible exploration and evaluation assets potential impairment triggers may include the short-term expiry of a licence, lack of budgeted spend, or the lack of potential for commercial development of the asset. The potential recoverable value of such assets is assessed by the Directors based on their knowledge of the assets and available information. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/production assets. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/production asset. Any costs remaining associated with the part replaced are expensed.

Exploration and evaluation assets acquired in business combinations are recognised at their fair values as determined through the business combination purchase price allocation.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement.

Decommissioning costs have been included within the exploration costs where the Directors consider that these costs will be material at the end of each project's life.

Oil and gas assets – development and production assets
Once a well or project is commercially feasible and technically viable, which in practice is when results indicate that hydrocarbon reserves exist in adequate quantity and there is reasonable evidence that the reserves are commercially viable, the carrying values of the associated exploration license and property acquisition costs and the related cost of exploration wells are transferred to development & production assets after an impairment test.

Development and production assets represent the cost of developing the commercial reserves discovered and bringing them into production. The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. If a drilled well does not show commercially viable reserves, the capitalised costs are written off upon completion of the well.

Property, Plant and Equipment
Property, plant and equipment is stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis or unit of production basis as follows:

Plant and equipment	20%

Depreciation of production assets
Production assets are accumulated into cash generating units (CGUs) and the net book values are depreciated using the unit-of-production method by reference to the ratio of production in the year

and the related economic commercial reserves, taking into account future development expenditures necessary to bring those reserves into production.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Each asset's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the oil and gas asset at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all oil and gas assets, machinery and equipment, with annual reassessments for major items. Changes in estimates which affect unit production calculations are accounted for prospectively.

Impairment of Assets Other than Intangible Assets with an Indefinite Life
At each balance sheet date, the Directors review the carrying amounts of the Group's assets to determine whether there is any indication that those assets have suffered an impairment loss.

If there are indicators of impairment, such as a well not encountering commercial quantities of oil or a site being shut-in, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level, which is the entity level.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in profit or loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior years.

The recoverable amount of assets is the higher of their value in use and fair value less costs to sell. 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairments are recognised in the Income Statement to the extent that the carrying amount exceeds the assets' recoverable amount. The revised recoverable amounts are amortised in line with the Group's accounting policies.

Current Taxation
Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred Taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the exception of fair value adjustments to assets acquired in business combinations. However, if the deferred tax arises from the 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, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Employment Benefits
Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Decommissioning Obligation
A decommissioning (or “asset retirement”) obligation provision for plugging, abandonment and reclamation costs has been included within the production assets and within liabilities based on management’s assessment of asset retirement costs that will be incurred at the end of each project’s life. The estimated current date cash flows are adjusted for inflation and are discounted at a risk-free rate. The cash flows used in the provision are risk adjusted.

Contingent consideration
The Group was party to a contingent consideration agreement in respect of its acquisition of a 100% interest in the Tullow 101 BV group of companies. The Group initially recorded the fair value of the contingent consideration as part of the acquisition and the obligation is classified as a provision and subsequently carried at the best estimate of the payment that will be required to settle the obligation. Subsequent changes in fair value are recorded in profit or loss.

Through its acquisition of a 100% interest in Third Energy Offshore Limited (subsequently renamed Halo Offshore UK Limited) the Group has become party to a contingent consideration liability of that entity. The obligation is classified as a provision and carried at the best estimate of the payment that will be required to settle the obligation. Changes in fair value are recorded in profit or loss.

Deferred consideration
The Group was party to a deferred consideration agreement in respect of its acquisition of a 100% interest in Third Energy Offshore Limited (subsequently renamed Halo Offshore UK Limited). The Group initially recorded the fair value of the deferred consideration as part of the acquisition and the obligation is classified as a liability.

Share-Based Payments
Where share options and warrants have been granted to Directors, employees and advisers, IFRS 2 has been applied, whereby the fair value of the services to be received are accounted for and

calculated by reference to the fair value of the options and warrants as measured at the grant date. The fair value of options is spread over the period during which the employees become entitled to the options. The fair value of warrants is expensed immediately.

A valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options and warrants. The fair value of goods and services received is measured by reference to the fair value of options and warrants.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognised 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 will ultimately vest.

The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Jointly Controlled Operations
The Group is party to joint arrangements when there is a contractual agreement that sets out the terms of the relationship over the relevant activities of the Group and at least one other party.

The Group has a legal degree of control over these joint operating arrangements through Joint Operating Agreements. The Group classifies its interests in joint arrangements as Jointly Controlled Operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Group accounts for its share of assets, liabilities, income and expenditure of Jointly Controlled Operations in which it holds an interest, classified in the appropriate Balance Sheet and Income Statement headings. The Group's revenue and cost of sales include revenues and operating costs associated with the Group's interest.

A list of the Group's interests in Jointly Controlled Operations is given in Note 10.

Jointly Controlled Entities
Arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the Consolidated Balance Sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any impairment in the value of individual investments.

Losses of a jointly controlled entity in excess of the Group's interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Where a Group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Merger reserve" represents the fair value of consideration given in excess of nominal value of the ordinary shares issued, in an acquisition made by the issue of shares.
- "Accumulated losses" represents the accumulated profits and losses attributable to equity shareholders.
- "Share-based payment reserve" represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.
- "Translation reserve" represents accumulated foreign exchange gains/losses arising on translation of the Group's non-Sterling functional operations.
- "Non-controlling interests" represent amounts attributable to minority shareholders of fully consolidated subsidiaries.

New and amended International Financial Reporting Standards adopted by the Group

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

New/Revised International Financial Reporting Standards		**Effective Date: Annual periods beginning on or after:**	**EU adopted**	**Impact on the Group**
IFRS 16	Leases	1 January 2019	Yes	See below
	Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	No	None

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring all leases (subject to exemptions) to be recognised giving a right of use asset and lease liability in the statement of financial position, with the statement of comprehensive income reflecting depreciation of the right of use asset and the interest charge on the lease liability.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases.

The new Standard has been applied using the modified retrospective approach, with right of use assets and corresponding liabilities recognised as an adjustment in the current period. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Prior periods have not been restated.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 13.2%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 Dec 2018 £	**Remeasurements**	IFRS 16 carrying amount at 1 January 2019 £
Property, plant and equipment	**83,084,522**	10,769	83,095,291
Lease liabilities	**-**	(10,769)	(10,769)

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	£
Operating lease commitments recognised at 31 December 2018	**11,470**
Effects of discounting	**(701)**
Lease liabilities recognised under IFRS 16 at 1 January 2019	10,769

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following could have a material impact on the Group’s financial statements going forward:

Other New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted
IAS 1	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Yes
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022	No
IFRS 3	Amendment to IFRS 3 Business Combinations	1 January 2020	Yes
IFRS 3	Amendment to IFRS 3 Business Combinations	1 January 2022	No
IAS 16	Amendments to IAS 16 Property, Plant and Equipment	1 January 2022	No
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	No
	Annual Improvements: minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases	1 January 2022	No

New / revised International Financial Reporting Standards which are not considered to potentially have a material impact on the Group's financial statements going forwards have been excluded from the above.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not listed above are not expected to have a material impact on the Group's financial statements.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the Group.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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

Estimates

Reserve Estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Given that the economic assumptions used to estimate reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of reserves may change from year to year. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected by possible impairment due to adverse changes in estimated future cash flows;
- Depreciation, depletion and amortisation charged in the Income Statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Purchase Price Allocation

In the prior year Management used valuation techniques when determining the fair value of assets transferred and liabilities acquired in business combinations and the allocation of the purchase price thereto, which includes estimates to determine the valuation of assets.

