ENERGY FOR THE FUTURE

ANNUAL REPORT 2020

Contents

ENERGY FOR THE **FUTURE**

Growth from a balanced portfolio

The Parkmead Group is an independent, UK and Netherlands focused energy business with four business areas[1]. Its shares are listed on the AIM market of the London Stock Exchange. The Group currently produces gas from a portfolio of four fields across the Netherlands and holds significant oil and gas interests spanning 24 exploration and production blocks under licence. Parkmead also has access to renewable energy opportunities within its portfolio.

[1] Four areas constitute Netherlands Gas, UK Oil and Gas, Benchmarking and Economics (Aupec) and Future Opportunities (Renewables through Pitreadie). Netherlands Gas and UK Oil and Gas is reviewed by the board as one segment by the chief operating decision maker

“Our four business areas are complementary and provide a strong core of revenue generation coupled with large upside potential.”

Tom Cross, Executive Chairman

Highlights

1st renewable energy deal completed

9% increase in total assets to £89.8m

£1.3m gross profit

5 highly prospective targets identified around Diever West

Chairman's Statement

Tom Cross

Executive Chairman

19th November 2020

2020 has been an important year of progress for Parkmead, despite the unprecedented challenges resulting from the COVID-19 pandemic. Parkmead has shown its resilience throughout this period because of the strong foundations built in preceding years, which has positioned the Group extremely well to continue its growth.

The Company completed its maiden renewable energy acquisition during the year, demonstrating its early commitment to building a balanced energy business and entering this exciting area of growth.

Parkmead has continued to show its strict financial discipline whilst intensively evaluating a number of value-adding acquisition opportunities that we have identified through the current economic environment.

Building a Balanced Portfolio

In September 2019, Parkmead completed a significant renewable energy transaction through the all-share acquisition of Pitreadie. This acquisition was an important milestone for the Group as we look to build a balanced energy portfolio, ensuring Parkmead is well positioned to withstand future commodity price fluctuations as well as investing in an onshore renewables sector with huge growth opportunities. The Board of Parkmead believes that the growth of the renewable energy sector will continue to accelerate as the UK focuses its attention on meeting its net-zero emissions target by 2050.

The portfolio of land now owned by Parkmead, through the acquisition of Pitreadie, has substantial renewable energy potential in the form of wind, solar and biomass opportunities.

Our team has already identified substantial wind energy potential at one location, some 15 miles west of Aberdeen. The site has excellent average wind speeds of between 7-10 m/s. This acreage lies adjacent to the Mid Hill Wind Farm which contains 33 Siemens wind turbines with a generating capacity of around 75 megawatts (MW).

Parkmead is advancing its renewable energy opportunities through its in-house expertise coupled with a carefully selected consultancy team. This will ensure we maximise the upside value from this new business area.

The Group has also begun evaluating the land within its renewable energy business and it is expected that land with low renewable energy potential will be divested.

Strong Production from Low-Cost Operations

In the Netherlands, we are working closely with our joint venture partners to maximise the potential of our resources across all licences. There are significant low-risk prospects within our acreage, particularly on the Drenthe VI licence where the Boergrup, Leemdijk and De Bree structures are being evaluated. Well planning and government permitting is now underway on the potential Boergrup well, with high level well planning also underway on Leemdijk and De Bree. All of these prospects can be drilled from the Diever wellsite, reducing the permitting requirements and future infrastructure tie-in costs. Seismic reprocessing is currently being undertaken across the Drenthe VI licence to further refine and de-risk the remaining prospectivity on the block. At Papekop, subsurface reservoir static and dynamic modelling work is nearing completion, with the results feeding into the ongoing concept select planning.

Our Netherlands gas production has remained strong with average gross production during FY 2020 of 38.3 MMscfd, approximately 6,608 boepd. The average operating cost during this year was US$9.9 per barrel of oil equivalent. Given the low commodity price environment we are currently experiencing, this profitable gas production provides important and valuable cash flow to the Group.

Parkmead's Netherlands production continues to remain uninterrupted by the lockdown restrictions introduced by the Dutch Government earlier this year.

Major Progress on Three UKCS E&P Projects

The Platypus gas project has seen key milestones reached in the past year. A Field Development Plan draft and Environmental Statement was submitted in October 2019 to the OGA and OPRED, respectively, for the development of the project in the UK Southern North Sea.

Mid case recoverable reserves from Platypus are estimated at 106 Bcf, with peak production of 47 MMscfd. The anticipated producing life of the field is approximately 20 years. Platypus East (previously named Possum) provides a material upside opportunity for the project, potentially adding another 50 Bcf of recoverable reserves.

The development option selected for the Platypus field was reached following an extensive concept selection process. This considered technical feasibility, project execution schedule and commercial viability, in addition to environmental, health and safety issues.

The selected development concept will consist of two wells connected to a subsea manifold, with gas export to the Cleeton platform via a 23km pipeline. Produced fluids will arrive at the Cleeton facilities before being routed directly to the Dimlington Terminal for separation and processing. Front End Engineering Design studies associated with the Cleeton and Dimlington system continue to progress, in partnership with Perenco.

Parkmead and the Platypus partners have obtained an extension of the Platypus licence from the OGA to take account of COVID-19 delays.

The Greater Perth Area development continues to form a key part of our balanced portfolio of assets. This year has seen the completion of transportation studies for our base case development concept. The studies have confirmed there are no technical hurdles associated with the transportation and processing of fluids from the Perth producing wells all the way through the infrastructure to the onshore facilities.

Parkmead is in commercial discussions with the Scott field partnership, led by China National Offshore Oil Corporation (CNOOC) International, in order to explore terms for a tie-back of the GPA oil hub project to the Scott facilities. Scott lies just 10km southeast of the GPA project and a tie-back could yield a number of mutually beneficial advantages for both the Scott partnership and Parkmead. A tie-back to Scott is just one path to potentially unlock the substantial value of the GPA project. Parkmead continues to engage with leading, internationally-renowned supply chain and service companies as it seeks to optimise the commercial solution and maximise shareholder value from the GPA project.

Parkmead is also in discussions with other operators in the vicinity where new opportunities have arisen during the year.

Skerryvore has also seen progression this year with the results of early-stage reprocessing work showing positive improvements in seismic image quality, at the Mey Sandstone reservoir level in particular. Three stacked prospects are targeted at Skerryvore at Mey, Ekofisk and Tor levels, which have the potential to contain a combined 157 million barrels of recoverable oil equivalent on a P50 basis. A discovery at Skerryvore could add considerable upside to Parkmead. Additional Jurassic and Triassic prospectivity is identified, similar to the recent Isabella discovery to the north, operated by Total.

£1.3m

gross profit despite COVID-19 economic environment

32nd UKCS Licensing Round Success

In the most recent UK 32nd licensing round awards, Parkmead was offered four offshore blocks and part blocks spanning three new licences.

The first of these provisional licence awards covers Blocks 14/20g & 15/16g (Parkmead 50% and operator) situated in the Central North Sea, adjacent to Parkmead's extensive Greater Perth Area ("GPA"). These blocks contain two undeveloped oil discoveries, Fynn Beauly and Fynn Andrew, as well as an oil prospect in the Piper Formation.

Fynn Beauly is a very large heavy oil discovery which extends across a number of blocks. The entire discovery is estimated to contain oil-in-place of between 602 and 1343 million barrels. Blocks 14/20g & 15/16g contain a section of the discovery to the south, with oil-in-place of between 77 and 202 million barrels. The second discovery, Fynn Andrew, is wholly contained on the offered blocks and holds 50 million barrels of oil-in-place on a P50 basis.

The addition of these blocks to Parkmead's portfolio would add 34.4 million barrels of 2C resources to the Group.

Two further licences have been offered to Parkmead as part of the 32nd Round. Block 14/20c (Parkmead 100%) is located in the Central North Sea and contains extensions to the Lowlander oil field and the Fynn Beauly oil discovery. Block 42/28g (Parkmead 100%) is situated in the Southern North Sea near the Tolmount gas discovery.

