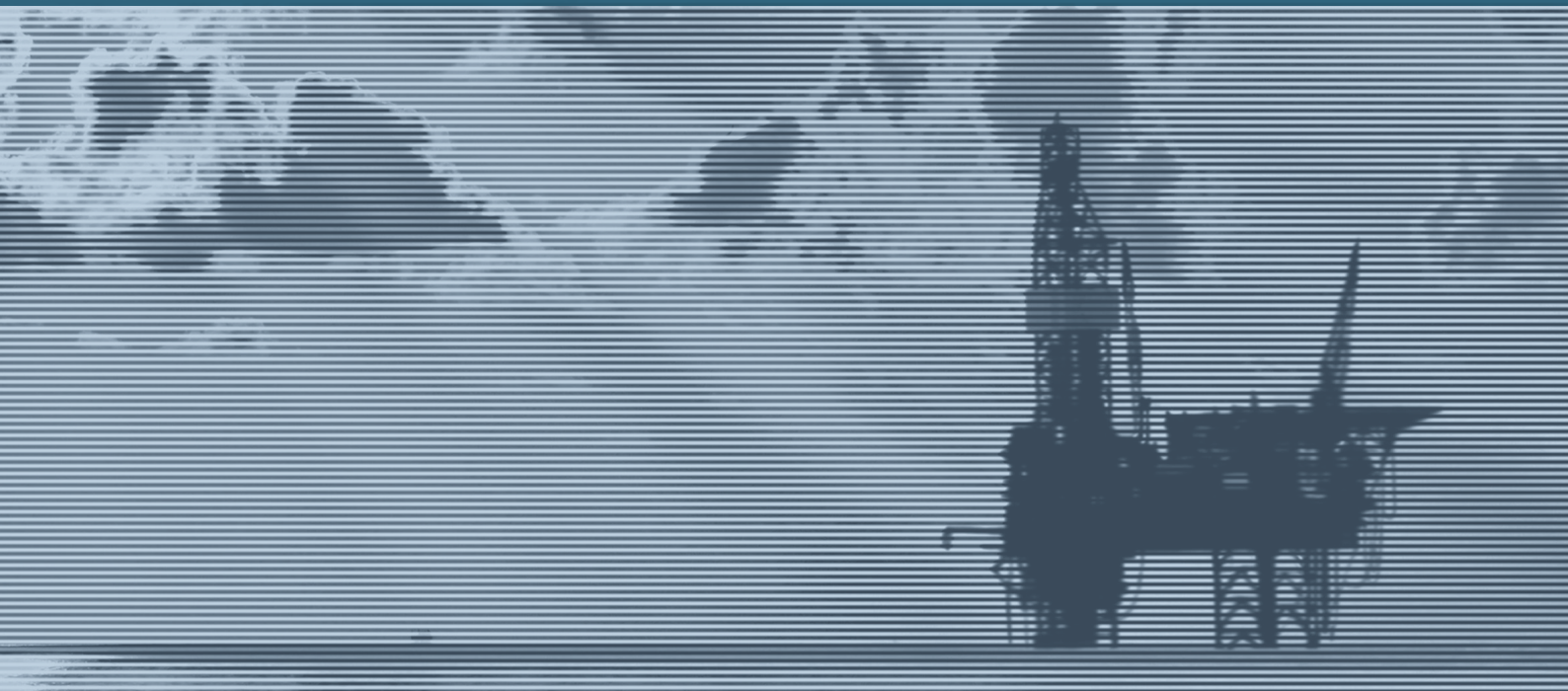


**Lansdowne**  
oil & gas plc

2019

ANNUAL REPORT AND FINANCIAL STATEMENTS



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# Chairman's Statement

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## Introduction

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2019 has proved another challenging year for the Company, however, the Board remains steadfast in its belief of the significant potential of Barryroe and is focused on unlocking its inherent value. The Board has been encouraged by the new Farm-Out campaign initiated in the fourth quarter of 2019 that has received a positive response from industry and we are now in detailed discussions with a potential counterparty that has been given a period of exclusivity in order to agree an appraisal work programme and develop commercial terms with the aim of concluding a binding Farm-Out agreement.

Despite being granted a number of extensions, APEC Energy Enterprise Limited ("APEC") failed to deliver funds to EXOLA (a wholly owned subsidiary of Providence Resources plc) as called for under the terms of the Farm-Out Agreement entered into in 2018 with respect to Standard Exploration Licence (SEL) 1/11, containing the Barryroe Field.

A final deadline was set for 30th September 2019, but funds did not arrive by that date, following which EXOLA advised APEC that it would commence with the licence reversion process of APEC's 50% working interest in SEL 1/11 to EXOLA and Lansdowne on a 40% and 10% basis, respectively.

The failure of APEC to deliver on the Barryroe Farm-Out Agreement was a bitter blow after such a long period of dialogue and planning.

The oil and gas industry in Ireland also faced regulatory and policy headwinds in 2019, culminating in the announcement in September that there would be no new licences granted for offshore oil exploration.

The Irish Department of Communications, Climate Action and Environment issued a Policy Statement in December 2019 that further clarified the position. This statement confirmed that all existing applications and authorisations in place before 23 September 2019 (such as SEL 1/11 containing Barryroe and the Helvick Lease Undertaking) can progress through the standard lifecycle stages for exploration, extraction and production of natural gas and/or oil.

## Financial Results

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With the delay and uncertainty regarding the Barryroe Farm-out, on 25 June 2019 the Company entered into a Loan Agreement for GBP 300,000 (the "Loan") with two major shareholders – Lampe Conway & Co LLC and Brandon Hill Capital Limited (collectively the "Major Shareholders").

Under the Agreement, split equally between the Major Shareholders, Lansdowne was able to draw down funds at its discretion in part or in full.

The Group recorded an after tax loss of £0.2 million for the year ended 31 December 2019 compared to a loss of £0.3 million for the year ended 31 December 2018.

Group operating expenses for the year were £0.1 million, compared to £0.2 million in 2018.

Net finance expense for the year was £57,000 (2018: £100,000).

Cash balances of £0.02 million (2018: £0.16 million) were held at the end of the financial year

Total equity attributable to the ordinary shareholders of the Group was £13.6 million as at 31 December 2019 (£13.7 million as at 31 December 2018).

## Post Balance Sheet Events

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In February 2020, Providence confirmed that the regulatory process to transfer equity back to Exola and Lansdowne was progressing and that upon conclusion the licence interests would revert back to Exola DAC 80% and Lansdowne Celtic Sea Limited 20%.

In February 2020, it was also confirmed that a number of parties were reviewing the Barryroe opportunity, under the new Farm-Out initiative.

Attention was also drawn to the fact that Barryroe contains substantial amounts of gas, along with the identified oil resources. One of the uncertainties that is required to be addressed through the appraisal drilling is the exact split of oil versus gas and whether Barryroe is a large oil field with a gas cap, or a large gas field surrounded by an oil rim.

In April 2020, Providence announced that a non-binding term sheet had been signed with SpotOn Energy Limited ("SpotOn"). SpotOn is a Norwegian company working with a consortium of world leading service providers to deliver cost effective offshore oil and gas developments.

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Providence announced that a period of exclusivity had been granted to SpotOn, through to 31 October 2020, during which the objective is to agree an appraisal work programme and commercial terms and conclude a binding farm-out agreement.

In February 2020, the Company announced that it had placed 83,333,333 new ordinary shares at a placing price of 0.6 pence a share to raise £500,000 before costs.

In addition, the loans entered into with Brandon Hill Capital Ltd. ("BHC") and LC Capital Targeted Opportunities Fund ("LCCTOF") in June 2019, which had been fully drawn down, were converted into new ordinary shares at the Placing Price. This resulted in the issuing of 25,934,246 new ordinary shares to each of BHC and LCCTOF.

In connection with the Placing and the conversion of the Shareholder Loans, the Company also granted a total of 139,368,491 warrants, on a one warrant per Placing or Loan Share basis, to subscribe for new ordinary shares in the Company at a price of 1.2 pence per share, with an expiry of 31 December 2020.