Valuations prepared by an independent consultant taking into account risks involved in the business acquired have been used to inform the purchase price allocation for the business combination in 2018.

Information regarding the purchase price allocations is disclosed in note 8.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that these assets may be impaired as indicated in note 13. If such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less cost to sell'. The Group considers the quantities of the Proven and Probable Reserves, future production levels and future oil prices as well as other IAS 36 criteria in their assessment of indicators of impairment. The directors do not believe there are any indicators of impairment in respect of the assets.

Decommissioning Provision

Management use estimates for future decommissioning expenditure, discount rates (3%) and inflation rates (2%) to determine appropriate decommissioning provisions. The cost estimates of decommissioning and end of field-life estimates are provided by the field operators and are reviewed by management. These may change as a result of revisions to the estimated timing and future cost of decommissioning (note 27). Actual costs incurred in future periods could differ materially from the estimates. Through sensitivity analysis performed, a decrease to the discount rate and/or increase of the inflation rate would result in a material increase of the carrying amount of this provision.

Contingent Consideration

Contingent consideration payable is dependent on the occurrence and timing of trigger events related to the acquisition of Third Energy Offshore Limited in December 2018. The first such event is the Final Investment Decision to be made by Spirit Energy, the operator, with respect to the Pegasus development project, at which point a payment of £2.5m is due. Currently, this is expected to happen in early 2021, but is dependent on market conditions and other external factors.

The second trigger event is the delivery of first gas from the Pegasus project, currently estimated to be in 2024, at which point a further £2.5m would be payable.

Quantitative information regarding contingent consideration is detailed in note 27.

Valuation of embedded derivatives within financial liability & standalone derivatives

In determining the value of both the embedded derivatives and standalone derivatives, the Group makes assumptions about future events and market conditions. The fair value is determined using a valuation model which is dependent on further estimates.

Such assumptions are based on publicly available information and are detailed further in note 20. Different assumptions about these factors to those made by the company could materially affect the reported value of the embedded derivative liability.

As the financial liability is computed as the residual amount after deduction of the embedded derivative valuation, any material difference in the value of the embedded derivative liability on initial recognition would materially reduce (or increase) the loan financial liability thus increasing (or decreasing) the effective interest rate applicable (see note 20).

Judgments

Exploration and Evaluation Costs and Production assets

The Group's accounting policy leads to the development of tangible and intangible fixed assets, where it is considered likely that the amount will be recoverable by future exploitation or sale.

This requires management to make assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the Income Statement.

2. Segmental Reporting

Operating segments

The Group has only one operating segment: the exploration and future development of hydrocarbon projects, principally in the UK, the Netherlands, and the Philippines. A split of the geographical segments is as follows:

	UK	The Netherlands	Philippines	Other	Total
2019	**£**	**£**	**£**	**£**	**£**
Revenue	-	22,486,767	-	-	22,486,767
Operating (loss) / profit	(21,141,700)	1,929,337	(101,385)	-	(19,313,748)
Finance income	16,338	9,141,399	-	-	9,157,737
Finance costs	(25,661)	(3,097,285)	-	-	(3,122,946)
Share of loss of joint ventures	-	-	-	(5,474)	(5,474)
Loss / profit before taxation	(21,151,023)	7,973,451	(101,385)	(5,474)	(13,284,431)
Taxation	-	(1,017,304)	-	-	(1,017,304)
Loss for the year	(21,151,023)	6,956,147	(101,385)	(5,474)	(14,301,735)
Total assets	16,133,575	77,165,688	18,910	3,439	93,321,612
Total liabilities	(17,676,850)	(86,300,181)	(100,309)	(107,245)	(104,184,585)
Net (liabilities)	(1,543,275)	(9,134,493)	(81,399)	(103,806)	(10,862,973)
Investment in joint ventures	-	-	-	5,474	5,474
Depreciation	-	7,524,109	-	-	7,524,109

	UK	The Netherlands	Philippines	Other	Total
2018	**£**	**£**	**£**	**£**	**£**
Revenue	-	31,107,390	-	-	31,107,390
Operating (loss) / profit	(465,484)	6,942,236	(10,262)	(687)	6,465,803
Finance income	72	-	-	-	72
Finance costs	-	(5,711,355)	-	-	(5,711,355)
Share of loss of joint ventures	-	-	-	(1,542)	(1,542)
(Loss) / profit before taxation	(465,412)	1,230,881	(10,262)	(2,229)	752,978
Taxation	-	(1,315,857)	-	-	(1,315,857)
Loss for the year	(465,412)	(84,976)	(10,262)	(2,229)	(562,879)
Total assets	13,907,020	97,860,353	3,142	3,649	111,774,164
Total liabilities	(8,862,973)	(99,118,507)	(16,186)	(113,779)	(108,111,445)
Net assets/ (liabilities)	5,044,047	(1,258,154)	(13,044)	(110,130)	3,662,719
Investment in joint ventures	-	-	-	1,542	1,542
Depreciation	-	7,227,804	-	-	7,227,804

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

3. Operating (loss) / profit

	2019 £	2018 £
Operating (loss) / profit is stated after charging/(crediting):		
Fees payable to the Company's auditors for the audit of the annual financial statements	67,000	53,000
Fees payable to the Company's auditors and its associates for other services to the Group:		
Tax compliance services	5,000	5,000
Audit of subsidiary financial statements	58,217	29,233
Depreciation	7,524,109	7,227,804
Impairment of intangible assets	20,671,124	-
Share of losses in Joint Venture investments	5,474	1,542
Foreign Exchange (gain) / loss	(576,654)	38,151

4. Directors and Employees

The aggregate payroll costs of the employees, including both management and executive Directors, were as follows:

	2019 £	2018 £
Staff costs		
Wages and salaries	515,857	347,012
Social security costs	32,810	9,950
Pension costs	-	-
	548,667	356,962

Average monthly number of persons employed by the Group during the year was:

	2019 Number	2018 Number
Management	3	2
Administrative	2	1
Technical	1	-
	6	3

	2019	2018
	£	£
Compensation of key management was as follows:		
Short term benefits	430,078	382,391
Post-employment benefits (pension costs)	-	-
	430,078	382,391
Social security costs	-	-
	430,078	382,391

Key management consists of all the Directors and Mr J Henry. Details of each Director's remuneration and their shareholdings are included in the Report of the Directors.