Increasing our Team's Capabilities

In line with the Group's strategy to deliver maximum value from its high-quality asset base, the appointment of Colin Maclaren to the Board was made in May 2020.

Colin brings with him 37 years of extensive legal and commercial experience which will be valuable to the Group as we expand our onshore renewables portfolio.

Results

The Group's revenue for the year to 30 June 2020 was £4.1m (2019: £8.3m), generating a gross profit of £1.3m (2019: £5.7m). This gross profit shows the resilience and high-quality nature of Parkmead's gas operations in the Netherlands, despite record low European gas prices and the unparalleled conditions this year caused by the COVID-19 pandemic.

Detailed technical work undertaken across the wider Parkmead portfolio has allowed the Group to release non-core acreage, such as P.2218, considerably reducing licence costs going forward. The release of this acreage led to a non-cash impairment charge of £1.6m (2019: £0.2) resulting in a small loss for the period of £0.5m (2019: £2.4 profit). A net profit before tax and non-cash impairment charges was recorded of £0.8 million.

Administrative expenses were £0.3m (2019: £0.4m), which included a non-cash credit in respect of share based payments of £1.4m (2019: £1.1m credit). Underlying administrative expenses, excluding share based payments, were £1.7m (2018: £1.5m).

Parkmead's total assets at 30 June 2020 increased to £89.8m (2019: £82.3m). Interest bearing loans receivable were £2.9m (2019: £2.9m). Cash and cash equivalents at year end were £25.7m (2019: £30.7m). The Group's net asset value rose to £71.3m (2019: £68.3m). Parkmead is therefore well positioned to withstand the current market conditions and views the macro environment as an opportunity to capitalise on gas, oil and wider energy opportunities. This positive position is a direct result of proactive portfolio management and a strong focus on capital discipline throughout the year.

Due to Parkmead's ongoing growth opportunities and associated investment programme, the Board is not recommending the payment of a dividend in 2020 (2019: £nil).

Outlook

The outlook for Parkmead is bright, as our experienced team continues to analyse a number of high-growth opportunities to create value for shareholders and strengthen the Group going forward. As we look towards 2021, our strong balance sheet and healthy cash position provide Parkmead with the ability to capitalise on such opportunities.

Total Assets

Robust Energy Outlook into 2021

Global Demand

The onset of the COVID-19 pandemic has seen government restrictions introduced across the world to suppress and delay the virus. The harshest restrictions were introduced in March 2020 and led to dramatic reductions in energy demand as populations spent more time at home and travel was reduced to minimal levels. 2020 has therefore provided an unparalleled and unpredictable year for the global energy industry. As restrictions came into force throughout the world, global oil demand dropped by around 8%, global CO_2 emissions dropped by 7% and energy investment is predicted to fall 18% by the end of 2020. The pandemic has focused the attention of many organisations on building a recovery whilst also addressing the energy transition and emissions reduction.

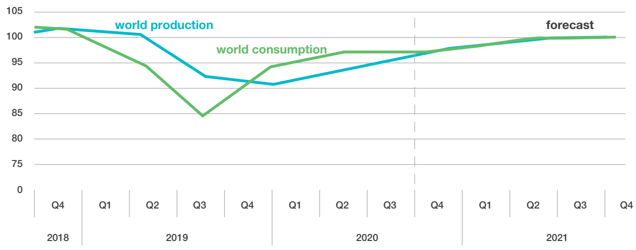
OPEC Cuts

The resulting demand drop led to a global overproduction of oil, with Brent crude spot prices dipping below US$20 per barrel on 21 April 2020. In response, OPEC+ introduced the largest coordinated cut to global oil production on record. The OPEC+ agreement, reached in April, saw members reduce production by 9.7 million barrels per day, implemented from the start of May 2020. This figure represented 10% of pre-pandemic demand. The cuts agreed by OPEC and other major producing nations were the most significant on record and has helped Brent crude prices recover to an average spot price of US$41 per barrel in September 2020. From August to December 2020, the cuts are scaled back to 7.7 million barrels per day and then lowered to 5.8 million barrels per day from January 2021 to April 2022. It is likely however, that if government restrictions to contain the spread of the virus continue, the length of the cuts could be increased further. OPEC+ vigilantly assesses compliance with cuts and remain poised to make amendments if needed, giving further stability to commodity prices in the near-term.

Market Recovery

Despite the current economic environment, the future of oil, gas and the wider energy market is a positive one. The Energy Information Administration (EIA) forecast that the dramatic changes in consumer behaviour we have seen in 2020 will have a limited overall effect on oil demand in the long run and demand will be above pre-pandemic levels as soon as 2023, if not earlier[1]. OPEC have stated in their October 2020 market outlook that they expect a slow but steady recovery to commodity prices in 2021, assuming an uptick in demand as large oil-consuming economies emerge from lockdown.

World liquid fuels production and consumption balance million barrels per day[1]



Shortfalls in oil and gas investment through 2020 also pave the way for potential supply issues in coming years. Predictions are for a tightening in oil markets as soon as 2024, driven by a strong global recovery. Global gas demand is also forecast to grow throughout the next two decades with significant investment required to increase supply, particularly on the UKCS.

Global energy markets are already adapting to the realities of the COVID-19 pandemic and the energy transition. Investment in new technologies and reduced costs will allow operations to continue in the short-term whilst giving organisations a better chance of thriving once energy demand has recovered. The highly-skilled industry is adept at managing risk, uncertainty and societal changes, and this will be important in the years ahead.

The Future of the UKCS

In the UK, we are seeing a transitioning energy mix in order to support net zero ambitions by 2050. The cross-government Committee on Climate Change recognise that oil and gas demand will still be in excess of 400 million barrels of oil equivalent per day, or 60% of energy generated, in 2050 therefore remaining a significant energy source. Even in rapidly transitioning economies like the UK, natural declines in existing production create the need for new upstream projects to be brought on-stream, which present opportunities for exploration and production companies to maximise their technical expertise in extracting proven resources from the mature UKCS basin.

The UK oil and gas sector has a highly-skilled workforce with an abundance of transferrable abilities which lend itself to the energy transition. Independent energy companies have the opportunity to lead the way on this. A vital part of the years ahead will be ensuring independents maximise their operational efficiency and continue to partner with like-minded organisations. This will allow them to play an important part in the energy transition. The UK is a global leader in new technologies which could shape the E&P industry going forward. As carbon capture, utilisation and storage (CCUS) technology progresses it has the ability to reduce net carbon intensities. Similarly, 50% of oil and gas companies said in a recent survey that the implementation of carbon reduction strategies would leverage organic investment including collaborations between academia and start-ups[2]. As global markets recover, well positioned organisations will have the opportunity to capitalise on a more technologically advanced and efficiently managed energy sector.

Natural Gas – The Transition Fuel

Current UK Government forecasts suggest that gas will remain a vital part of the UK's energy mix as we move towards a net zero economy. Domestic natural gas production has a much lower carbon intensity compared with imported liquefied natural gas (LNG). The process of liquefaction, combined with the emissions produced by the transportation and regasification once in the UK, mean that imported LNG has a considerably higher emission intensity than domestic European production.[3]

In 2019, the UKCS supplied 46% of UK gas consumption with imported LNG supplying 21%, and the remaining 33% was imported via pipeline from continental Europe. The UK Oil and Gas Authority predict that while gas demand will remain very strong, UK domestic gas production will fall from 35bcm in 2019 to 16bcm in 2035. In order to minimise the reliance on energy intensive hydrocarbon imports, continued investment in the UK's natural gas resources and infrastructure will be critical. Gas, with its lower carbon credentials and hydrogen potential, is likely to be a major transition fuel in the move towards cleaner energy. Maximising the recoverable gas reserves in the UK and Europe will therefore be of critical importance.

[1] EIA, *Short Term Energy Outlook*. Nov 2020.
[2] Deloitte, *Oil, Gas and the Energy Transition: How the oil and gas industry can prepare for a lower carbon future*. Deloitte Research Centre for Energy & Industrials, 2020.
[3] OGA, *Emissions intensity comparison of UKCS gas production and imported LNG pipeline gas*. May 2020.