The placing shares and the majority of the loan conversion shares were issued under the existing shareholder authorities, with the remainder of the loan conversion shares and the warrants being formally approved by shareholders at a General Meeting of the Company held in March 2020.

The proceeds of the Placing are expected to be sufficient to fund the Company's share of costs on the Barryroe Licence and for on-going working capital requirements to the end of 2020.

## **Outlook**

In addition to the challenges the Company already faced, the onset of the Coronavirus pandemic has impacted the entire global economy, resulting in a dramatic reduction in oil and gas consumption and a collapse in their prices.

Despite all of this, we believe Barryroe remains an attractive opportunity, with substantial established oil and gas resources, in shallow water, close to existing infrastructure and with a low break-even price, estimated by the operator Providence to be c. \$26/bbl.

In time, the world will need to go back to work and oil and gas demand, and prices, will recover.

The environmental concerns regarding oil and gas will not go away, but the evaluation of Carbon Capture and Storage options to accompany Barryroe development offers a responsible way to take the project forward whilst minimizing the carbon footprint.

Ireland will require diverse, cost effective and secure energy supplies as it rebuilds its economy and Barryroe can play an important role in this.

One of our Non-Executive Directors, John Aldersey-Williams, has decided not to stand for re-election at the forthcoming Annual General Meeting. John joined the Lansdowne Board in 2012, when he was CEO of Sea Energy PLC, at that time a significant shareholder in Lansdowne. John has made a wide contribution to Lansdowne and we thank him for all his efforts and wish him well as he moves to focus his work in the zero-carbon energy sector. John will continue as a Director until the Annual General Meeting when he will stand down.

I would like to thank all our existing shareholders for their support and patience they have shown in 2019 and following the extraordinary events in 1H 2020. The Board believes Barryroe is a compelling appraisal asset with existing 2C resources of 69MMboe (plus additional exploration potential), the Company is trading at a valuation of around US\$0.011 per contingent resource barrel and, accordingly, we continue to believe there is the scope for a significant re-rating of the Company valuation upon announcement of a binding Farm-Out agreement and on future operational developments. Lansdowne is currently funded through to the end of 2020 and we look forward to updating shareholders on developments.

## **Lord Torrington**

*Chairman*

24 June 2020

## Oil and Gas Interests

The Group has interests in the following Licences, all of which are in Irish waters:

Licence	Interest	Operator
01/11 Barryroe Exploration Licence	20 per cent *	Exola
Helvick Lease Undertaking	9 per cent	Providence Resources Plc

\* The reassignment of 10 per cent from APEC is being finalised.

### Notes

#### Irish licensing regime

**Licensing option** Gives the holder an exclusive right to apply for an Exploration Licence:  
a. for a defined period  
b. in return for undertaking an agreed work programme.

**Exploration Licence** A "Standard" licence covers an agreed work programme in water less than 200 metres deep. The work programme usually includes an exploration well. The licence period is six years.

**Lease Undertaking** Gives the holder an exclusive right to apply for a Petroleum Lease:  
a. for a defined period  
b. in return for undertaking an agreed work programme.

# Strategic Report

For the year ended 31 December 2019

This Strategic Report has been prepared to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of Lansdowne Oil & Gas plc (“the Company”) and its subsidiaries (together “the Group”).

## Principal activities

The Group is an upstream oil and gas group, focused on exploration and appraisal opportunities for oil and gas reserves offshore Ireland. The Group has targeted the Irish offshore shelf areas for exploration, as these provide shallow water prospects (generally less than 100 metres), and relatively low drilling costs. These factors, combined with favourable fiscal terms, have the potential to deliver high value oil and gas reserves.

## Review of business

Details of the Group’s activities during the year and its position at the end of the year are given in the Chairman’s Statement.

The Group and Company Statements of Financial Position as at 31 December 2019 and 31 December 2018 are shown on pages 19 and 20, respectively. Group net assets at 31 December 2019 were £13.6 million (2018: £13.7 million). At 31 December 2019, the Group held £0.02 million (2018: £0.16 million) as cash or short-term deposits.

The Group had intangible assets totalling £15.5 million (2018: £15.3 million) at the reporting date. These assets relate to the Group’s exploration licences in the Celtic Sea and their associated work programmes.

During the year, the Group had one full-time Executive Director, with administration and technical support provided by Smith & Williamson under a service agreement. These costs, together with the costs associated with the Company’s listed status and general overheads, account for the administrative expenses of £0.12 million (2018: £0.19 million).

A loss after tax of £0.2 million (2018: £0.3 million) was recorded in the year and the basic and diluted loss per share for the year was 0.03p (2018: 0.05p).

## Key performance indicators

The Group is not yet producing oil and gas and so has no income. Consequently, the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise turn to account its exploration projects. The Board monitors the activities and performance of the Group on a regular basis and uses both financial and non-financial indicators to assess the Group’s performance.

## Principal risks and uncertainties

The Directors are responsible for the effectiveness of the Group’s risk management activities and internal control processes. As a participant in the upstream oil & gas industry, the Group is exposed to a wide range of risks in the conduct of its operations. These risks include:

### Financial risks

- Ability to raise finance to maintain licence participation
- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Third party counterparty credit risk
- Adverse foreign exchange movements
- Changes in government policy

### Operational risks

- Loss of key employees
- Delay and cost overrun on projects, including weather related delay
- HSE incidents
- Poor reservoir performance
- Exploration and appraisal well failures
- Failure of third party services

### Strategic and external risks

- Deterioration of capital markets, inhibiting efficient equity and/or debt raising for developments
- Commercial misalignment with co-venturers
- Material fall in oil or gas prices

### Market risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. These are discussed in note 10. In the normal course of business, the Group also faces certain other non-financial or non-

# Strategic Report

Continued

quantifiable risks. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro-based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the Shares traded on the AIM market of the London Stock Exchange.

The tables below sets forth, for the periods and dates indicated, the exchange rate for the Dollar against Sterling and for the Euro against Sterling.

Dollar/Sterling Exchange Rates (Dollar per Pound Sterling)					Euro/Sterling Exchange Rates (Euro per Pound Sterling)				
	At end of year	Average rate *	High	Low		At end of year	Average rate *	High	Low
2018	1.28	1.33	1.43	1.26	2018	1.12	1.13	1.16	1.10
<b>2019</b>	<b>1.32</b>	<b>1.28</b>	<b>1.34</b>	<b>1.20</b>	<b>2019</b>	<b>1.18</b>	<b>1.14</b>	<b>1.20</b>	<b>1.08</b>

\* The average rates are calculated based on the last business day of each full month during the relevant year. Details of how the Group manages interest rate and foreign currency exchange risks are set out in note 10.

There is no assurance that the Group's exploration and development activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. The Group seeks to manage these risks through portfolio management, balancing risk across the two current prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through the arrangements set out with counterparties.

The Group competes with other Exploration & Petroleum companies, some of whom have much greater financial resources than the Group, for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel.

The market price of hydrocarbon products is volatile and is not within the control of the Group. If significant declines occur in the price of oil or gas, or detrimental changes occur to the Irish fiscal regime, the economic commerciality of the Group's projects can be significantly reduced or rendered uneconomic. The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm downs or other means. The availability of such funding will continue to be influenced by macro-economic events, including oil and gas price fluctuations and the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining required financing going forward. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes, some interests may be relinquished and/or the scope of the operations reduced.

The risks set out are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of the risks, as well as other risks and uncertainties discussed in this document, could have a material adverse effect on our business.

**Stephen Boldy**

*Chief Executive Officer*

24 June 2020

# Directors' Report

For the year ended 31 December 2019

The Directors present their directors' report and audited financial statements for the year ended 31 December 2019.

## Directors

In accordance with the Company's Articles of Association, Directors retire and, being eligible, offer themselves for re-election. Stephen Boldy has a service contract with an unexpired notice period of one year. Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report included on pages 12 and 13.

## Details of executive director and company secretary

**Dr Stephen Boldy** (*Chief Executive Officer*), aged 64, joined Ramco Energy plc in March 2003, becoming CEO of Lansdowne in April 2006. From 1980 to 1984, Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included UK Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins west of Britain and earned his PhD in geology from Trinity College Dublin.