Highest paid Director

	2019	2018
	£	£
Remuneration	224,733	227,167
Pension contributions	-	-
Aggregate emoluments and benefits	224,733	227,167

5. Finance income & costs

Finance income

	2019	2018
	£	£
Bank interest	30	72
Fair value adjustment to contingent consideration provision	16,308	-
Fair value gain on derivative financial instruments	9,141,399	-
	9,157,737	72

Fair value gains on derivative financial instruments have arisen in the year on the Engie loan embedded derivatives and hedge derivatives (note 20) due to the movements in gas prices during the year.

Finance costs

	2019 £	2018 £
Accretion of decommissioning provision	2,411,100	2,047,748
Fair value adjustment to contingent consideration provision	-	1,143,763
Fair value losses on derivative financial instruments	-	1,690,847
Lease interest (note 19)	10,402	-
Other interest	9,352	-
Loan interest	692,092	828,997
	3,122,946	5,711,355

6. Taxation

Reconciliation of the effective tax charge

	2019 £	2018 £
(Loss)/profit before taxation	(13,284,431)	752,978
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK 19.0% (2018: 19.0%)	(2,524,042)	143,066
Tax effects of:		
Expenses not deductible for tax purposes	67,338	786,427
Permanent fixed asset differences	887,362	882,371
Tax rate adjustment in respect of prior periods	-	(645,167)
Impairment of joint venture investments not deductible for tax purposes	-	293
Deferred tax losses not recognised within the year	2,342,493	88,252
Prior year adjustment	-	(255,191)
Tax rate differential on Dutch tax profits (25.0% -19.0%)	244,153	315,806
Total Tax expense	1,017,304	1,315,857

The amount of unused Group tax losses is as follows:

	2019 £	2018 £
Unutilised UK trading losses	68,799,574	48,179,391
Unutilised Netherlands state profit share losses	38,687,900	25,932,528

A deferred tax asset in respect of trading losses from the UK and state profit share losses from the Netherlands has not been recognised due to the uncertainty over timing of future profits. These un-provided deferred tax assets are recoverable against suitable future trading profits.

Deferred tax

Analysis of recognised deferred tax balances:

	2019	**2018**
	£	**£**
Opening balance	(245,932)	222,906
- Origination and reversal of temporary differences (charged) to the income statement	(1,093,613)	(468,838)
Deferred tax (liability)– closing balance at 31 December	(1,339,544)	(245,932)
Deferred tax is provided as follows:		
Accelerated capital allowances – asset	1,180,639	2,012,812
Decommissioning provisions – liability	(2,520,183)	(2,258,744)
	(1,339,544)	(245,932)

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Given the Group's reported loss for the year share options are not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted loss per share are the same.

Basic and diluted loss per share

	2019	**2018**
Loss per share from continuing operations (pence)	(47.85)	(2.33)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2019 £	2018 £
Loss used in the calculation of total basic and diluted loss per share	(14,301,735)	(562,616)

Number of shares	2019	2018
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	29,886,837	24,196,636

8. Business combinations

2018 business combination:

On 28 December 2018, the Group completed the acquisition of a 100% interest in Halo Offshore UK Limited.

Subsidiary acquired:

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Fair value of consideration transferred £
Halo Offshore UK Limited (formerly Third Energy Offshore Limited)	Oil & gas exploration	28 December 2018	100%	6,823,411

Fair value of consideration transferred

	£
Equity shares issued	5,000,000
Deferred consideration	1,767,073
Deferred consideration included in payables	56,338
Total	6,823,411

Acquisition costs of £228,146 were expensed to the income statement in relation to the acquisition.

Recognised amounts of identifiable net assets:

2018	**Acquisition of Halo Offshore UK Limited £**
Non-current assets	
Intangible assets	13,346,279
Current assets	
Inventories	181,823
Trade and other receivables	337,125
Cash	416
Current liabilities	
Trade and other payables	(484,614)
Working capital creditor	(1,836,580)
Non-current liabilities	
Contingent consideration	(4,721,038)
	6,823,411

	Acquisition of Halo Offshore UK Limited £
Net cash inflow on acquisition of subsidiary	
Consideration paid in cash	-
Less: cash and cash equivalent balances acquired	(416)
Net cash inflow	(416)

9. Subsidiaries

Details of the Group’s subsidiaries in 2019 are as follows:

Company	Principal activities	Class	Percentage holding
Maghreb Exploration Limited (1)	Oil and gas exploration	Ordinary	49%
Maghreb Offshore Limited (1)	Oil and gas exploration	Ordinary	49%
Wessex Hydrocarbons Limited (1)	Oil and gas exploration	Ordinary	100%
HALO SC54A B.V. (2)	Oil and gas exploration	Ordinary	100%
Vermeer Exploration B.V. (2)	Oil and gas exploration	Ordinary	49%
Hague and London Oil B.V. (2)	Holding company	Ordinary	100%
HALO Netherlands B.V. (2)	Holding company	Ordinary	100%
HALO Exploration & Production B.V. (2)	Holding company	Ordinary	100%
HALO Exploration & Production Netherlands B.V. (2)	Oil and gas exploration, development and production	Ordinary	100%
Halo Offshore UK Limited (3)	Oil and gas exploration, development and production	Ordinary	100%

(1) Registered office: 6 Charlotte Street, Bath BA1 2NE, UK

(2) Registered office: Nieuwe Uitleg 24, 2514 BR, The Hague, The Netherlands

(3) Registered office: 13 Queen's Road, Aberdeen, AB15 4YL

10. Investment in Jointly Controlled Operations

The Group has entered into the following unincorporated Jointly Controlled Operations, which are included within the Group’s financial statements:

Name of project	Principal activities	Group interest
JDA – Netherlands	Oil and gas development and production	9.95%
K12-B9 – Netherlands	Oil and gas production	6.81%
K12-B – Netherlands	Oil and gas production	3.81%
K18 Golf – Netherlands	Oil and gas production	2.19%
E18a - Netherlands	Oil and gas production	18.36%
F16e – Netherlands	Oil and gas production	4.15%
E10, 11, 14, 15 – Netherlands	Oil and gas exploration	30.00%
P1724/1727 – Pegasus (UK)	Oil and gas development	45.00%
P2128 – Andromeda (UK)	Oil and gas exploration	45.00%
SADR Blocks (1)	Oil and gas development	50.00%
SADR Laguera Block	Oil and gas development	100.00%
SC54A - Philippines	Oil and gas development	15.00%

(1) SADR Blocks: Bojador, Guelta, Imlili, Daora, Haouza, Mahbes, Mijek.

At the balance sheet date there were no contingent liabilities or contingent assets in respect of any of the Jointly Controlled Operations other than those disclosed in these financial statements in notes 26 and 27.