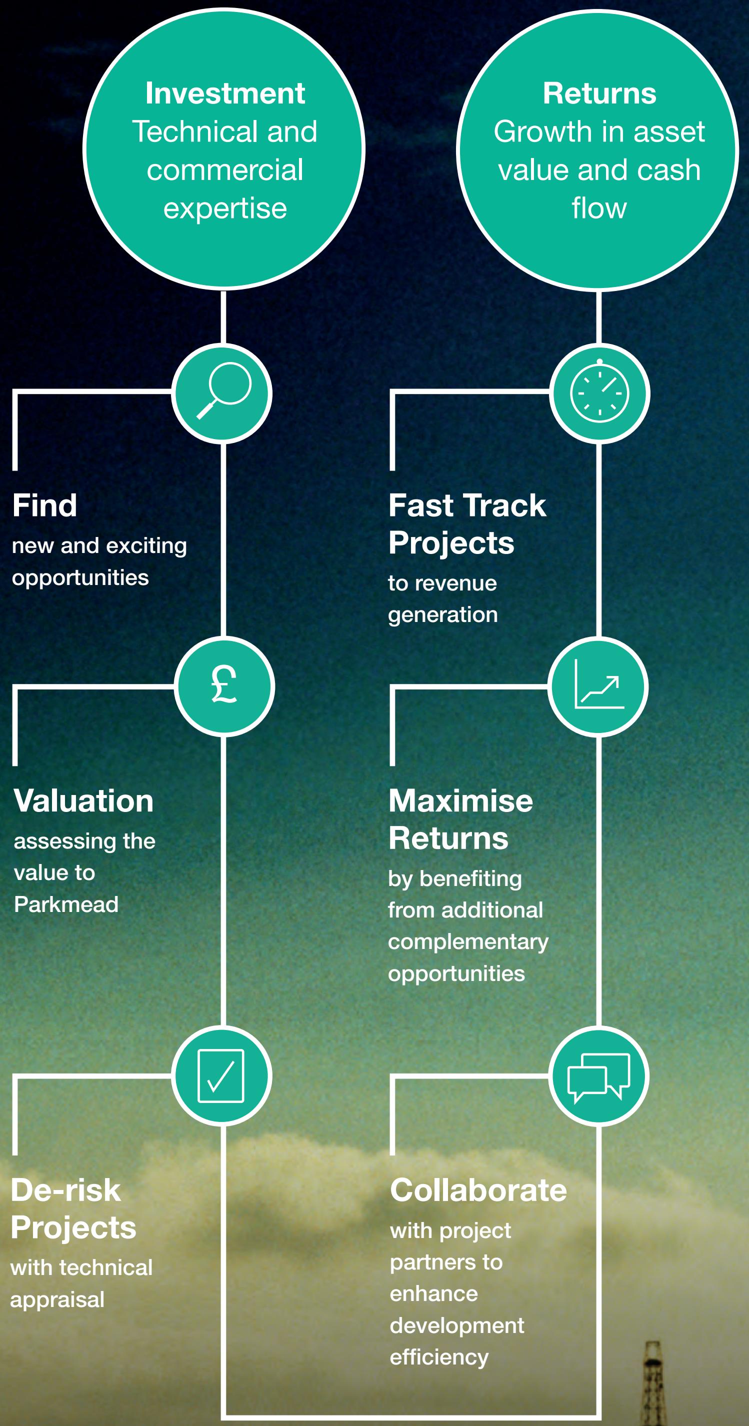
Analysing Energy: Defining Opportunity

How the Parkmead Group Evaluates New Opportunities

Parkmead is a dynamic, ambitious group with a longstanding and excellent network across the energy sector. Our team regularly identifies new and potentially value-adding opportunities that could enhance and grow Parkmead.

These opportunities are rigorously evaluated to ascertain their technical and commercial attractiveness. The selected, high quality opportunities are then progressed with the Group's expertise in collaboration and appraisal.

In this way we protect the core strengths of our existing business and focus Parkmead's skill and expertise on only the highest calibre, lower risk opportunities, always prioritising the delivery of shareholder value.



We are Energy Experts

Parkmead's early commitment to building a balanced energy business has pre-empted the recent energy transition acceleration, positioning the Company well in this new investment arena.

The four elements of our business have energy at their core and our collaborative approach allows us to draw on a broad reservoir of experience across the Group when appraising projects.

In the past year this approach has delivered significant progress, achieving important milestones in key areas and guiding our continuous review of opportunities towards revenue-generating growth.

Netherlands Gas

Onshore gas production from 4 separate fields

UK Oil & Gas

Valuable exploration and development projects

Benchmarking & Economics

34 years of experience advising major companies and governments

Future Opportunities

Wider energy, utilising Parkmead's scientific and commercial expertise

Parkmead's Energy Transition

The future of energy is changing and Parkmead's early commitment to renewable energy demonstrates our understanding of the energy transition that is taking place.

The acquisition of Pitreadie provides Parkmead with access to a number of renewable energy opportunities which are a natural expansion of the Group's energy operations and continues to balance our asset portfolio.

An important site in our renewable energy portfolio is located 15 miles west of Aberdeen and has proven wind energy potential, with average recorded wind speeds of 7-10m/s. The potential of this site is also underlined by the adjacent 75 megawatt (MW) capacity Mid Hill Wind Farm which contains 33 Siemens turbines. Parkmead continues to conduct detailed analysis to ensure we realise the full renewable energy potential of the land acquired as part of the Pitreadie acquisition.

The push towards renewable energy investment has never been greater. The UK Government and devolved administrations have all committed to reaching net zero targets within the next 30 years. Notwithstanding this, the past 10 years have seen the UK's greenhouse gas emissions fall by almost a third, more than any other leading economy, predominantly due to record growth in power generation from renewable sources.

In latest UK Government statistics, renewable energy sources accounted for 44.6% of the UK's total primary electricity generation in Q2 2020, up from 35.6% in Q2 2019. The share of renewable energy consumption in the first half of 2020 was the highest on record. Total renewable energy capacity is also expected to increase 6% year-on-year throughout the next decade.[1]

Operational efficiency and reduced capital costs of projects have meant that a growing number of renewable energy projects can now operate on a subsidy-free basis. This, coupled with recent commodity price volatility, is likely to increase renewable energy investment further.

[1] BEIS, Energy Trends, June 2020

[2] Q1 2020

Member of Vision 2035 campaign led by Oil and Gas UK

45% – Renewables share of UK electricity generation[2]

High-grading of renewables portfolio underway

Maximising Future Value

Significant Remaining Potential

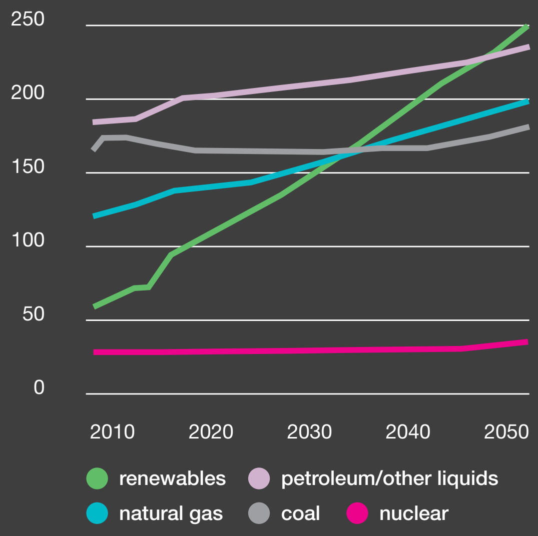
The UK's remaining hydrocarbon reserves continue to be significant, with the OGA's 2020 estimate of proven and probable (2P) UK reserves of 5.2 billion barrels of oil equivalent (boe) at January 2020. There is an estimated additional 7.4 billion boe of undeveloped oil and gas resources across the UKCS, and maximising the recovery of these presents substantial opportunities for investment and for the wider benefit of the UK. Forecasts show that oil and gas will remain a vital part of the energy mix in the coming decades, and can work in conjunction with the energy transition, not against it.