**Con Casey**, aged 59, was appointed Company Secretary in January 2013. Mr. Casey has an honours degree in Business Management from Trinity College and is a Fellow of the Association of Chartered Certified Accountants. He has over 30 years' experience in advising companies in the natural resources sector as well as acting as adviser to a number of publicly quoted companies and semi-state organisations. He specialises in the area of corporate finance and is a corporate finance director in Smith & Williamson.

## Details of non executive directors

**Lord Torrington** (*Non-Executive Chairman*)†\*, aged 76, graduated from Oxford University as a geologist in 1964. He served in technical and managerial roles with Anglo American plc and Lonrho plc. In 1975, he became Managing Director of the Attock Oil Company, later Anvil Petroleum plc. The latter was merged with Berkeley Exploration in 1986, and acquired by Ranger Oil the same year. In 1987, he became a Director of Flextech plc and chief executive of Exploration & Production Services (Holdings) Limited, better known as Expro, a major UK oilfield services contractor. From 1995 to 2000, he served as Managing Director of Heritage Oil & Gas Limited, later listed in Toronto as Heritage Oil Corporation. He has also served as a non-executive Director of other listed companies. Tim was appointed Chairman effective date 20 July 2016.

**John Aldersey-Williams** (*Non-Executive Director*)†\*, aged 57, has worked in the energy sector since 1984. He started his career as an oil company geologist before completing an MBA. He then spent some years in investment banking, with an energy focus, before returning to the oil industry in financial and commercial roles. From 1999 to 2001, he served as finance director to Texaco's North Sea Upstream Business Unit. From 2001 until 2008, he was a consultant active across the energy sector, before being appointed a Director and subsequently CEO of SeaEnergy PLC in 2012. He has been a director of Lansdowne Oil & Gas plc since 2012.

**Jeffrey Auld**\* (*Non-Executive Director*), aged 53, has more than 25 years of financial and commercial experience in upstream oil and gas development and production. He is currently the President and CEO of Serinus Energy plc, an AIM listed oil and gas company. His career has involved periods working for exploration and production companies – Premier Oil, PetroKazakhstan and Equator Exploration; as well as periods spent in financial institutions – Goldman Sachs, Canaccord Adams and Macquarie. He was appointed as a Non-Executive Director of Lansdowne Oil & Gas plc in September 2013.

\* A member of the Audit Committee

† A member of the Remuneration Committee



# Directors' Report

Continued

## Substantial shareholders

The Directors have been notified of the following interests in 3 per cent or more of the Company's issued share capital at 31 December 2019 and 31 March 2020:

	31 December 2019		31 March 2020	
	No. of shares	% of Capital	No. of shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	190,468,360	28.63%	216,402,606	27.03%
Brandon Hill Capital	93,493,593	14.05%	121,927,839	15.23%
Spreadex	-	-	55,233,333	6.90%
Hargreaves Stockbrokers	40,679,378	6.11%	44,895,239	5.61%
InterTrader	34,100,000	5.13%	41,766,667	5.22%
Interactive Investor (EO)	24,916,318	3.74%	25,154,806	3.14%
Mr & Mrs Mackay	20,500,000	3.08%	20,500,000	2.56%

The Directors are not aware of any other holding of 3% or more of the share capital of the Company.

## Dividends

The directors do not recommend the payment of a dividend (2018: £Nil).

## Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 7. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

## Post Balance Sheet Events and future developments

The Directors are not aware of any event or circumstance which has not been dealt with in note 19 to the financial statements.

## Future developments

The Group's future outlook is described in the Chairman's Statement on pages 2 and 3.

The Group's main prospect is in the exploration and appraisal stage and does not contain any proven reserves.

A number of companies have expressed an interest in farming into the Group's licences.

The Group aims to finance the work programme obligations related to the licences which it holds by either reducing its equity interest through new participants farming in, by the issue of new share capital, or by a combination of both.

The Directors have prepared the financial statements on the going concern basis which assumes that the Group and Company will continue in operational existence for at least twelve months from the date of the approval of these financial statements as discussed further in the Statement of Accounting Policies section (d) on page 25.

## Financial instruments

Risk exposures and financial risk management policies and objectives are discussed in note 10 to the financial statements.

## Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Stephen Boldy**

Chief Executive Officer

24 June 2020

# Corporate Governance Statement

for the year ended 31 December 2019

The directors recognise the importance of sound corporate governance. The Company has adopted the QCA Code, which the directors consider appropriate for a company of its size and nature. The QCA takes key elements of good governance and allows companies to apply them in a manner which is appropriate for the differing needs of small companies. The “Comply or Explain” maxim allows companies to inform shareholders where policies differ from the norm and why. The details of the Company’s policies in this respect are set out in its AIM Notice 50 Statement, which can be downloaded from the Company’s website at [www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com).

## Directors

At 31 December 2019, the Board comprised of a Non-Executive Chairman, one Executive Director and two further Non-Executive Directors. Biographies of the Directors are presented on page 7. Lord Torrington is the senior Non-Executive Director and Chairman.

<b>Board Meeting attendance record</b>	<b>2019 Eligible</b>	<b>2019 Attended</b>
S A R Boldy	14	14
T Torrington	14	14
J Aldersey-Williams	14	14
J Auld	14	14

The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions.

The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision. All Directors have full and timely access to information and may take independent professional advice at the Group’s expense.

The Board has two standing committees with terms of reference as follows:

## Audit Committee

The Audit Committee comprises John Aldersey-Williams (Chairman), Jeffrey Auld and Lord Torrington. It determines the terms of engagement of the Group’s auditors and, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group’s auditors relating to the interim and annual financial statements and the accounting and internal control systems in the Group. The Audit Committee has unrestricted access to, and oversees, the relationship with the Group’s auditors, KPMG. The Audit Committee meets at least twice a year and meets with the Group’s auditors at least once a year. Other directors may attend by invitation.

The independent auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee reviews the independence and objectivity of the independent auditors. The Committee reviews the nature and amount of non-audit work, if any, undertaken by KPMG each year to satisfy itself that there is no effect on their independence. Details of this year’s fees are given in note 12 to the accounts. The Committee is satisfied that KPMG is independent.

The Group does not have an internal audit function but the need for such a function is reviewed at least annually. It is the current view of the Board that an internal audit function is not required given the size and nature of the operations of the Group.

## Remuneration Committee

The Remuneration Committee comprises of John Aldersey-Williams and Lord Torrington (Chairman). It reviews the scale and structure of the Executive Directors’ remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the entire Board. No Director or manager of the Group may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

# Corporate Governance Statement

Continued

The Remuneration Report is presented on pages 12 and 13 and contains a statement of remuneration policy and details of the remuneration of each Director.

## Risk management and internal control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Management identify risks, the likelihood of those risks occurring, the impact if they do occur and the actions being taken to manage and mitigate those risks to an acceptable level. This process is reviewed by the Board annually and accords with guidance on internal control. It has been in place throughout the year under review and up to the date of this report.

The Board of Directors has overall responsibility for maintaining a sound system of internal financial control to safeguard shareholders' investment and the Group's assets. Such a system can provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and correctly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The system, which has been in place throughout the year and up to the date of this report, comprises the following main elements, all of which are reviewed by the Board:

- An organisation structure with clearly defined lines of responsibility and delegation of authority.
- Appointment of employees of the necessary calibre to fulfil their allotted responsibilities.
- Established procedures for budgeting and capital expenditure.
- Monthly reporting of actual performance compared to budget, reviewed by the Board quarterly.
- Rolling monthly forecasts for the financial year.
- The Group reports to shareholders on a half-yearly basis to ensure timely reporting of financial results.

## Investor relations

Communications with investors are given high priority. The Group keeps its institutional shareholders up to date with its business and objectives, and obtains their views on the Group, by means of periodic presentations. Additionally, the Group is ready to respond appropriately to particular issues or questions that may be raised by investors. All shareholders are sent the Annual Report and financial statements, the Interim Report and can also elect to receive all press releases, many choosing to receive this information by e-mail.

The Group has a website, [www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com), which is regularly updated and contains a wide range of information about the Group including the previous Annual Reports and press releases. The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairmen of the Audit and Remuneration Committees are available to answer questions. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. The Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 21 days ahead of the meeting.

## Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's

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transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

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

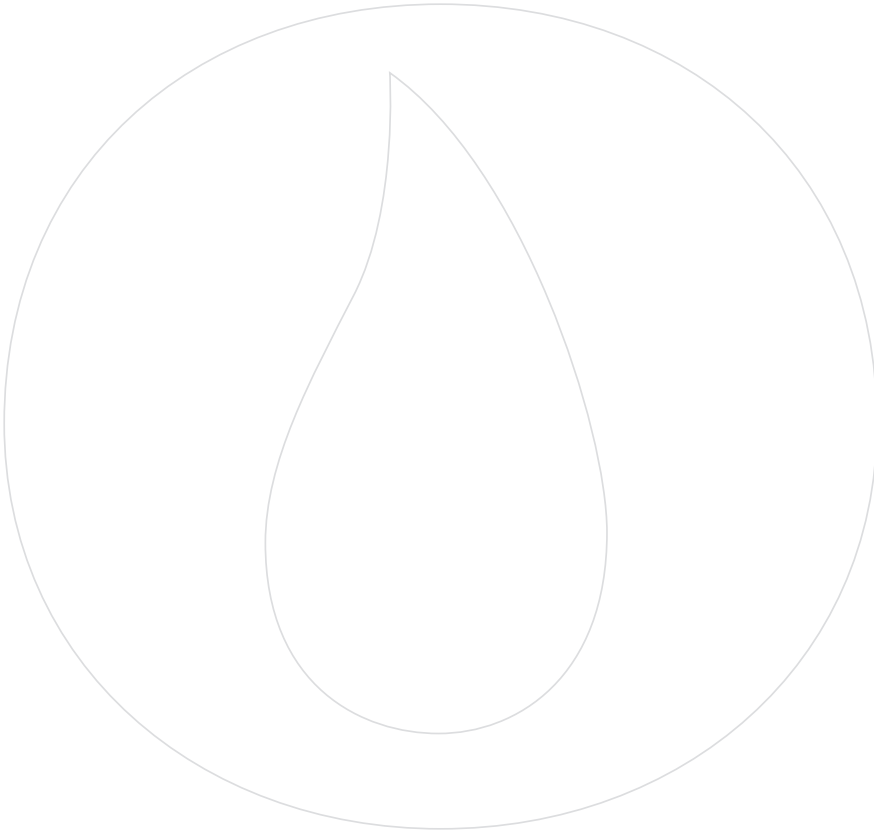
**Going concern**

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future.

The Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the reasons outlined in note 1 (d) to the financial statements.

**By order of the Board**

**Stephen Boldy**  
*Director*  
24 June 2020



# Remuneration Report

for the year ended 31 December 2019

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## Introduction

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The following report details how the Company's remuneration committee determines Directors' remuneration packages through the application of the Company's remuneration policy.

## Remuneration Committee

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The members of the Remuneration Committee (the Committee) are Lord Torrington (Chairman) and John Aldersey-Williams, both of whom are Non-Executive Directors of the Company.

The Committee, which meets at least twice each year, is responsible to the Board for determining the terms and conditions of employment of the Executive Directors and their remuneration packages (including pension rights and any compensation payments) and oversees the operation of the Company's Employee Share Option Scheme.

The Committee has access to external independent professional advice, at the Company's expense, as the Committee sees fit. None of the Committee members has any personal financial interest in the matters to be decided by the Committee or any conflicts arising from cross-directorships or day-to-day involvement in the running of the Group.

## Remuneration Policy

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The Group operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors. The packages are in line with industry norms.

## Directors' Service Contracts

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Stephen A R Boldy has a service contract with the Company with a rolling notice period of one year.

The remuneration of Non-Executive Directors is determined by the Board after consideration of appropriate external comparisons and the responsibilities and time involvement of individual Directors. No Director is involved in deciding his own remuneration.

## Directors' Remuneration Package

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The executive Directors' remuneration package, which is reviewed annually, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options.

Stephen A R Boldy is entitled to an annual bonus equal to 2 per cent of the audited consolidated after tax profits of the Company and its subsidiaries subject to a cap equal to his annual salary during the relevant financial year. He is also entitled to bonus payments on the entering into of binding agreements with third parties in respect of any farm-out arrangements relating to the Group's assets, with a requirement to utilise any such bonus payments to subscribe for Ordinary Shares of the Company.

## Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Pension Contributions £'000	2019 Total £'000	2018 Total £'000
<b>Executive Directors</b>						
SAR Boldy	60	–	–	–	60	60
<b>Non-Executive Directors</b>						
T Torrington	20	–	–	–	20	20
J Aldersey-Williams	15	–	–	–	15	15
JD Auld	15	–	–	–	15	15
2019	110	–	–	–	110	–
2018	110	–	–	–	–	110

## Interests in shares

The beneficial interests of the Directors who held office at 31 December 2019 in the ordinary shares of the Company are as follows:

	At 31 Dec 2018	At 31 Dec 2019	At 31 March 2020
SAR Boldy	6,400,660	6,400,660	6,400,660
T Torrington	4,916,500	4,916,500	6,916,500
J H Aldersey-Williams	240,000	240,000	240,000
J D Auld	2,828,619	2,828,619	2,828,619

## Interests in share options

	At Exercise Price	At 31 Dec 2018	2019 Granted	2019 Lapsed	31 Dec 2019	Normal Exercise Dates
SAR Boldy	36.5p	600,000	-	-	600,000	1st June 2015 to 31 May 2022
SAR Boldy	25p	1,000,000	-	-	1,000,000	20 May 2014 to 19 May 2021
T Torrington	36.5p	50,000	-	-	50,000	1st June 2015 to 31 May 2022
T Torrington	25p	100,000	-	-	100,000	20 May 2014 to 19 May 2021

Details of the performance criteria, conditional upon which the options are exercisable, are set out in note 14 to the financial statements. During 2019, the share price ranged between a high of 2.68p and a low of 1.08p.

On behalf of the Board

### Lord Torrington

Chairman, Remuneration Committee

24 June 2020

# Independent Auditor's Report to the Members of Lansdowne Oil & Gas Plc

## Opinion

We have audited the financial statements of Lansdowne Oil & Gas plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and the related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the 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 International Financial Reporting Standards as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to a listed entity and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Material uncertainty related to going concern

We draw attention to note 1(d) to the financial statements which indicates that the Group's and Company's ability to continue as a going concern is dependent on securing additional debt or equity funding. There is no guarantee that the Company will be in a position to secure such funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### The risk

There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1(d) to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.

However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

## How the matter was addressed in our audit

Our audit procedures included, among others, assessing the completeness and accuracy of the matters in the going concern disclosure by:

- inspecting the Directors' Going Concern Memorandum which outlines the status of the various factors impacting on going concern, the risks attaching to the various potential outcomes and the likely future developments;
- inspecting management's cash flow projections and key underlying assumptions prepared by Group management for the period up to 30 June 2021;
- inspecting and challenging the key assumptions made and corroborating these assumptions with supporting evidence where possible;
- performing inquiries of management and the Audit Committee;
- inspecting board minutes up to the date of approval of the financial statements;
- inspecting management's analysis of the alternative funding options available to the Group; and
- considering the adequacy of the Group's disclosures within the basis of preparation note on page 25 in respect of going concern, and whether the disclosures properly reflected the risks that the Group faces in respect of its ability to continue as a going concern.

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Based on the audit evidence obtained, we found management's conclusion to prepare the financial statements on a going concern basis with the disclosure of a material uncertainty to be reasonable. We found the disclosure of the material uncertainty to be acceptable.

### **Key audit matters: our assessment of risks of material misstatement**

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Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to going concern section' above, we identified one further Group key audit matters as follows (unchanged from 2018).

#### **Carrying value of intangible exploration/appraisal assets £15.5 million (2018: £15.3 million)**

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Refer to accounting policies (d) and (i), Note 4

##### ***The key audit matter***

The Group has a 20% interest in a consortium which holds the rights to develop the Barryroe prospect, offshore Ireland. To date, the Group has incurred expenditure of £15.5 million (2018: £15.3 million) in relation to this prospect, all of which has been capitalised as intangible assets – exploration/appraisal assets.