At the balance sheet date there were capital commitments of £0.49m relating to JDA capital projects (2018: £2.5m) and £5.0m relating to Pegasus capital projects (2018: £14.2m for Pegasus and Andromeda). These amounts are contained within approved joint venture work programmes for 2020. Due to the impact of Covid-19, work programmes are being reviewed and some reductions are anticipated.

11. Investments in Joint Ventures

The Company has an investment in the following joint venture:

	Country of incorporation	Principal activity	Interest	Accounting reference date
Northpet Investments Limited	England & Wales	Investment in oil and gas exploration, development and production opportunities	44.11%	31 December

Northpet Investments Limited, registered office Chester House, 1-3 Brixton Road, London SW9 6DE, is a joint venture between Hague and London Oil PLC and NP Offshore Holdings (UK) Limited. It administers the interests held by each of the two partners in the Guyane Maritime Permit.

Hague and London Oil PLC owns a 44.11% interest in the issued share capital of Northpet Investments Limited: NP Offshore Holdings (UK) Limited owns a 55.89% interest.

The Group's investment in Joint Ventures at the balance sheet date has £nil value.

The following amounts are included in the Group financial statements within investments as a result of the consolidation of Northpet Investments Limited:

	2019 £	2018 £
Expenses	(5,474)	(1,542)

The Joint Venture had no capital commitments in respect of the Guyane project as at 31 December 2019 (2018: £nil).

There were no contingent liabilities at 31 December 2019 (2018: £nil).

12. Intangible Assets

Exploration costs	Andromeda	Pegasus	Netherlands offshore	Total
	£	£	£	£
Cost				
At 1 January 2018	-	-	4,712	4,712
On acquisition of subsidiary	809,268	12,537,011	-	13,346,279
Additions	-	-	139,829	139,829
At 31 December 2018	809,268	12,537,011	144,541	13,490,820
Additions	14,272,934	4,160,009	116,053	18,548,996
Foreign exchange movement	-	-	(11,947)	(11,947)
At 31 December 2019	15,082,202	16,697,020	248,647	32,027,869
Amortisation and impairment				
At 1 January 2018	-	-	-	-
Impairment	-	-	-	-
At 31 December 2018	-	-	-	-
Impairment	15,082,202	5,588,923	-	20,671,125
At 31 December 2019	15,082,202	5,588,923	-	20,671,125
Net book value				
At 31 December 2019	-	11,108,097	248,647	11,356,744
At 31 December 2018	809,268	12,537,011	144,541	13,490,820
At 31 December 2017	-	-	4,712	4,712

Management reviews each exploration project for indications of impairment at each balance sheet date. Such indications would include abandoned wells, relinquishment of acreage under licence and a deterioration in market conditions.

The Andromeda North well was drilled in late 2019. Although the well encountered better reservoir quality than expected, and the volumes were within the predicted range, they were at the lower end of expectations, and the decision was taken to plug and abandon the well. After independent assessments of the carrying value of the intangible assets held in respect of the Andromeda and Pegasus licences, it was determined that an impairment of £20.7m was required; resulting in a carrying value for the Pegasus project of £11.1m remaining.

13. Property, Plant and Equipment

	Production assets £	Office lease right of use asset £	Plant and equipment £	Total £
Cost				
At 1 January 2018	82,827,522	-	36,173	82,863,695
Additions	7,557,694	-	22,631	7,580,325
Exchange rate differences on translation	847,664	-	-	847,664
At 31 December 2018	91,232,880	-	58,804	91,291,684
Recognised on transition to IFRS 16	-	10,769	-	10,769
Disposal	-	(10,769)	-	(10,769)
Additions	253,161	115,874	17,041	386,076
Adjustment to decommissioning cost	(982,043)	-	-	(982,043)
Exchange rate differences on translation	(5,186,174)	-	(9,407)	(5,195,581)
At 31 December 2019	85,317,824	115,874	66,438	85,500,136
Accumulated depreciation				
At 1 January 2018	918,268	-	27,967	946,235
Charge	7,219,732	-	8,072	7,227,804
Exchange rate differences on translation	33,003	-	121	33,124
At 31 December 2018	8,171,003	-	36,160	8,207,163
Charge	7,479,262	35,122	9,725	7,524,109
Exchange rate differences on translation	(638,352)	(3,422)	(11,580)	(653,354)
At 31 December 2019	15,011,913	31,700	34,305	15,077,918
Net book value				
At 31 December 2019	70,305,911	84,174	32,133	70,422,218
At 31 December 2018	83,061,877	-	22,644	83,084,521
At 31 December 2017	81,909,254	-	8,206	81,917,460

The Group has assessed the property, plant and equipment assets for impairment indicators as at 31 December 2019 and has not identified any indicators of impairment as set out in IAS36 Impairment of assets.

14. Inventories

	2019	2018
	£	£
Condensate inventory	19,193	115,387
Materials inventory	671,365	369,841
	690,558	485,228

15. Trade and Other Receivables

	2019	2018
	£	£
Trade receivables	1,097,491	337,965
Other receivables	1,343,025	2,911,234
Prepayments	2,923	120,270
	2,443,439	3,369,469

The Directors consider that the carrying values of trade and other receivables are approximate to their fair values.

No expected credit losses exist in relation to the Group's receivables as at 31 December 2019 (2018: £nil).

16. Cash and Cash Equivalents

	2019	2018
	£	£
Cash at bank (GBP)	36,961	38,094
Cash at bank (USD)	2,801	495
Cash at bank (EUR)	3,702,832	11,305,537
	3,742,594	11,344,126

17. a) Share Capital

Allotted, issued and fully paid ordinary shares	2019 Number	2019 £	2018 Number	2018 £
At 1 January	29,886,837	1,195,473	24,133,587	965,343
Issued	-	-	5,753,250	230,130
At 31 December	29,886,837	1,195,473	29,886,837	1,195,473

On 28 December 2018, 5,753,250 shares were issued at a value of £5,000,000 for the acquisition of Halo Offshore UK Limited (formerly Third Energy Offshore Limited). £4,769,870 premium arising on the issue of shares has been recognised in the merger reserve accordingly.