A Balanced Portfolio for Growth

Parkmead has an important part to play in the UK's oil and gas energy mix going forward, with major projects in the Central North Sea including the Greater Perth Area and Skerryvore, and in the Southern North Sea with Platypus and Blackadder. Parkmead also holds high-impact exploration blocks in the West of Shetland area which includes three large prospects named Davaar, Sanda North and Sanda South.

All of Parkmead's licence interests are strategic to creating and maximising future value. Our team's technical expertise and commercial proficiency will continue to drive the value curve of each of these assets.

Global primary energy consumption by energy source (2010-2050)
quadrillion British thermal units



Source: U.S. EIA

> “Parkmead’s commercial proficiency and technical expertise will continue to drive the value curve of all our energy assets”

① Greater Perth Area (GPA)

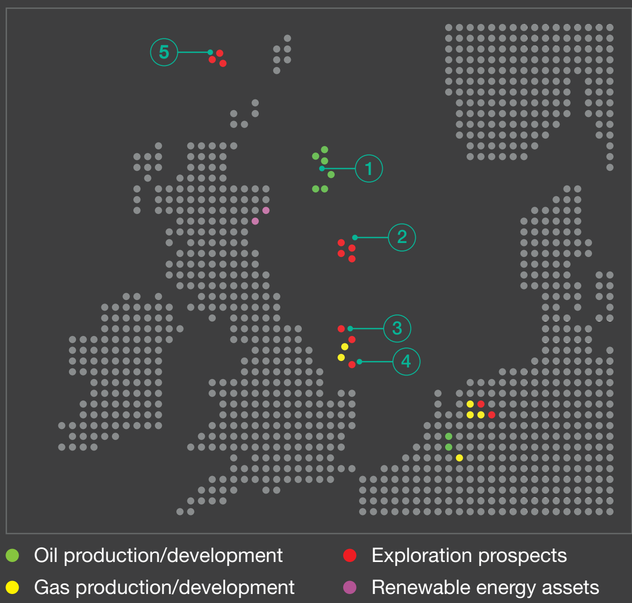
This is one of the North Sea’s largest undeveloped oil projects with three core fields that have been fully appraised. 13 wells have been drilled with an estimated 400 million barrels of oil-in-place. Parkmead is in discussions with operators in the vicinity of the GPA as well as internationally-renowned service companies in order to progress the development and unlock the large potential value that this project holds.

② Skerryvore

Skerryvore sits in a highly prospective area of the Central North Sea, with stacked potential in three reservoirs; at the Mey Sandstone Member and the Ekofisk and Tor formations. The Mey is analogous to the neighbouring Talbot discovery where appraisal drilling is planned for 2021. The prospects have an estimated 157 million barrels of recoverable oil equivalent on a P50 basis. Additional prospectivity is found in the Jurassic and Triassic underneath Skerryvore, similar to the recent Isabella discovery, operated by Total. Parkmead is currently reprocessing 507sq km of 3D seismic to further improve seismic image quality and further refine resource estimates.

③ Platypus

Containing 2P reserves of 106bcf, the Platypus development is projected to reach FID in 2021, with first gas potentially less than two years after. It is an important project for Parkmead as it will provide substantial upside to the group’s net production in coming years. We have two JV partners on this project that are committed to enhancing development efficiency in order to reduce upfront CAPEX and increase overall commercial viability, even at low gas prices. There is also significant potential upside from the 50 bcf, low-risk Platypus East prospect.



④ Blackadder

Located in the prolific Southern Gas Basin, the Blackadder gas prospect is estimated to contain 107bcf of recoverable resources. Parkmead is currently undertaking studies across the licence to better understand reservoir effectiveness. Further upside can be achieved on the licence with the addition of the Teviot discovery located on the south-east of the licence.

⑤ West of Shetland

Parkmead holds a 100% interest in both the P.2296 and P.2406 licences which contain three large prospects Davaar, Sanda North and Sanda South. These prospects all target the Paleocence Vaila Formation. This is the same formation that provides the reservoir for the nearby Foinaven, Schiehallion, Laggan and Tormore fields. P50 prospective resources are 307mmbbls in the combined Sanda prospects and 225mmbbls in the Davaar prospect. There is potential for the three anomalies to be one combined field, giving a resource potential of up to 1.1 billion barrels.

Natural Gas - The Transition Fuel

With its lower carbon credentials, gas is widely seen as the primary transition fuel for the years ahead as the economy targets a net zero future. Gas is used as a major source in the generation of electricity and therefore powers the electric vehicles (EVs) of tomorrow.

Gas is also extremely important in the large scale production of hydrogen which is widely recognised as a transformational clean fuel for the future.

Parkmead identified gas as a major growth market in 2011 and acquired its Netherlands gas portfolio a year later. The acquisition has been a tremendous success for Parkmead and the Group has increased gas production almost tenfold since 2014. The Diever West gas field plays a key role in this portfolio. It was discovered in 2014 and brought on-stream in just 14 months. Today it provides an important source of revenue generation to Parkmead. Gas from Diever West travels through a purpose-built pipeline to the Garijp processing facility. From here it is purchased by energy suppliers and travels into the Dutch gas network, ready for use by businesses and homes.

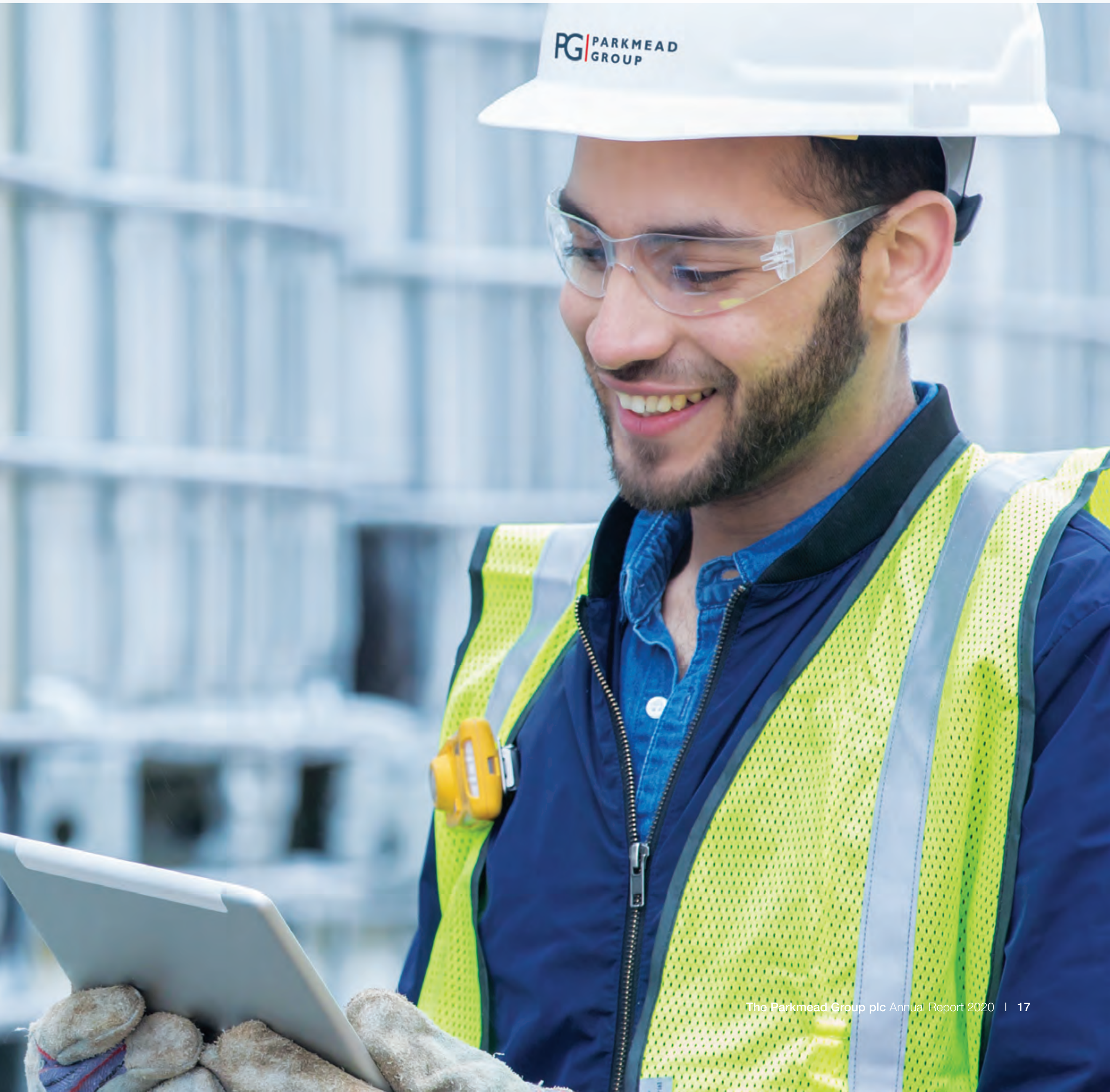
Plan to maximise natural gas production in the Netherlands