The assessment of the carrying value of the intangible asset capitalised to date requires management to exercise judgement which requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with future work programmes on the site, the likelihood of licence renewal, the success of drilling and geological analysis and the successful production of hydrocarbons in commercial quantities.

##### ***How the matter was addressed in our audit***

In responding to this key audit matter, among others, we:

- evaluated management's assessment of intangible assets with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources and the Group's accounting policy;

- obtained an understanding of the Group's ongoing exploration and appraisal activity by interviewing executive and finance staff in relation to all key licences;
- obtained and documented the process for recording transactions relating to exploration/appraisal assets and assessed the design and implementation of key controls which management performs in relation thereto;
- considered the appropriateness of the criteria for the capitalisation of exploration and appraisal expenditure in accordance with relevant accounting standards and whether there was any inappropriate capitalisation of costs;
- evaluated the directors' judgements used to determine that the capitalised costs of the assets do not exceed their recoverable amount;
- performed inquiries with management regarding the Group's intention to carry out exploration and evaluation activity on the Barryroe prospect and corroborated these inquiries by inspecting management's cash-flow forecast to verify that it includes further spend on the prospect. We also corroborated our inquiries with management with the directors to confirm our understanding of the intentions and strategy of the Group;
- challenged the directors regarding their conclusion that there were no indicators of potential impairment;
- considered the adequacy of the related disclosures in the financial statements.

Based on the evidence obtained, we found that the carrying value of the intangible exploration/appraisal assets recognised in the financial statements to be reasonable.

We have determined that there are no key audit matters to communicate in our report in relation to the Company.

### **Our application of materiality and an overview of the scope of our audit**

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We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined Group materiality in current year to be £200,000 (2018: £200,000). This has been calculated using a benchmark of Group total assets (of which it represents 1.3% (2018: 1.3%). We considered total assets to be the appropriate benchmark for determining materiality due to the relative stability of this measure in recent years. We considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.



# Independent Auditor's Report to the Members of Lansdowne Oil & Gas Plc

Continued

Materiality for the Company financial statements as a whole was set at £350 (2018: £2,000), determined with reference to a benchmark of the Company's total assets (of which it represents 1% (2018: 1%)).

We agreed with the Audit Committee that we would report to them all corrected and uncorrected audit misstatements in excess of £10,000 (2018: £10,000), in addition to other audit misstatements below that threshold that in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit scope included a full audit of all components, accounting for 100 per cent of the Group's total loss before tax and net assets.

## Other information

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic and directors' report and Chairman's Statement, Oil and Gas Interests and Corporate Governance Statement. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report or the directors' report;
- in our opinion, the information given in the strategic report and the directors' report is consistent with the financial statements; and
- in our opinion, the strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report on these matters.

## Respective responsibilities and restrictions on use

### *Responsibilities of directors for the financial statements*

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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### **The purpose of our audit work and to whom we owe our responsibilities**

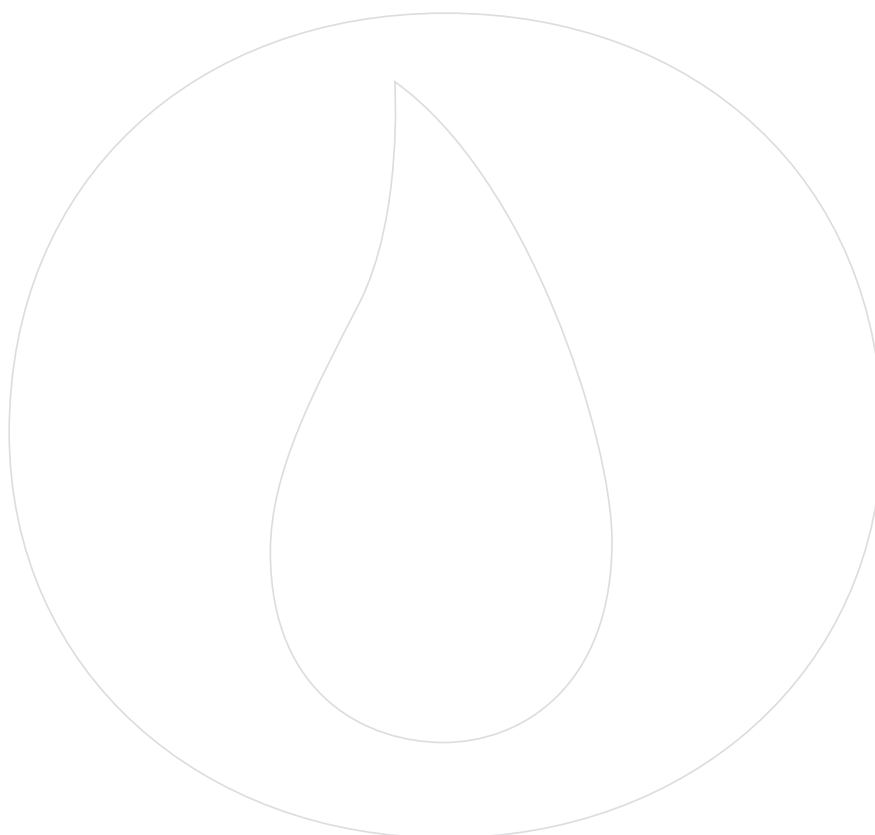
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Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state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



**Colm O'Sé**

for and on behalf of KPMG,  
Chartered Accountants, Statutory Auditor  
1 Stokes Place  
St. Stephen's Green,  
Dublin 2  
24 June 2020



# Consolidated Income Statement

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Administrative expenses		(122)	(193)
<b>Operating loss</b>		<b>(122)</b>	(193)
Finance costs	15	(57)	(100)
<b>Loss for the year before tax</b>		<b>(179)</b>	(293)
Income tax	16	–	–
<b>Loss for the year</b>		<b>(179)</b>	(293)
<b>Loss per share (pence):</b>			
Basic loss per ordinary share	3	<b>(0.03p)</b>	(0.05p)
Diluted loss per ordinary share	3	<b>(0.03p)</b>	(0.05p)

The results for the year all arise on continuing operations.

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 June 2020.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director


# Consolidated Statement of Financial Position

as at 31 December 2019

Assets	Notes	2019 £'000	2018 £'000
<b>Non-Current Assets</b>			
Intangible assets	4	<b>15,543</b>	15,311
<b>Current Assets</b>			
Trade and other receivables	6	<b>20</b>	47
Cash and cash equivalents		<b>16</b>	159
		<b>36</b>	206
<b>Total Assets</b>		<b>15,579</b>	15,517
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	<b>11,722</b>	11,718
Share premium	11	<b>26,864</b>	26,833
Currency translation reserve		<b>59</b>	59
Share-based payment reserve	14	<b>923</b>	923
Accumulated deficit		<b>(26,005)</b>	(25,826)
<b>Total Equity</b>		<b>13,563</b>	13,707
<b>Non-Current Liabilities</b>			
Provisions	9	<b>316</b>	316
<b>Current Liabilities</b>			
Shareholder loan	8	<b>1,305</b>	1,046
Trade and other payables	7	<b>395</b>	448
<b>Total Liabilities</b>		<b>2,016</b>	1,810
<b>Total Equity and Liabilities</b>		<b>15,579</b>	15,517

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 June 2020.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director

# Company Statement of Financial Position

as at 31 December 2019

Assets	Notes	2019 £'000	2018 £'000
<b>Current Assets</b>			
Trade and other receivables	6	19	47
Cash and cash equivalents		16	159
<b>Total Assets</b>		<b>35</b>	206
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share capital	11	11,722	11,718
Share premium		26,864	26,833
Share-based payment reserve		923	923
Accumulated deficit		(41,171)	(40,761)
<b>Total Equity</b>		<b>(1,662)</b>	(1,287)
<b>Current Liabilities</b>			
Shareholder loan	8	1,305	1,046
Trade and other payables	7	392	447
<b>Total Liabilities</b>		<b>1,697</b>	1,493
<b>Total Equity and Liabilities</b>		<b>35</b>	206

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 June 2020.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director

# Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(179)	(293)
<i>Adjustments for:</i>			
Interest payable and similar charges		58	98
Decrease/(increase) in trade and other receivables		28	(24)
(Decrease)/increase in trade and other payables		(53)	80
<b>Net cash used in operating activities</b>		<b>(146)</b>	(139)
<b>Cash flows from investing activities</b>			
Acquisition of intangible exploration assets	4	(232)	(639)
<b>Net cash used in investing activities</b>		<b>(232)</b>	(639)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		35	1,025
Cost of raising shares		–	(103)
Proceeds from new loan		200	–
<b>Net cash from financing activities</b>		<b>235</b>	922
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(143)</b>	144
<b>Cash and cash equivalents at 1 January</b>		<b>159</b>	15
<b>Cash and cash equivalents at 31 December</b>		<b>16</b>	159

The accompanying notes on pages 25–37 form an integral part of these financial statements.