17. b) Share-Based Payments – Options and Warrants

The Company has a share option scheme for all Directors and senior management. The vesting period is one, two and three years – one third of the options vesting in each period. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

Details of the number of share options and warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

December 2019	Number of Options	WAEP £
Outstanding at the beginning of the year	887,500	2.80
Outstanding at the year end	887,500	2.80
Number exercisable at 31 December 2019	887,500	2.80

December 2018	Number of Options	WAEP £
Outstanding at the beginning of the year	887,500	2.80
Outstanding at the year end	887,500	2.80
Number exercisable at 31 December 2018	887,500	2.80

The fair values were calculated using the Black-Scholes model. The inputs into the model are as follows:

Date of grant	**21 December 2010**	**1 December 2011**	**20 July 2012**	**4 February 2013**
Number granted	462,500	375,000	250,000	50,000
Share price at date of grant	£1.60	£2.26	£2.70	£1.61
Exercise price	£2.00	£2.40	£4.00	£2.80
Expected volatility	60%	80%	89%	65%
Expected life	5.5, 6 and 6.5 years	5.5, 6 and 6.5 years	5.5, 6 and 6.5 years	5.5, 6 and 6.5 years
Risk free rate	2.4%	1.1879%	0.6749%	1.0476%
Expected dividend yield	0%	0%	0%	0%
Fair value of options granted at date of grant	£315,514	£571,229	£452,239	£38,571
Earliest vesting date	21 December 2011	1 December 2012	20 July 2013	4 February 2014
Expiry date	21 December 2020	1 December 2021	20 July 2022	4 February 2023

For all options granted, these vest 33.3% after 1 year, 33.3% after 2 years and 33.3% after 3 years.

The above numbers represent the total original options granted.

Expected volatility was determined based on the historic volatility of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £nil (2018: £nil) related to equity-settled share-based payment transactions during the year.

18. Trade and Other Payables

	2019	**2018**
	£	**£**
Current		
Trade payables	1,087,301	2,071,470
Accruals	744,755	148,522
Other payables	6,507,130	2,319,870
Deferred consideration	1,665,611	1,767,073
	10,004,797	6,306,935

The increases in accruals and other payables predominantly relates to the Andromeda drilling project.

Deferred consideration comprises £1,665,611 (2018: £1,767,073) in relation to the acquisition of Halo Offshore UK Limited. The movement relates to the assessment of fair value at the year end.

19. Leases

Right of use assets
The Group use leasing arrangements relating to property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments.

	2019
	£
Interest expense on lease liabilities	10,065
Total cash outflow for leases	(36,039)
Additions to right-of-use assets	126,643
Disposal of right-of-use assets	(10,769)
Depreciation charge – right of use assets	(35,122)
Exchange rate differences on translation	3,422
Carrying amount at the end of the year:	
- Right of use assets	84,174

Lease liabilities

	2019
	£
Current	33,445
Non-current	53,630
	87,075

Comparative disclosure

Operating leases

Total future minimum lease payments under non-cancellable operating leases in respect of the Company's office in the Netherlands are set out below:

	2018
	£
Operating leases which expire:	
Within one year	48,254
Between two and five years	111,097
	159,351

Under the terms of the lease agreements, no contingent rents are payable.

20. Borrowings and derivatives

	2019 £	2018 £
Secured – at amortised cost		
- Other loans	10,787,592	4,866,164
Current	3,734,300	4,866,164
Non-current	7,053,292	-
	10,787,592	4,866,164
Separated embedded derivative		
- Engie loan derivative asset (non-current)	72,796	-
- Engie loan derivative asset (current)	4,593,263	-
- Engie loan derivative liability (non-current)	(206,099)	-
- Engie loan derivative liability (current)	-	(2,743,244)
- Engie loan derivative net asset / (liability)	4,459,960	(2,743,244)
Other derivative financial instruments		
- Engie hedge derivative liability (current)	-	(441,616)

Summary of borrowing arrangements:

Engie Facility & derivatives:

On 10 November 2017, the Group entered into a structured finance and off-take arrangement with Engie Energy Management SCRL for €6 million to part-finance the acquisition of Tullow's interests in a suite of offshore exploration and production licences on the Dutch Continental Shelf, and provide working capital to the business.

On 3 October 2019 and on 27 December 2019, the Group entered into further arrangements for €10,000,000 and €4,180,000 respectively.

The funds will be repaid through the provision of a fixed quantity of gas priced at a discount to prevailing market rates at the date of issue of the loan. The first €6 million has been repaid in full during 2019.

Due to the fixed price structure, the arrangement includes an embedded derivative (a forward contract). For financial reporting purposes, this must be separately accounted for at fair value at each balance sheet date.

On 18 July 2018, the Group entered into an amendment agreement pursuant to which the Company is required to provide an additional fixed quantity of gas at a fixed price to Engie (the "Hedge"). The Hedge is also a derivative, which must be separately accounted for at fair value at each balance sheet date. This Hedge has expired as at 31 December 2019. Gains on the derivative have been recognised in finance income, in the income statements.

A further Hedge was entered into on 3 October 2019 alongside the loan issued on that date.

The valuations of the host debt and derivative on initial recognition and valuation of the remaining embedded derivative as at 31 December 2019 were undertaken using data provided by independent third parties.

The values of the input parameters for the valuation of the derivatives were as follows:

	At 31 December 2019			
	Forward contract embedded derivatives			
Principal amount of loan	€3.7m	€6.3m	€1.7m	€2.5m
Fixed commodity price (EUR/MWh)	16.92	15.62	13.845	14.895
Agreed quantity to provide in 2020 (hrs.)	25 MWh/h	-	14 MWh/h	-
Agreed quantity to provide in 2021 (hrs.)	-	46 MWh/h	-	19 MWh/h
Date of commencement of first delivery	1 January 2020	1 January 2021	1 January 2020	1 January 2021

	Hedge derivatives	
Principal amount	-	-
Fixed commodity price (EUR/MWh)	17.80	17.625
Agreed quantity to provide in 2020 (hrs.)	100 MWh/h	-
Agreed quantity to provide in 2021 (hrs.)	-	34 MWh/h
Date of commencement of first delivery	1 January 2020	1 January 2021

	At 31 December 2018	
	Forward contract embedded derivative	Hedge derivative
Principal amount	€6m	
Fixed commodity price (EUR/MWh)	13.978	20.15
Agreed quantity to provide in 2019 (hrs.)	49 MWh/h	60 MWh/h
Date of commencement of first delivery	1 January 2019	1 January 2019

The fair value of the contracts has been estimated using a valuation technique that maximises the use of observable market inputs. These are classified as Level 2 in the fair value hierarchy (see note 21).

Reconciliation of liabilities arising from financing activities

2019

	At 31 December 2018 £	Cash flows £	Non-cash changes: Interest accrued £	Repaid in gas £	Fair value movements £	FX movements £	At 31 December 2019 £
Engie Loan	4,866,164	10,949,728	692,092	(5,242,003)	-	(478,389)	10,787,592
Embedded derivative	2,743,244	1,453,952	-	-	(8,711,630)	54,474	(4,459,960)
Derivative	441,616	-	-	-	(429,769)	(11,847)	-
	8,051,024	12,403,680	692,092	(5,242,003)	(9,141,399)	(435,762)	6,327,632

2018

	At 31 December 2017 £	Cash flows £	Non-cash changes: Interest accrued £	Fair value movements £	FX movements £	At 31 December 2018 £
Engie Loan	3,984,959	-	828,997	-	52,208	4,866,164
Embedded derivative	1,456,267	-	-	1,255,092	31,885	2,743,244
Derivative	-	-	-	435,755	5,861	441,616
	5,441,226	-	828,997	1,690,847	89,954	8,051,024

Fair value movements are recognised in finance income (see note 5).