- Low-risk Boergrup, Leemdjik and De Bree drilling
- New seismic reprocessing around Diever West
- Development study and modelling of our Ottoland discovery
- Concept selection studies at Papekop
- New infill well at Geesbrug to increase production

Positive cash flow despite record low gas prices

US$9.9/boe average field operating costs

100% gas producer since 2016



Natural Gas and Oil Assets

LICENCE	BLOCK DESIGNATION	FIELD / DISCOVERY	PROSPECT / OPPORTUNITY	OPERATOR	PARKMEAD EQUITY %	CO-VENTURER(S)
UK CENTRAL NORTH SEA OFFSHORE						
P. 218	15/21e North Area 15/21a South Area	Perth Dolphin/Sigma		Parkmead Parkmead	100.00 100.00	
P. 588	15/21c	Perth		Parkmead	100.00	
	15/21b	Residual		Parkmead	100.00	
P. 1293	14/18b	Athena		Ithaca	30.00	Ithaca 40%, Jersey 15%, NEO Energy 15%
P. 2154	14/25a	Perth		Parkmead	100.00	
P. 2362	14/20f	Lowlander		Parkmead	100.00	
P. 2400	30/12c, 13c, 17h & 18c		Skerryvore	Parkmead	30.00	Zennor 30%, Serica 20%, CalEnergy 20%
P. 2402	30/19c		Ruvaal	Parkmead	30.00	Zennor 30%, Serica 20%, CalEnergy 20%
UK SOUTHERN NORTH SEA OFFSHORE						
P. 1242	48/1a, 47/5b	Platypus	Platypus East	Dana	15.00	Dana 59%, CalEnergy 15%, Zennor Petroleum 11%
P. 2435	47/10d & 48/6c		Blackadder	Parkmead	75.00	Deltic 25%
UK WEST OF SCOTLAND OFFSHORE						
P. 2296	205/13		Sanda N/S	Parkmead	100.00	
P. 2406	205/12		Davaar	Parkmead	100.00	
NETHERLANDS ONSHORE						
Andel Va		Brakel, Ottoland, Wijk en Aalburg		Vermilion	15.00	Vermilion 45%, EBN 40%
Andel Vb		Kerkwijk		Vermilion	7.50	Vermilion 22.5%, EBN 40%, NAM 30%
Drenthe IV		Grolloo		Vermilion	15.00	Vermilion 45%, EBN 40%
Drenthe V		Geesbrug		Vermilion	15.00	Vermilion 45%, EBN 40%
Drenthe VI		Diever West		Vermilion	7.50	Vermilion 52.5%, EBN 40%
Papekop		Papekop		Vermilion	15.00	Vermilion 45%, EBN 40%

Renewable Energy Assets

NAME	LOCATION	ENERGY TYPE	PARKMEAD EQUITY %
Pitreadie Site 1	Aberdeenshire	Wind	100%
Pitreadie Site 2	Aberdeenshire	Solar PV	100%

Board

Thomas Cross

Executive Chairman

Tom founded The Parkmead Group as an upstream energy business in 2010, by restructuring the company from its previous technology focus. He is a Chartered Director and Petroleum Engineer with extensive energy sector experience, spanning projects in more than 20 countries. Tom was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Prior to Dana, he held senior positions with Conoco, Thomson North Sea, Louisiana Land & Exploration, and he was Director of Engineering at the UK Petroleum Science and Technology Institute. Tom is a former Chairman of BRINDEX, the Association of British Independent Oil Companies, a former adviser to the BBC on energy affairs and a Fellow of the Institute of Directors.

Ryan Stroulger

Finance Director

Ryan Stroulger has been a key member of The Parkmead Group management team since its foundation as an energy business in 2010. He served as Commercial Director of the Group before becoming Finance Director. Ryan has been responsible for identifying and driving forward numerous asset and corporate opportunities, such as the acquisitions of DEO Petroleum plc and Lochard Energy Group PLC. He is also responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. He is a member of the UK's Institute of Directors (IoD) and was awarded the Corporate Finance Qualification by the Institute of Chartered Accountants in England and Wales (ICAEW). Ryan also holds a Master's degree in Petroleum Geoscience from the University of London.

Philip Dayer

Non-Executive Director

Philip has over 40 years of corporate finance, public company and stock market experience. He has worked with a number of prominent City institutions and advised a wide range of public companies including UK and international groups active in the oil and gas sector. Philip qualified as a Chartered Accountant and went on to gain extensive experience as Director of Head of Corporate Finance with Barclays de Zoete, Citigroup Scrimgeour Vickers, ANZ Grindlays and Société Générale. Latterly, while focusing on the energy sector, Philip was Director of Corporate Finance at Old Mutual Securities and Executive Director at Hoare Govett Limited. Philip was a non-executive director of Dana Petroleum plc from 2006 through to its successful sale in 2010.

Colin MacLaren

Non-Executive Director

Colin has over 37 years of experience in commercial law and joined the Parkmead Board of Directors in May 2020 as a Non-Executive Director. His most recent role was as a Partner at Brodies LLP, a top 50 UK law firm and one of the largest in Scotland. Colin brings a wealth of experience to the Parkmead Board of Directors. His extensive legal and commercial knowledge, including across the land and property arena, will be valuable to Parkmead as we grow our portfolio beyond the oil and gas sector to include onshore renewable energies. Colin holds an LLB law degree from the University of Aberdeen.

Strategic Report

Business review and future activities

The Parkmead Group plc is an independent oil and gas, exploration and production company listed on the London Stock Exchange (AIM: PMG). At 30th June 2020, The Group produces from four gas fields in the Netherlands and holds interests in a total of 24 exploration and production blocks. Parkmead has significant oil and gas development opportunities across the UK and Netherlands, including the Greater Perth Area development located in the Central North Sea and Platypus gas project in the Southern North Sea. The Group also holds interests in a number of exploration prospects alongside leading international partners. Within Parkmead's portfolio are a number of renewable energy opportunities. Parkmead is headquartered in Aberdeen, Scotland.

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 30 June 2020, the position of the Group at the end of the year and any risks facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chairman's Statement and the Strategic Report.

Principal risks and mitigation

The Group actively monitors and manages the risks relating to its operations.

There is no guarantee that the Group's exploration activities will be successful and statistically relatively few exploration properties are ultimately developed into producing hydrocarbon fields.

Accordingly, the Group is seeking to balance this risk by building a portfolio of assets that carry a range of differing technical and commercial risks.

Other uncertainties include variable reservoir performance and cost overruns on exploration, development and production projects.

Accordingly, the Group manages its non-operated production through joint ventures with appropriate planning, budgetary monitoring and asset management.