# Company Statement of Cash Flows

for the year ended 31 December 2019

Notes	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>		
Loss for the year	(410)	(908)
<i>Adjustments for:</i>		
Interest payable and similar charges	58	69
Decrease/(increase) in trade and other receivables	28	(29)
(Decrease)/increase in trade and other payables	(54)	91
<b>Net cash used in operating activities</b>	<b>(378)</b>	<b>(777)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	35	1,025
Cost of raising shares	-	(103)
Proceeds from new loan	200	-
<b>Net cash from financing activities</b>	<b>235</b>	<b>922</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(143)</b>	<b>145</b>
<b>Cash and cash equivalents at 1 January</b>	<b>159</b>	<b>14</b>
<b>Cash and cash equivalents at 31 December</b>	<b>16</b>	<b>159</b>

The accompanying notes on pages 25–37 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Currency Translation Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
<b>Balance at 1 January 2018</b>	11,571	25,126	923	59	(25,533)	12,146
Loss for the financial year	–	–	–	–	(293)	(293)
Total comprehensive loss for the year	–	–	–	–	(293)	(293)
Issue of new shares - gross consideration (note 11)	147	1,810	–	–	–	1,957
Cost of share issues	–	(103)	–	–	–	(103)
<b>Balance at 31 December 2018</b>	11,718	26,833	923	59	(25,826)	13,707
<b>Balance at 1 January 2019</b>	11,718	26,833	923	59	(25,826)	13,707
Loss for the financial year	–	–	–	–	(179)	(179)
<b>Total comprehensive loss for the year</b>	–	–	–	–	(179)	(179)
Issue of new shares – gross consideration (note 11)	4	31	–	–	–	35
<b>Balance at 31 December 2019</b>	<b>11,722</b>	<b>26,864</b>	<b>923</b>	<b>59</b>	<b>(26,005)</b>	<b>13,563</b>

The accompanying notes on pages 25–37 form an integral part of these financial statements.



## Company Statement of Changes in Equity

for the year ended 31 December 2019

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
<b>Balance at 1 January 2018</b>	11,571	25,126	923	(39,853)	(2,233)
Loss for the financial year	-	-	-	(908)	(908)
Issue of new shares - gross consideration (note 11)	147	1,810	-	-	1,957
Cost of share issues	-	(103)	-	-	(103)
<b>Balance at 31 December 2018</b>	11,718	26,833	923	(40,761)	(1,287)
<b>Balance at 1 January 2019</b>	11,718	26,833	923	(40,761)	(1,287)
Loss for the financial year	-	-	-	(410)	(410)
Issue of new shares – gross consideration (note 11)	4	31	-	-	35
<b>Balance at 31 December 2019</b>	<b>11,722</b>	<b>26,864</b>	<b>923</b>	<b>(41,171)</b>	<b>(1,662)</b>

The accompanying notes on pages 25–37 form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2019

## 1. Presentation of accounts and accounting policies

### (a) Reporting Entity

Lansdowne Oil & Gas plc (the "Company") and its subsidiaries (together, the "Group") explore for and develop oil and gas reserves in the Irish Celtic Sea.

The Company is a public limited company, incorporated, domiciled and registered in the UK. The registered number is 05662495. The address of its registered office is c/o Pinsent Masons LLP, 30 Crown Place, London EC2A 4ES.

The Company's shares are quoted on the AIM Market of the London Stock Exchange.

### (b) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU"), and effective for the current reporting year and, in the case of the Company, as applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the more important accounting policies, which have been applied consistently, are set out below.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Sterling, the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

### (d) Going concern – basis of accounting

The Directors have prepared the financial statements on the going concern basis which assumes that Group and Company will continue in operational existence for at least twelve months from the date of the approval of these financial statements.

The Directors have carried out a detailed assessment of the Group's and Company's ability to continue as a going concern including assessing its current and prospective exploration activity, its relationship with the holder of its loan note and preparing cash flow projections for the period to 30 June 2021.

In February 2020, the Company raised £500,000 before costs by placing 83,333,333 new ordinary shares with new and existing investors. On 25 June 2019, LC Capital Targeted Opportunities Fund, L.P. and Brandon Hill Capital Limited both entered into shareholder loan agreements in the aggregate of £300,000 with Lansdowne, following which all facilities under the loan agreements were fully drawn by Lansdowne. As part of the equity fundraising event in February 2020, both LC Capital and Brandon Hill also agreed to convert the full amount of the outstanding liabilities on their respective shareholder loans into new ordinary shares in the Company.

Notwithstanding the equity raised and conversion of shareholder loans into new ordinary shares, the cash flow projections indicate that the Group's and Company's ability to continue as a going concern is dependent on securing additional debt or equity funding.

The Directors have considered the various matters set out above and determined that these events and conditions constitute a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and that they may therefore be unable to realise assets and discharge liabilities in the normal course of business. The Directors remain confident that the Group and Company will be in a position to secure such funding as may be required and will have sufficient cash resources available to meet their liabilities for at least 12 months from the date of approval of these financial statements. On that basis, the directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

### (e) Basis of measurement

The Group prepares its financial statements on the historical cost basis. Where the carrying value of assets and liabilities are calculated on a different basis, this is disclosed in the relevant accounting policy.

# Notes to the Financial Statements

Continued

## (f) Judgements and key sources of estimation uncertainty

The Group has used judgements, estimates and assumptions in arriving at certain figures in the preparation of its financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time.

Those areas believed to be key areas of estimation are;

- Impairment testing (policies ( i ) and ( j ) below)
- Recognising deferred tax assets (note 16)
- Future decommissioning costs

Those areas believed to be key areas of judgements are;

- Going concern (policy (d) above)
- Oil and Gas Intangible exploration/ appraisal assets (policy (i) below)

Further details of the assumptions used can be found in this statement of accounting policies and in the notes to these financial statements.

## (g) Basis of consolidation

The consolidated financial statements include the results of Lansdowne Oil & Gas plc and its subsidiary undertakings, made up to 31 December each year. No separate income statement is presented for the parent company, as permitted by Section 408 of the Companies Act 2006.

The subsidiaries are those companies controlled, directly or indirectly, by Lansdowne Oil & Gas plc. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is normally evidenced when Lansdowne Oil & Gas plc owns, either directly or indirectly, more than 50 per cent. of the voting rights or potential voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

## (h) Joint arrangements

The Group participates in joint arrangements where control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture, depending on the rights and obligations of the parties to the arrangement.

The classification can have a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively.

## (i) Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in IFRS 6. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard, the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised within "Property, plant and equipment".

All costs incurred prior to the acquisition of licences are expensed immediately to the income statement.

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, un-depleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If commercial reserves are determined to exist and the technical feasibility of extraction demonstrated, then the related capitalised exploration/appraisal costs are first subjected to an impairment test (see

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below) and the resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist, then that particular exploration/appraisal effort was “unsuccessful” and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a field by field basis.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset.

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. Net proceeds from any disposal of exploration assets are credited against the previously capitalised cost. A gain or loss on disposal of an exploration asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Upon commencement of production, capitalised costs will be amortised on a unit of production basis which is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s net realisable value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash-generating units (“CGUs”) are aligned to the business unit and sub-business unit structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

#### **(j) Investments**

Shares in Group undertakings are held at cost less impairment provisions. Impairments occur where the recoverable value of the investment is less than its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the investee.