21. Financial Instruments

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The only financial instruments measured at fair value in the balance sheet are the embedded derivatives which are classified as Level 3 and contingent consideration which are classified as Level 2 according to the above definitions. There were no transfers in or out of Level 3 or Level 2 in the year.

There are no financial instruments classified at Level 1 in the years presented.

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets

At 31 December 2019	Measured at fair value £	Measured at amortised cost £	Total carrying value £
Trade receivables (note 15)	-	1,097,491	1,097,491
Other receivables (note 15)	-	1,343,026	1,343,026
Derivative financial instruments (note 20)	4,666,058	-	4,666,058
Cash and cash equivalents (note 16)	-	3,742,594	3,742,594
	4,666,058	6,183,111	10,849,169

At 31 December 2018	Measured at fair value £	Measured at amortised cost £	Total carrying value £
Trade receivables (note 15)	-	337,965	337,965
Other receivables (note 15)	-	2,911,234	2,911,234
Cash and cash equivalents (note 16)	-	11,344,126	11,344,126
	14,593,325	14,593,325	14,593,325

The carrying values for all the above financial assets measured at amortised cost are approximate to their fair values, as at 31 December 2019 and 31 December 2018, given their nature and short times to maturity.

Financial liabilities

At 31 December 2019	Measured at fair value £	Measured at amortised cost £	Total carrying value £
Trade payables (note 18)	-	1,087,301	1,087,301
Accruals (note 18)	-	744,755	744,755
Other payables (note 18)	-	6,507,130	6,507,130
Engie Loans (note 20)	-	10,787,592	10,787,592
Derivative financial instruments (note 20)	206,099	-	206,099
Contingent consideration (note 27)	11,677,504	-	11,677,504
Deferred consideration (note 18)	1,665,611	-	1,665,611
Lease liabilities (note 19)	-	87,075	87,075
	13,549,214	19,213,853	32,763,067

At 31 December 2018	Measured at fair value £	Measured at amortised cost £	Total carrying value £
Trade payables	-	2,071,470	2,071,470
Accruals	-	148,522	148,522
Other payables	-	2,319,870	2,319,870
Engie Loan	-	4,866,164	4,866,164
Derivative financial instruments	3,184,860	-	3,184,860
Contingent consideration	16,380,706	-	16,380,706
Deferred consideration	1,767,073	-	1,767,073
	21,332,639	9,406,026	30,738,665

All the above financial liabilities' carrying values are approximate to their fair values, as at 31 December 2019 and 31 December 2018, given their nature and short times to maturity, with the exception of the derivatives, embedded derivatives and contingent consideration which are carried at their fair value.

22. Financial Instrument Risk Exposure and Management

The principal financial risks to which the Group is exposed are: pricing risk, foreign exchange risk, liquidity risk and credit risk. This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 15, 16, 18, 19 and 20.

There have been no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous year.

Liquidity risk
Liquidity risk is dealt with in note 23 of these financial statements.

Pricing risk
The Group is exposed to commodity price risk, specifically its gas revenues sold on the gas market in the Netherlands.

Where appropriate, the Group will put in place hedging arrangements to provide price protection. At 31 December 2019, the Group had hedged 878 GwH of gas, approximating to 64% of 2020 gas production, at a price of €17.80/MwH. A further 298 GwH of 2021 production (approx. 24%) has been hedged at a price of €17.63/MwH. The Board will continue to monitor hedging levels and act where appropriate to protect the Group from future price impacts.

Foreign exchange risk
The Group's principal exposure to foreign exchange risk is in relation to the Euro and Sterling exchange rates, due to financial assets and liabilities held by subsidiaries being denominated in Euro (their functional currency).

The Group is largely able to manage its exchange rate risk through the natural matching of payments and receipts denominated in the same currencies. Transactional risk is considered manageable as the proportion of Group procurement that is not sourced in local currency is very small. Therefore, the Board do not consider the foreign exchange risk to have had a material impact on the Group's results.

Financial assets and liabilities held by the Group are denominated in the following currencies (all amounts shown are in GBP):

At 31 December 2019

	GBP	**EUR**	**USD**	**Total**
Trade receivables	-	1,097,491	-	1,097,491
Other receivables	12,147	1,330,879	-	1,343,026
Derivative financial instruments	-	4,666,058	-	4,666,058
Cash and cash equivalents	36,961	3,702,832	2,801	3,742,594
Trade payables	(438,187)	(649,114)	-	(1,087,301)
Accruals	(402,265)	(297,417)	(45,073)	(744,755)
Other payables	(5,962,481)	(544,649)	-	(6,507,130)
Engie Loans	-	(10,787,592)	-	(10,787,592)
Derivative financial instruments	-	(206,099)	-	(206,099)
Contingent consideration	(4,704,730)	(6,972,774)	-	(11,677,504)
Lease liabilities	-	(87,075)	-	(87,075)
Deferred consideration	-	(1,665,611)	-	(1,665,611)
	(11,458,555)	(10,413,071)	(42,272)	(21,913,898)

At 31 December 2018

	GBP	EUR	USD	Total
Trade receivables	-	337,965	-	337,965
Other receivables	3,439	2,907,794	-	2,911,233
Cash and cash equivalents	38,094	11,305,537	495	11,344,126
Trade payables	(538,220)	(1,533,250)	-	(2,071,470)
Accruals	(61)	(148,461)	-	(148,522)
Other payables	(1,836,580)	(483,290)	-	(2,319,870)
Engie Loans	-	(4,866,164)	-	(4,866,164)
Derivative financial instruments	-	(3,184,860)	-	(3,184,860)
Contingent consideration	(4,721,038)	(11,659,668)	-	(16,380,706)
Deferred consideration	-	(1,767,073)	-	(1,767,073)
	(7,054,366)	(9,091,470)	495	(16,145,341)

All EUR denominated financial instruments are held by subsidiaries with a functional currency of EUR with the exception of the deferred consideration which is held in the parent company.

Credit risk

The Group's credit risk is primarily attributable to its cash balances and receivables.

The credit risk on liquid funds is limited because the third parties are large international banks.

The Group's total credit risk amounts to the total of the sum of the receivables, cash and cash equivalents. At the year end, this amounts to £6,183,110 (2018: £14,593,325).

Interest rate risk and sensitivity analysis

The Group's exposure to interest rate risk relates to the effective interest recognition on the Engie loan as a result of the separate recognition of a forward contract embedded derivative and the interest received on the cash held on deposit.

The Group does not have any interest-bearing borrowings as the Engie loan is not subject to an interest charge, with repayment being via the provision of a fixed quantity of gas priced at a discount to prevailing market rates at the date of issue of the loan. As such there is considered to be no interest rate risk associated with the Engie loan.