The development of the Group's properties will depend upon the Group's ability to obtain financing through the joint venture of projects, debt financing, farm downs or other means. There is no assurance that the Group will be successful in obtaining the required financing or attracting farm-in partners in the medium term. If the Group is unable to obtain additional financing as needed or attract suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

To mitigate this risk, the Group has established a strong net asset base.

The market price of hydrocarbon products is volatile and if the price of hydrocarbon products drops significantly, or the fiscal regime experiences materially adverse changes, the economic prospects of the projects in which the Group has an interest may be significantly reduced or rendered uneconomic.

At all times the Board actively manages its committed expenditure, including short-term working capital and cash flow requirements to sustain the Group through periods of reduced hydrocarbon prices.

The Group has exposure to US Dollar to Sterling and Euro to Sterling exchange risk, due to significant portions of its revenues being denominated in US Dollars and Euros, which are subject to currency exchange fluctuations. The Group mitigates this risk by minimising currency exchange and holding reserves of Dollars and Euros to use in the Group's continued investment programme.

The United Kingdom's vote to leave the European Union has resulted in uncertainty in future trading arrangements between the UK and the rest of the world. Whilst the longer term political and economic effects of these events are as yet unclear, weaker sterling following the referendum has so far had a positive effect on the Group's reported sales and earnings. At this stage these events are not expected to impact significantly on the Group's existing operations and investments. However, the Board will continue to actively monitor and manage the risks relating to this economic uncertainty.

Key Performance Indicators (KPIs)

The Group's key focus is on executing value-adding acquisitions combined with organic growth to increase the value of the Group. The Group tracks year-on year performance measures and is targeting value-adding growth in total assets and net assets, as financial KPIs, as well as maintaining a high level of 2P reserves, a non-financial KPI. These are deemed to be the most relevant key performance indicators to report at the year-end due to the cyclicality of commodity pricing and the growth stage of Parkmead. Total assets increased during the year to £89.8m (2019: £82.3m). Net assets increased during the year to £71.2m (2019: £68.3m). 2P reserves at 30 September 2020 were 45.7 million barrels of oil equivalent (46.0 million barrels of oil equivalent at 30 September 2019). Reserves naturally decline when hydrocarbons are produced and sold throughout the year, and the reduction in reserves is a direct result of the Group's produced gas volumes. As a non-operating partner in producing assets, other non-financial KPIs, such as pipeline performance and operational efficiency, are not fully within the Group's control and therefore are not the most appropriate non-financial KPIs. Further discussion of the year-on-year performance measures is set out in the Chairman's Statement.

Section 172 Statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172 (1), and form the Directors' statements required under section 414CZA of the Companies Act 2006.

The Directors have acted in a way they consider to be good faith, to be most likely to promote the success of the Group and Company for the benefit of its members as a whole and in doing so have regarded, amongst other matters, to:

a. the likely consequences of any decision in the long term;

The Group has a strong Board with significant energy, finance and commercial expertise. The Board meet regularly to consider and discuss the long term goals of the Group and the impact decisions will have on these long term goals and relevant stakeholders.

It also reviews strategy, financial and operational performance to ensure considered and informed decisions in the best interest of the Group and its shareholders. Information is provided to the Board through reports sent in advance of each Board meeting and through in-person presentations.

During the year, the Group has liaised with its joint venture partners as we work towards sanctioning of the Platypus gas project, Southern North Sea. An extension to the licence was obtained from the OGA due to the impact of the COVID-19 pandemic in 2020.

The Group continues to work with its partners in the Netherlands to ensure we maximise the potential of all our onshore gas assets. Any expenditure related to these fields is carefully evaluated. These assets provide the Group with important cash flows in order to invest in other projects, further adding value to our well-balanced portfolio.

Long term objectives involve diversification of the Group's energy interests and the acquisition of Pitreadie Farm Limited demonstrated this commitment as the Group looks to balance Parkmead's portfolio. The Group and its management team recognise the UK government's net zero objectives and our diversified asset base looks to ensure Parkmead is well positioned for this transition.

The Group will continue to build and operate a well-balanced energy portfolio which includes gas, oil, renewable energies and energy economics benchmarking.

b. the interests of the Company's employees;

The Group is made up of a parent company, The Parkmead Group plc, and has three subsidiaries; Aupec Ltd, Parkmead E&P Ltd and Pitreadie Farm Limited. Senior management of all subsidiaries meet with The Parkmead Group plc Board of Directors on a regular basis to ensure targets are met and the Group's objectives are aligned.

The Group employs 18 members of staff where all senior management and Board have an 'open door' policy to promote employee engagement and interaction.

Meetings are held with the workforce and senior management where key business issues are discussed and employees are updated on the Group's development. Ad hoc meetings and discussions are also held for training and other purposes such as cyber-security awareness.

Parkmead encourages the professional development of all staff and, in particular, young professionals in the workforce. Staff are supported should they wish to join industry bodies and societies which align with the Group's objectives and ethos.

Home working has been implemented for all employees following the introduction of COVID-19 lockdown restrictions this year.

c. the need to foster the Company's business relationships with suppliers, customers and others;

Members of the senior management team and the Board meet with key stakeholders to enhance relationships and understand their views. The Group upholds high standards of business ethics in its relationships with all stakeholders.

Senior management meet with joint venture partners on a bi-annual basis to ensure projects are kept to budget and are on target to meet specific work programme deadlines.

d. the impact of the Company's operations on the community and the environment;

The Parkmead Group plc is committed to care of the community and environment in which it operates. The Group is aligned with the UK Government's net zero and energy transition goals. Not only is all applicable legislation complied with, the Group strives beyond this and aims to be one of the first independent, publicly listed E&Ps with renewable energy investments.

e. the desirability of the Company maintaining a reputation for high standards of business conduct;

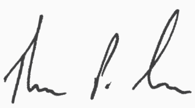
The Group's intention is to behave responsibly and ensure that senior management operate the business in a responsible manner, with the high standards of business conduct and good governance expected.

The UK in general, and UK offshore sector in particular, are highly regulated business environments and the UK is widely considered to be one of the most transparent and well regulated E&P industries globally. Within this highly regulated environment the Board oversees a company that is subject to a considerable level of scrutiny and oversight by its shareholders and other relevant stakeholders.

f. the need to act fairly as between members of the Company;

The Board openly engages with our stakeholders, as we recognise the importance of a continuing effective dialogue, whether it be with institutional or private investors, as well as employees. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, with feedback heard and careful consideration of any issues or questions.

Approved by the Board of Directors and signed on behalf of the Board



Thomas Cross
Director
19 November 2020

Directors' Report

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2020.

General information

The Parkmead Group plc is a public limited company incorporated and domiciled in the UK and is listed on the AIM, part of the London Stock Exchange (PMG). The Company's registered number is 03914068.

Results and dividends

The Group loss for the financial year after taxation amounted to £0.5 million (2019: £2.4 million profit). The Directors do not recommend the payment of a final dividend (2019: £nil).

Future developments

The future developments and events since the end of year are set out in the Chairman's Statement and Strategic Report.

Directors and their interests

The Directors of the Company during the period were as follows:

T P Cross	
R A Stroulger	
P J Dayer	
C J MacLaren	Appointed 1 May 2020
D I Rawlinson	Retired 30 April 2020
C J Percival	Retired 15 November 2019

Biographical details of all the current Directors, who make up the "Board" of the Company, as at the date of signing these financial statements, can be found on page 19. Details of all Directors' emoluments can be found in Note 8 to the financial statements.

Directors' indemnity

The Company provides, subject to the provisions of UK legislation, an indemnity for Directors and Officers against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties or in relation thereto including any liability incurred by them in defending any civil or criminal proceedings, which relate to anything done or omitted or alleged to have been done or omitted by them as an Officer or employee of the Company and in which judgement is given in their favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on their part) or in which they are acquitted, or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to them by the Court.

Appropriate Directors' and Officers' Liability insurance cover is in place in respect of all the Company's Directors.

Investments

Investments are stated at fair value. Details of disposal of equity investments are set out in Note 17 to these financial statements.