#### **(k) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

#### **(l) Decommissioning costs and provisions**

Provision is made for the cost of decommissioning oil and gas wells and other oilfield facilities. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and this calculation is re-assessed at each reporting date. This amount is included within development and production assets by licence area and the liability is included in provisions. The cost will be depleted over the life of the licence area on a unit of production basis and charged to the Income Statement. The unwinding of the discount is reflected as a finance cost in the income statement over the expected remaining life of the well.

#### **(m) Equity**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

#### **(n) Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

# Notes to the Financial Statements

Continued

- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates or laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

## (o) Defined contribution pension schemes

From time to time, the Group contributes to a defined contribution pension scheme on behalf of certain employees. The pension cost represents contributions payable by the Group to the scheme.

## (p) Share based payments

The Group has in place an equity-settled share option scheme, details of which are given in the Directors' Remuneration Report and note 14 of these financial statements.

The cost of awards under the share option scheme is recognised over the three or five year period to which the performance criteria relate. The amount recognised is based on the fair value of the share options, as measured at the date of the award. The corresponding credit is taken to a share based payments reserve. The proceeds on exercise of share options are credited to share capital and share premium.

The share options are valued using a Total Shareholder Return ("TSR") simulation model, which adjusts the fair value for the market-based performance criteria in the schemes. The TSR simulation model is based on the Monte Carlo model and is tailored to meet the requirements of the scheme's performance criteria. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, risk free rate of interest and patterns of early exercise of the plan participants.

No expense is recognised for awards that do not ultimately vest, except for equity settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. All cancellations of equity settled transactions are treated equally.

## (q) Finance income and expenses

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

## (r) Foreign currency

The Group's consolidated financial statements are presented in Sterling, which is also the Company's functional currency. The assessment of functional currency has been based on the currency of the economic environment in which the Group operates and in which its costs arise. These financial statements have been presented in Sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement.

## (s) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

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**(t) Operating segments**

The Chief Executive monitors the operating results of its operating segment for the purposes of making decisions and performance assessment. Segment performance is evaluated based on operating profit or loss and is reviewed consistently with operating profit or loss in the consolidated financial statements. Because the Group does not engage yet in business activities from which it may earn revenue, and as all its developmental activities are currently located in one geographical area, no reportable segment has been identified nor disclosed in these financial statements.

**(u) Changes in accounting policies**

New and amended standards and interpretations

The following new standards and amendments were adopted by the Group for the first time in the current financial reporting period with no resulting impact to the consolidated financial statements:

**Standard**

IFRS 16: Leases

IFRS 23: Uncertainty over Income Tax Treatments

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Annual Improvements to IFRS 2015 -2017 Cycle

A number of new standards, amendments to standards and interpretations issued are not yet effective and have not been applied in preparing these financial statements. These new standards, amendments to standards and interpretations are not expected to have a material impact on the Group's financial statements as the Group has no transactions that would be affected by these new standards and amendments.

The principal new standards, amendments to standards and interpretations are as follows:

**Standard**

Amendments to References to Conceptual Framework in IFRS Standards

Definition of Material (Amendments to IAS 1 and IAS 8)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Definition of a Business (Amendments to IFRS 3)

IFRS 17: Insurance Contracts

Classification of liabilities as current or non-current (Amendments to IAS 1)

Sale or Contribution of Assets between an Investor and his Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 14: Regulatory Deferral Accounts

# Notes to the Financial Statements

Continued

## 2. Segmental Reporting

The Group has one reportable operating and geographic segment, which is the exploration for oil and gas reserves in Ireland. All operations are classified as continuing and currently no revenue is generated from the operating segment.

## 3. Loss per ordinary share

The loss for the year was wholly from continuing operations.

	2019 £'000	2018 £'000
Loss for the year attributable to equity holders	(179)	(293)
Weighted average number of ordinary shares in issue - basic and diluted	665,071,764	613,569,327
Loss per share arising from continuing operations attributable to the equity holders of the Company – basic and diluted (in pence)	(0.03)	(0.05)

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of potential ordinary shares being share options. As a loss was recorded for both 2019 and 2018, potentially issuable shares would have been anti-dilutive. The number of potentially issuable shares at 31 December 2019 is 146,685,452 (2018: 146,685,452).

## 4. Intangible assets

Group	Exploration / appraisal assets £'000
Cost	
At 1 January 2018	14,672
Additions	639
At 31 December 2018	15,311
At 1 January 2019	15,311
Additions	232
<b>At 31 December 2019</b>	<b>15,543</b>

Oil and gas project expenditures, all of which relate to Barryroe, including geological, geophysical and seismic costs, are accumulated as intangible assets prior to the determination of commercial reserves. The directors have assessed the current ongoing activities and future planned activities and are satisfied that the carrying value is appropriate. The directors recognise that the future realisation of the Group's exploration appraisal assets are dependent on further successful exploration activities.

During 2019, the Barryroe Partners (Providence and Lansdowne) agreed a series of amendments to the Updated FOA, which provided for extensions to the date by APEC of the initial loan advance US\$9 million.

A final deadline was set at 30th September 2019, but the funds did not arrive from APEC. Following this non-performance by APEC of their obligations under the FOA, action was taken by the Barryroe Partners to commence the regulatory process required to transfer APEC's 50% equity in Standard Operating Licence 1/11, which contained the Barryroe field, back to Providence and Lansdowne, with their equity interest reverting back to 80% and 20% respectively. The necessary paperwork is advancing through the Department of Communications, Climate Action and Environment.

Subsequently the Barryroe Partners also commenced the remarketing of a Joint Venture interest in Operating Licence 1/11 leading to an announcement on 6th April that a Term Sheet had been signed with SpotOn Energy Limited for a potential Barryroe Farmout, thus demonstrating the potential value of the Barryroe project even in a low oil price environment.

## 5. Investments in subsidiaries

Cost	Company £
At 1 January 2018 and 1 January 2019	–
Impairment	–
At 31 December 2018 and 31 December 2019	–

The interests in Group undertakings of the Company are listed below:

Name of undertaking	Country of registration	Class of share	Proportion held	Nature of business
Lansdowne Celtic Sea Limited	England	Ordinary	100 per cent	Oil and gas exploration
Milesian Oil & Gas Limited	Ireland	Ordinary	100 per cent	Oil and gas exploration
Lansdowne Munster Limited	Ireland	Ordinary	100 per cent	Oil and gas exploration

Significant joint operation	Principal activity	Effective Interest	
		2019 %	2018 %
Barryroe Exploration Licence	Hydrocarbon exploration	20*	10
Helvick Lease Undertaking	Hydrocarbon exploration	9	9

\* The reassignment of 10 per cent from APEC is being finalised.

## 6. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
<b>Amounts falling due within one year:</b>				
Value added tax and other taxes	3	30	2	30
Prepayments	17	17	17	17
	<b>20</b>	47	<b>19</b>	47

## 7. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
<b>Amounts falling due within one year:</b>				
Trade payables	191	271	188	270
Taxes and social security	117	119	117	119
Accruals	87	58	87	58
	<b>395</b>	448	<b>392</b>	447



# Notes to the Financial Statements

Continued

## 8. Shareholder loan – Group and Company

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Senior secured loan notes - Issued in 2015 (i)	1,099	1,046
Junior secured loan notes - Issued in 2019 (ii)	206	-
	<b>1,305</b>	1,046

(i) A senior secured loan note was issued in 2015 to LC Capital Master Fund Ltd, a related party as outlined in note 18. Currently, the coupon rate is 5% per annum and the repayment date for this loan was originally 1 July 2019. In 2018, LC Capital Master Fund Ltd, agreed to convert £680,000 of the senior secured loan (including associated interest) into new ordinary shares at a price of 1.3p per share. In December 2019, LC Capital Master Fund Ltd has agreed to extend the term of the loan to 30th June 2020. LC Capital Master Fund Ltd has agreed to extend the term of the loan by a further six months to 31 December 2020.