23. Liquidity Risk

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2019 and 31 December 2018 on the basis of their earliest possible contractual maturity.

	Total £	Within 2 months £	Within 2 -6 months £	6 – 12 months £	Greater than 12 months £
At 31 December 2019					
Trade payables	1,087,301	1,087,301	-	-	-
Accruals	744,755	744,755	-	-	-
Other payables	6,507,129	-	6,507,129	-	-
Contingent consideration	11,677,504	4,231,013	-	-	7,446,491
Deferred consideration	1,665,611	-	-	1,665,611	-
Lease liabilities	100,840	7,757	15,514	23,271	54,298
	21,783,140	6,070,826	6,522,643	1,688,882	7,500,789

	Total £	Within 2 months £	Within 2 -6 months £	6 – 12 months £	Greater than 12 months £
At 31 December 2018					
Trade payables	2,071,470	2,071,470	-	-	-
Accruals	148,698	148,698	-	-	-
Other payables	2,319,870	-	2,319,870	-	-
Contingent consideration	16,380,706	4,488,749	-	2,500,000	9,391,957
Deferred consideration	1,767,073	-	-	1,767,073	-
	22,687,815	6,708,915	2,319,870	4,267,073	9,391,957

The Engie Loan and Derivative balances are excluded from the liquidity table as these will be settled via an offset arrangement against future revenues rather than by cash payments.

24. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, add shareholder value and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves as disclosed in the consolidated balance sheet.

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary, by issuing new shares. The Group is not subject to any externally imposed capital requirements.

25. Financial Commitments

At 31 December 2019 the Group had no capital commitments other than those relating to investments in Jointly Controlled Operations set out in Note 10 (2018: £nil).

26. Related Party Transactions

In 2019 the Company acquired additional shares in its Joint Venture investment, Northpet Investments Limited, paying £5,474 into the Joint Venture.

The only other related party transactions during the year were with the Directors and key management (see note 4).

27. Provisions

	Decommissioning provision £	Contingent consideration provision £	Total £
As at 1 January 2018	68,470,830	10,393,433	78,864,263
Arising on business combination	-	4,721,038	4,721,038
Adjustment to provision estimates	3,780,201	1,143,763	4,923,964
Payments made	(295,815)	-	(295,815)
Accretion of provision	2,047,748	-	2,047,748
FX movement	729,050	122,472	851,522
At 31 December 2018	74,732,014	16,380,706	91,112,720
Adjustment to provision estimates	(4,897,802)	-	(4,897,802)
Payments made	(3,245,760)	(4,368,335)	(7,614,095)
Accretion of provision	2,111,475	283,317	2,394,792
FX movement	(752,869)	(618,186)	(1,371,055)
At 31 December 2019	67,947,058	11,677,502	79,624,560
Current	-	6,731,013	6,731,013
Non-Current	67,947,058	4,946,489	72,893,547
	67,947,058	11,677,502	79,624,560

Provision has been made for decommissioning costs on production assets. Assumptions, based on the current economic environment, have been made which the Directors believe are a reasonable basis upon which to estimate the future liability. This estimate will be reviewed regularly to take into account any material changes to assumptions. Actual costs will depend on a number of factors, including future market prices and any variation in the extent of decommissioning to be performed.

Decommissioning and reinstatement costs are currently expected to arise between 2020 and 2039.

Contingent consideration is made up of two components:

In respect of the Third Energy acquisition, £4,704,730 relating to two future payments to be made by Halo Offshore UK Limited in relation to its Pegasus interests of £2,500,000 each discounted at the reporting date. These payments are conditional on two trigger events:

1. the Final Investment Decision being made by Spirit Energy for the Pegasus development project; and
2. on delivery of first gas from the Pegasus project.

In respect of the Tullow acquisition in 2017, £6,972,772 relating to payments to be made, conditional on final decommissioning security arrangements, in 2020 and 2021, discounted at the reporting date.

28. Contingent Liabilities

A third payment of £4,000,000 is potentially payable in relation to the Pegasus licence held by Halo Offshore UK Limited, under the circumstances whereby new gas discoveries are made outside the current West Pegasus development area. However this has not been recognised as management believe the likelihood of the liability arising is considered to be remote.

The Directors are not aware of any other contingent liabilities that require disclosure within the Group at 31 December 2019.

29. Ultimate Controlling Party

As at 31 December 2019, Hague and London Oil PLC had no ultimate controlling party.

30. Events after the Balance Sheet Date

Since 31 December 2019 the rapidly evolving COVID-19 crisis has caused increasing restrictions of all forms of travel and many normal business and commercial activities globally. This has impacted markets generally with oil and gas commodity markets particularly disrupted.

The Group's priority has been to continue to ensure the health and safety of its employees and technical staff. Plans have been implemented and active measures have been taken to mitigate risk, such as limiting one-to-one contact and remote-working. The Group is also in frequent contact with its Joint Venture partners to assess any potential impact on operations. We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders.

To date, the exploration, development and production activities of the Group's assets have continued in line with plans and with minimal impact from COVID-19. However, the Group has reacted to the Covid-19 situation by implementing cost cutting measures and working with Joint Venture partners to review future spending plans within the current market conditions. Currently, the Board does not plan to make further changes but will continue to monitor the situation closely. With the added protection provided by the Group's price hedging programme in 2020-2021, further adjustments to carrying values are not currently envisaged.

Parent Company Balance Sheet
As at 31 December 2019

	Notes	2019	2018
		£	£
Non-current assets			
Investments	3	6,843,511	6,843,511
Current assets			
Receivables	4	52,759	3,729
Cash at bank		14,614	37,674
		67,373	41,403
Current liabilities			
Trade payables	5	(3,664,300)	(3,244,019)
Net current liabilities		(3,596,927)	(3,202,616)
Net assets		3,246,584	3,640,895
Capital and reserves attributable to equity owners of the Company			
Share capital	6	1,195,473	1,195,473
Share premium		16,800,122	16,800,122
Merger reserve		5,830,270	5,830,270
Share-based payment reserve		1,170,205	1,170,205
Accumulated deficit			
Opening accumulated deficit		(21,355,175)	(20,868,175)
Loss for the year		(394,311)	(487,000)
Total Accumulated deficit		(21,749,486)	(21,355,175)
Shareholders' funds		3,246,584	3,640,895

The financial statements were approved by the Board of Directors on 8 June 2020 and were signed on its behalf by:

Andrew Cochran
Director

Parent Company Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £	Share premium £	Merger reserve £	Accumulated deficit £	Share-based payment reserve £	Total £
Balance at 1 January 2019	1,195,473	16,800,122	5,830,270	(21,355,175)	1,170,205	3,640,895
For the financial year ended 31 December 2019						
Loss for the year	-	-	-	(394,311)	-	(394,311)
Total comprehensive loss	-	-	-	(394,311)	-	(394,311)
Balance at 31 December 2019	1,195,473	16,800,122	5,830,270	(21,749,486)	1,170,205	3,246,584
Balance at 1 January 2018	965,343	16,800,122	1,060,400	(20,868,175)	1,170,205	(872,105)
For the financial year ended 31 December 2018						
Loss for the year	-	-	-	(487,000)	-	(487,000)
Total comprehensive loss	-	-	-	(487,000)	-	(487,000)
Issue of shares (note 7)	230,130	-	4,769,870	-	-	5,000,000
Balance at 31 December 2018	1,195,473	16,800,122	5,830,270	(21,355,175)	1,170,205	3,640,895

Notes to the Parent Company Financial Statements
for the year ended 31 December 2019

1. Accounting Policies

Basis of Preparation

The annual financial statements of Hague and London Oil PLC have been prepared in accordance with United Kingdom accounting standards. The principal accounting policies set out below have been consistently applied to all years presented.

The financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). The Company is a qualifying entity for the purposes of FRS 101.

As permitted by FRS 101, no share-based payment disclosures have been included in these financial statements. Details of the share option scheme can be found in Note 19(b) of the Group financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets.
- IFRS 7, 'Financial instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 Statement of Cash Flows.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures.
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

As permitted by section 408 of Companies Act 2006, a separate Income Statement for the Company has not been included in these financial statements.

Going concern basis of preparation

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Chairman's Statement and Project Review.

At 31 December 2019 the Company had cash balances of £14,614 (2018: £37,674). The Parent Company is dependent on the Group and as indicated in Note 1 to the Consolidated financial statements, as at 31 December 2019, the Group was dependent on securing third party financial support in order to meet significant cash commitments falling due within the next twelve months and during the foreseeable future thereafter.

The negative impacts of Covid-19 on global demand and oil and gas prices may make it harder to secure additional financing than has been the case in the past. However, the Group is in advanced negotiations with ENGIE and other lender(s) to provide short-medium term financing to cover the anticipated shortfall in 2020 and 2021.

Whilst acknowledging the material uncertainties represented by the current environment, within the Covid-19 pandemic and historically low commodity price, which may cast potential doubt over the Company's ability to continue as a going concern, the Directors remain confident of raising the additional funding required. For this reason, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Cash at bank

Cash at bank comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 9, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of Financial Assets
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Classification and measurement of financial liabilities
The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Property Plant and Equipment
Depreciation is provided in order to write off the cost less any residual value of each asset over its estimated useful life.

The following annual rates are used on a reducing balance basis:
Plant and machinery 20%

Investments
Investments are included at cost less amounts provided for impairment.

Current Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign Currencies
The functional and presentational currency for the Company's financial statements is Sterling.

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the Income Statement.

Share-Based Payments

Where share options and warrants have been granted to Directors, employees and advisers, IFRS 2 has been applied, whereby the fair value of the options and warrants is measured at the grant date.

The fair value of options is spread over the period during which the employees become entitled to the options. The fair value of warrants is expensed immediately.

A valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options and warrants. The fair value of goods and services received are measured by reference to the fair value of options and warrants.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised 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 will ultimately vest.

The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2. Property plant and equipment

	Plant and machinery £
Cost	
At 31 December 2018 and 31 December 2019	11,529
Accumulated depreciation	
At 1 January 2019	11,529
Charge for the year	-
At 31 December 2019	11,529
Net book value	
At 31 December 2019	-
At 31 December 2018	-

3. Investments

The Company's investments at the balance sheet date comprise:

	Investments in Joint Ventures £	Investments in Subsidiaries £	Total £
Cost			
As at 1 January 2019	-	6,843,511	6,843,511
Additions	-	-	-
As at 31 December 2019	-	6,843,511	6,843,511

Indirect holdings in subsidiary undertakings are disclosed in note 9 to the consolidated financial statements.

Subsidiaries

The Company has investments in the following subsidiary undertakings:

	Country of incorporation	Principal activity	Interest
Wessex Hydrocarbons Limited (1)	England & Wales	Oil and gas development	100%
Hague and London Oil B.V. (2)	Netherlands	Oil and gas development	100%
Halo Offshore UK Limited (3)	England & Wales	Oil and gas development	100%

The registered offices are at:
(1) 6 Charlotte Street, Bath BA1 2NE, UK
(2) 24 Nieuwe Uitleg, 2514 BR, The Hague, The Netherlands.
(3) 13 Queen's Road, Aberdeen, AB15 4YL

Joint Venture Investments

The Company has an investment in the following joint venture undertaking

	Country of incorporation	Principal activity	Interest	Accounting reference date
Northpet Investments Limited	England and Wales	Investment in oil and gas exploration, development and production opportunities	44.11%	31 December

The registered office of Northpet Investments Limited is at Chester House, 1-3 Brixton Road, London SW9 6DE.

The Joint Venture had no capital commitments in respect of the Guyane project as at 31 December 2019 (2018: £nil).

4. Receivables

	2019 £	2018 £
Amounts due from subsidiaries	41,410	-
Other receivables	11,247	3,439
Prepayments	102	290
	52,759	3,729

The Directors consider that the carrying values of receivables are approximate to their fair values.

No expected credit losses exist in relation to the Company's receivables as at 31 December 2019 (2018: £nil).

5. Trade and other payables

	2019	2018
	£	£
Current payables		
Trade payables	15,004	16,836
Amounts due to subsidiary undertakings	1,907,194	1,423,338
Accruals	76,491	36,772
Deferred consideration	1,665,611	1,767,073
	3,664,300	3,244,019

Amounts due to subsidiary undertakings are covered by a loan agreement and include interest payable of £43,012. The loan amount and accrued interest is payable on demand.

Deferred consideration relates to the acquisition of Halo Offshore UK Limited (formerly Third Energy Offshore Limited).

6. Share Capital

Allotted, issued and fully paid ordinary shares	**2019 Number**	**2019 £**	2018 Number	2018 £
At 1 January	29,886,837	1,195,473	24,133,587	965,343
Issued on 31 December	-	-	5,753,250	230,130
At 31 December	29,886,837	1,195,473	29,886,837	1,195,473

Details of the share issue in the year are included in note 17 to the consolidated financial statements.

7. Related party Transactions

Details of related party transactions are contained in note 26 of the Group financial statements.

8. Events after the Balance Sheet Date

Since 31 December 2019 the rapidly evolving COVID-19 crisis has caused increasing restrictions of all forms of travel and many normal business and commercial activities globally. This has impacted markets generally with oil and gas commodity markets particularly disrupted.

The Company's priority has been to continue to ensure the health and safety of its employees and technical staff. Plans have been implemented and active measures have been taken to mitigate risk, such as limiting one-to-one contact and remote-working. We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders.

Currently, the Board does not plan to make further changes but will continue to monitor the situation closely. With the added protection provided by the Group's price hedging programme in 2020-2021, further adjustments to carrying values are not currently envisaged.