Financial risk management policies

Further details of the Group's financial risk management policies are set out in Note 25 to the financial statements.

Share capital

At 30 June 2020 the total issued ordinary share capital was 108,574,829 shares of 1.5 pence each.

All of the Company's ordinary shares are fully paid up and quoted on AIM. The rights and obligations attaching to the Company's ordinary shares as well as the powers of the Company's Directors are set out in the Company's Articles of Association, copies of which can be obtained from the Company website (www.parkmeadgroup.com), Companies House, or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to or the transfer of the Company's issued ordinary shares.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights. The Company's articles of association may be amended by special resolution of the Company's shareholders.

Significant shareholdings

The Company has been advised of the following significant shareholdings as at 31 October 2020:

	No. of ordinary shares held	% of Ordinary Shares
T P Cross & Affiliates	28,201,172	25.9%
Stonehage Fleming Investment Management	8,928,652	8.2%

Accountability and audit

The Board believes that the Annual Report and financial statements play an important part in presenting shareholders with an assessment of the Group's position and prospects, and in particular the Chairman's Statement, which contains a detailed consideration of the Group's financial position and prospects.

Internal control

The Board has decided that at this stage in the Group's development the creation of an internal audit function is not warranted. In reaching this decision the Board has had regard to the internal controls that have been implemented across the Group. These include:

- the establishment of a Board with an appropriate balance of Executive and Non-Executive Directors, which has overall responsibility for decision making across the Group
- the preparation and approval of an annual budget in advance of each financial year and monitoring performance against this at an appropriate level of detail on a timely basis
- establishing clear lines of reporting, responsibility and delegation throughout the Group and documenting this in a clearly defined organisational chart
- ensuring that clearly defined control procedures covering expenditure and authority levels are in place. In particular, the Group requires that all significant expenditure is authorised prior to ordering by at least one Executive Director and that all financial payments are made under dual signature
- undertaking a risk assessment of the Group's activities and monitoring the risks identified

There is an ongoing process for identifying, evaluating and managing risks faced by the Company. These processes were in place during the year.

Going concern

The Directors, after making appropriate enquiries have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's cash and cash equivalents at 30 June 2020 were £25.7 million. Despite ongoing restrictions implemented by the Dutch Government in response to the COVID-19 pandemic, Parkmead's Netherlands production remains uninterrupted. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- that Director has taken all steps a Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Nexia Smith & Williamson have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

Annual general meeting

In light of the UK Government's current guidance on public gatherings, and the new regulations set out in Schedule 14 of the Corporate Insolvency and Governance Act, the Board has concluded that Shareholders will not be permitted to attend the AGM in person this year and this year's AGM will be run as a closed meeting. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2020
- to re-appoint Directors who, in accordance with the articles of association of the Company, have retired by rotation
- approving the re-appointment of Nexia Smith & Williamson as auditors to the Company
- to grant Directors the authority to make market purchases and allot shares on a non pre-emptive basis

Approved by the Board of Directors and signed on behalf of the Board

Ryan Stroulger
Finance Director
19 November 2020

Corporate Governance

The Company is committed to high standards of corporate governance and the Board has ensured that the Company has adopted policies and procedures that the Directors consider appropriate with regard to the Company's size.

In order to fulfil the requirements under AIM Rule 26 the Company has adopted the recommendations of the QCA Corporate Governance Code (the "QCA Code") for small and mid-sized companies from September 2018, to the extent that the board believes is proportional to the size, risks, complexity and operations of the business.

This statement explains the Directors' approach to addressing the key principles of the QCA Code during the year ended 30 June 2020.

Establish a strategy and business model which promotes long-term value for shareholders

The Parkmead Group is a UK and Netherlands focused independent energy group listed on the AIM Market of the London Stock Exchange (AIM: PMG). The Group currently produces gas from a portfolio of four fields across the Netherlands and holds oil and gas interests spanning a number of exploration and production blocks. The group has access to renewable energy opportunities within its portfolio.

The Company's strategy is to build an independent energy group of considerable scale, with assets in proven and frontier areas, through innovative commercial transactions in order to maximise shareholder value. Parkmead has made substantial progress to date in line with this strategy, completing eight acquisitions at both asset and corporate level.

The Group's risks and risk mitigation strategy are explained in detail within the Strategic Report section in the Annual Report each financial year, available on the Parkmead website.

Seek to understand and meet shareholder needs and expectations

The Company communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Directors are available at the Annual General Meeting where shareholders can ask questions or present their views. Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. In accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.parkmeadgroup.com) where the Annual Report and financial statements can be accessed. The following information is also located on the website:

- copies of regulatory announcements
- announcements made to relevant industry media
- Directors' biographies
- information relating to the Group's services
- details of the Group's investments
- significant shareholders

All queries raised by shareholders are dealt with by an appropriate senior member of the management team, depending on the nature of the enquiry.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company recognises that good relations with a range of different stakeholder groups is important for long-term success. These stakeholder groups include internal stakeholders, such as employees, and external stakeholders, such as government regulators and shareholders. The Company dedicates time to understanding and acting on the needs and requirements of each of these groups via meetings dedicated to obtaining feedback.

The Company has a formal Health, Safety and Environmental Policy which requires all operations within the Group to pursue economic development whilst protecting the environment. The Directors aim not to damage the environment of the areas in which the Group operates, to meet all relevant regulatory and legislative requirements and to apply responsible standards of its own where relevant laws and regulations do not exist.

It is the policy of the Group to consider the health and welfare of employees by maintaining a safe place and system of work as required by legislation in each of the countries where the Group operates.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group's risks and risk mitigation strategy are explained in detail within the Strategic Report section in the Annual Report each financial year, available on the Parkmead website.

The Board considers risks relating to the business at every Board meeting (at least four meetings a year). The Company formally reviews and documents the principal risks relating to the business at least annually.

The Board are responsible for reviewing and evaluating risk and the Executive Directors meet regularly to review ongoing trading performance, discuss budgets and forecasts and risks relating to the business. The Board's risk management policy and internal controls are considered appropriate for a Company of its size and business activities.

Maintain the Board as a well-functioning, balanced team led by the chair

The Board, which is set up to control the Company and Group, meets formally at least four times a year and in the year under review met on five occasions with all members present.

As at the year end the Board was composed of two Executive and two Non-Executive Directors. The Board considers its composition appropriate given the size of the company, its revenues and profitability. The Non-Executive Directors are considered by the Board to be independent in character and judgement, notwithstanding the fact that they have shares in the Company, taking into account their detailed experience and long standing knowledge of the energy sector and personal contribution through the exercise of their skills and experience.

Each Board member receives the latest financial and management information, which consists of:

- management accounts setting out actual costs and revenues against budgeted costs and revenues
- cash collections and forecasts
- a statement of profit or loss compared with budget
- a statement of financial position including net assets per share

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the day-to-day management of the business.

All appointments to the Board are discussed at a full board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

All Directors are subject to re-appointment every three years in accordance with the Company's Articles of Association. Any Director appointed by the Board during the year must stand for re-appointment at the next Annual General Meeting.

The Board has two committees; the Audit Committee and the Remuneration Committee. Further details on these committees are provided in the following principle "Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board".

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Biographical details of all the current Directors can be found on page 19. These demonstrate a range of experience and sufficient calibre to bring independent judgement on the issues of strategy, performance, resources and standards of conduct, which are vital to the continuing success of the Group.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary will ensure that the Directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In an effort to strive for continual improvement in the effectiveness of the Board, its committees, and the individual Board members, the Company operates an evaluation process.

There has been no formal evaluation completed in the year, however this will be considered next year.

Promote a corporate culture that is based on ethical values and behaviours

The Board believes that a corporate culture based on sound values and behaviours is helpful to maximise shareholder value. The Company maintains and reviews guidance on what is expected of every employee of the company.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board currently comprises two Executive and two Non-Executive Directors. The Board considers its composition appropriate given the size of the Company, its revenues and profitability.

The key Board roles are the Executive Chairman and the Non-Executive Directors.