(ii) In June 2019, the Company entered into loan agreements with two of its shareholders, Brandon Hill Capital Ltd and LC Capital, pursuant to which both shareholders agreed to provide a loan of £150,000, repayable one year after drawdown. The loan agreement carries a coupon of 12% per annum simple interest on the drawn parts of the principal. The principal and interest is repayable in cash at the end of the term. In February 2020, both shareholders agreed to convert the outstanding amount of the loan into new ordinary shares at a price of 0.6 pence a share.

## 9. Provisions

	Asset retirement obligation 2019 £'000	Asset retirement obligation 2018 £'000
Beginning of year	316	288
Unwinding of discount	-	28
<b>As at 31 December</b>	<b>316</b>	<b>316</b>

This provision relates to the cost of abandonment of the Barryroe well, discounted to present value. As the discount was fully unwound at the end of 2018, there is no charge for the current year.

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## 10. Financial risk management

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The Group's operations expose it to a variety of financial risks: market risk (including the effects of changes in foreign currency exchange rates, interest rates and commodity prices), credit risk and liquidity risk. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates.

### (a) Market risk

#### *Foreign exchange risk*

Although the Group reports in Sterling, certain transactions are conducted in Euro. Given the low level of business conducted in Euro during the year, foreign exchange rate fluctuations had an immaterial effect on the result for the year.

#### *Interest rate risk*

The Group's interest rate risk arises from cash deposits and interest bearing liabilities.

Given the low level of average cash balances held by the Group during the year, a 10 per cent increase or decrease in average interest rates would have had an immaterial effect on the loss for the year.

### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. 100 per cent of cash held on deposit at 31 December 2019 was held with such banks. Other than the allowance for impairment of £232,597 (2018: £655,571) recognised in respect of receivables from its subsidiaries, the Company has no credit risk associated with its other receivables. See note 18 (b).

There are no financial assets which are past due but not impaired at the end of the reporting period.

The maximum credit risk exposure relating to financial assets is represented by carrying values as at the reporting date.

### (c) Liquidity risk

The Board regularly reviews rolling cash flow forecasts for the Group.

Work programme obligations related to the Group's licences will be financed by either reducing its equity interest through new participants farming in, by the raising of new capital, through shareholder loans, or a combination of all three.

Based on current forecasts, the Group has sufficient funding in place to meet its future obligations. This is reliant upon the assumptions outlined in the Statement of Accounting Policies.

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities. At 31 December 2019, all trade and other payables and shareholder loans were due within one year.

### Fair value of non-derivative financial assets and financial liabilities

The Group's financial instruments comprise cash, other receivables and trade payables and shareholder loans due within one year and therefore, management believes that the carrying values of those financial instruments approximate fair value.

### Capital management

The Group defines capital as equity plus shareholder loans.

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly.

# Notes to the Financial Statements

Continued

## 11. Share capital - Group and Company

	2019	2018
<b>Authorised</b>		
665,349,846 ordinary shares at £0.01 pence each	<b>665,349,846</b>	661,849,846

### Issued, called up and fully paid:

	Number of Ordinary shares	Share Capital £'000	Share Premium £'000	Total £000
At 1 January 2018	510,164,394	11,571	25,126	36,697
Issued in year	151,685,452	147	1,810	1,957
Share issue costs	-	-	(103)	(103)
At 31 December 2018	661,849,846	11,718	26,833	38,551
Issued in year	3,500,000	4	31	35
Share issue costs	-	-	-	-
<b>At 31 December 2019</b>	<b>665,349,846</b>	<b>11,722</b>	<b>26,864</b>	<b>38,586</b>

## 12. Statutory information

	2019 £'000	2018 £'000
<b>The loss for the year stated after (crediting)/charging:</b>		
Foreign exchange losses/(gains)	<b>(1)</b>	-
<b>Audit Services:</b>		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements	<b>23</b>	27
Fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation.	<b>6</b>	6

## 13. Employee costs

### Number of employees

The average monthly number of employees (including executive directors) during the year was:

	2019 Number	2018 Number
Oil and gas exploration	<b>1</b>	1
	<b>2019 £'000</b>	2018 £'000
Staff costs during the year amounted to:		
Wages and salaries	<b>60</b>	60
Social security costs	<b>6</b>	16
	<b>66</b>	76

Remuneration of the Directors is disclosed in note 18 and within the Remuneration Report on pages 12 and 13.

## 14. Share-based payments

### Share options

The Company has granted options to current and former Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 12 and 13. As at 31 December 2019, the following options were outstanding:

Option exercise price	Number	Exercisable at 31 Dec '19	Exercisable at 31 Dec '18	Normal exercise dates	Target variable	Target
25p	1,950,000	1,950,000	1,950,000	19/05/2014 to 18/05/2021	Share price	(1)
36.5p	1,090,000	1,090,000	1,090,000	01/06/2015 to 31/05/2022	Share price	(2)
15p	500,000	500,000	500,000	01/04/2017 to 24/06/2025	Share price	(3)

- (1) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 32.5 pence per share.
- (2) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 47.5 pence per share.
- (3) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 22.5 pence per share.

The share options may only be exercised within the normal exercise dates as shown above.

The number of further options available for grant under the scheme rules is 11,014,016.

The cost of awards under the share option scheme was recognised over the vesting period of the awards, three years.

## 15. Finance costs

	2019 £'000	2018 £'000
Loan interest	58	69
Unwinding of discount (note 9)	–	29
Retranslation of foreign currency cash balances	(1)	2
Total expense	57	100

# Notes to the Financial Statements

Continued

## 16. Income Tax

	2019 £'000	2018 £'000
Current tax charge	–	–
Total income tax credit	–	–

The tax assessed for the year is different from the standard rate of corporation tax in the UK as follows;

	2019 £'000	2018 £'000
Loss before income tax	(179)	(293)
Loss before income tax multiplied by standard rate of tax 19% (2018:19%)	(34)	(56)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	16	10
Losses carried forward	18	46
Total tax credit	–	–

Unrecognised deferred tax assets, in respect of unused losses, amounts to £1.6 million (2018: £1.7 million).

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom.

## 17. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure (2018: Nil).

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## 18. Related party transactions

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### (a) Transactions with Smith & Williamson

Con Casey is a director of Smith & Williamson, and he is the company secretary of the Company. The Company has entered into a services agreement with Smith & Williamson pursuant to which Smith & Williamson provides the Group with certain management, accounting, and administrative services required by the Group in connection with its business in consideration of an annual fee totalling £56,000 (2018: £56,000). This agreement can be terminated by Smith & Williamson or by the Company on giving 90 days' notice. The Directors consider the service agreement to be at fair value on an arm's length basis. As at 31 December 2019, the Group owed Smith & Williamson £26,788 (2018: £27,595) under the agreement.

### (b) Amounts due by subsidiaries

At 31 December 2019, amounts owed to the Company by its subsidiaries totalled £24.4 million (2018: £24.1 million). These amounts have been provided in full in the Company's financial statements as there is no immediate prospect of repayment. Amounts due to the Company are unsecured, non-interest bearing and have no fixed repayment terms.

### (c) Compensation of key management personnel

The Board has determined that the Board of Directors comprise the Group's key management personnel. Their compensation was as follows:

	2019	2018
	£'000	£'000
Short-term benefits	110	110

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### (d) Transactions with LC Capital Master Fund Ltd

The Company has a loan agreement with LC Capital Master Fund Limited, a major shareholder. Details of the loan agreement are given in note 8.

### (e) Transactions with Brandon Hill Capital Ltd

The Company had a loan agreement with Brandon Hill Capital Limited, a major shareholder. Details of the loan agreement are given in note 8.

### (f) Directors' shareholdings

Details of directors' shareholdings are given on page 13.

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## 19. Post Balance Sheet events

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In February 2020, the Company placed 83,333,333 new ordinary shares with new and existing investors at a placing price of 0.6 pence per placing share, raising £500,000 before costs.

Also in February 2020, Brandon Hill Capital and LC Capital agreed to convert their respective loans announced in June 2019 into new ordinary shares at the placing price.

The Directors are not aware of any other event or circumstance arising which had not been dealt with in this Report which may have a significant impact on the operations of the Group.

# Advisers

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Con Casey FCCA

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