Executive Chairman

Responsible for the delivery of the business model within the strategy set by the Board. Works with the other Executive Directors and two Non-Executive Directors in a transparent way. Keeps the Board up-to-date with operational performance, risks and other issues to ensure that the Company remains aligned with the Group's strategy.

Non-Executive Directors

The primary responsibility of the Non-Executive Directors is to ensure that the strategies proposed by the Executive Directors are fully considered. The Non-Executive Directors are also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, with regular reviews of the company's strategy and its overall implementation.

The Board has two committees; the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee meets at least twice a year and consists of P J Dayer, the Committee Chairman, C J MacLaren and T P Cross. R A Stroulger attends by invitation. D I Rawlinson retired from the Audit Committee and Board on 30 April 2020 and was replaced by C J MacLaren on 1 May 2020. In the year ended 30 June 2020 the Audit Committee met on two occasions, with all members present.

During the year the Audit Committee completed their duties set out below including planning of the audit, reviewing the draft financial statements, reviewing results of the audit, independence of auditors and changes in accounting standards in the year.

The duties of the Audit Committee include:

- review of the scope and the results of the audit
- assessment of the cost effectiveness of the audit
- monitoring the independence and objectivity of the Auditors
- review and assessment of current updates of changes in accounting standards and their likely impact on the Group's financial statements
- review and assessment of the internal controls of the Company
- assessment of the competencies of the financial human resources available to the Company

The Chairman of the Audit Committee has recent and relevant financial experience. The Audit Committee advises the Board on the appointment, re-appointment or removal of the external Auditors and on their remuneration. The Audit Committee discusses the nature and scope of the audit with the external Auditors and provides a forum for reporting by the Group's external Auditors on any matters it considers appropriate. The Audit Committee consider the Auditors independent.

It is the task of the Audit Committee to ensure that auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work at each Audit Committee meeting.

Remuneration Committee

The Remuneration Committee meets at least once a year and consists of C J MacLaren, the Committee Chairman, P J Dayer and T P Cross. D I Rawlinson retired from the Remuneration Committee and Board on 30 April 2020 and was replaced by C J MacLaren on 1 May 2020. In the year ended 30 June 2020 the Remuneration Committee met once, with all members present.

During the year the Remuneration Committee completed their review of pay and rewards for the Executive Directors including making recommendations in respect of awards of option under the Unapproved Employee Share Option Scheme.

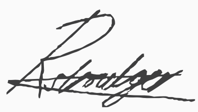
The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so the Committee's aims are:

- to ensure that remuneration packages are sufficient to attract and retain Executive Directors of the requisite calibre
- to ensure that the targets of the Group and its Executive Directors are aligned
- to ensure that the remuneration policies adopted by the Group give consideration to the guidance of the QCA
- to consider, and if thought fit, grant options to Executive Directors and staff under the Group's Option Schemes
- where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee

The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association.

Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

The Company communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. This year's AGM will be run as a closed meeting however the company encourages ongoing dialogue with shareholders so that they can ask questions and present their views. The outcome of resolutions put to the Annual General Meeting are published and available on the Company's website.



Ryan Stroulger
Company Secretary
19 November 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the members of the Parkmead Group PLC

Opinion

We have audited the financial statements of Parkmead Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Group Statement of Profit or Loss, the Group and Company Statements of Profit or Loss and other Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 state of the Group's and of the Company's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs 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 prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter

Impact of COVID-19 and the Group's ability to continue as a going concern (see accounting policy note 2 and the Chairman's statement)

Description of risk

The COVID-19 global pandemic has had a rapid and significant impact on the worldwide economy. The market instability generated by the pandemic is expected to continue for the foreseeable future followed by a longer-term period of economic decline. This may have an impact on the ability of the Group to continue as a going concern.

The Directors are required to disclose how they came to their assessment on the basis of preparation and justify this in their report, including in the accounting policy note.

How the matter was addressed in the audit with respect to that risk

We focused on management's forecast including the Group's current asset position as it represented a key indicator of the liquidity of the Group.

We challenged management's forecasts and models and in evaluating this we:

- Reviewed and challenged management's forecasts for the Group considering post balance sheet cash flows as well as the group's funding positions and requirements;

- Assessed management's assumptions included in the forecasts including macro-economic assumptions and comparing the historical accuracy of management forecasting;
- Reviewed and challenged management's calculations suggesting the Group is able to comply with all loan facility covenants in the 12 months from approval of the financial statements;
- Agreed appropriate sensitivities to the assumptions with management and re-assessed headroom after sensitivity; and
- Reviewed the going concern disclosure ensuring it adequately discusses the potential impact of COVID-19.

Key audit matter

Use of forecast revenue in the discounted cash flow models ("the models") for valuation purposes

Description of risk

The Group has used forecast revenues from its oil and gas activities as one of their key inputs in the models used to assess the carrying value of exploration and evaluation assets, development and production assets, the Company's investment in Parkmead (E&P) Limited and the amount due from that company.

The underlying cash flows from oil and gas revenues used in the models are dependent on the level of reserves, production profiles and capacity, actual production generated, price achieved on sales and the Group's share of the revenue (since there are joint partners). The models are sensitive to any change to these profiles and timing, including how much revenue is recognised by the Group, and can have a material impact on the valuation of the assets which could lead to impairment write downs.

How the matter was addressed in the audit with respect to that risk

We focused on revenue as it represented a significant input in the models used to assess impairments.

We challenged the forecast revenues applied in the models and in evaluating this we:

- Reviewed the future oil and gas revenue inputs to confirm the appropriate proportion and amounts were attributed to the Group and appropriately reflected in the models;
- Reviewed and used third party evidence to assess the reasonableness of future revenues and cash flows in the models;
- Agreed appropriate sensitivity analysis with management on assumptions regarding reserves and production profile;
- Tested the historical accuracy of forecasts by comparing current year actuals to forecasted figures obtained in prior periods; and
- Assessed the carrying value of assets due to the impact of COVID-19 on oil and gas prices.

Key audit matter

Carrying value of evaluation assets within exploration and evaluation ('E&E') assets (See Note 14)

Description of risk

The Group has significant evaluation assets. The Group's assessment of the carrying value of those assets requires significant judgment, in particular regarding future revenue and operating and capital expenditure cash flows, estimated reserves, future commodity prices, discount rates, rates of recovery and sensitivity assumptions.

How the matter was addressed in the audit with respect to that risk

We focused on this area as it involves complex and subjective judgments about the future results of the business.

We challenged the assumptions and inputs used in the models supporting the carrying value of the evaluation assets (see Note 2).

As part of our procedures we:

- Reviewed exploration licences to determine whether terms and conditions in order to comply with the licence conditions have continued to be met in the current year;
- Reviewed outcome of exploration and evaluation activity including referencing to third party reports, assessing the third parties' relevant expertise and competency, and management's assessment of future plans for these assets;
- Reviewed the revenues in the models (see separate Key Audit Matter);
- Reviewed the models used to assess impairment relating to evaluation assets, comparing management's assumptions with reference to historical data and, where applicable, external benchmarks as well as use our internal valuation specialists and third-party evidence;
- Tested the historical accuracy of forecasts by comparing the current year actuals to forecasted figures obtained in prior periods;
- Reviewed management's sensitivity analysis on the key assumptions used in the models; and
- Assessed the carrying value of assets due to the impact of COVID-19 on oil and gas prices.

Key audit matter

Carrying value of development and production ('D&P') assets (see Note 13)

Description of risk

The Group holds significant D&P assets. The Athena oil field was shut-in from January 2016 and some uncertainty remains as to the future viability of this field and restoring production due to the volatility of the oil price.

The Group's assessment of carrying value requires significant judgment, in particular regarding future revenue and operating and capital expenditure cash flows, future commodity prices, discount rates, production volumes and sensitivity assumptions.

How the matter was addressed in the audit with respect to that risk

We focused on this area as it involves complex and subjective judgments about the underlying recoverable value of the D&P assets.

We challenged the assumptions and inputs used in the models supporting the carrying value of the D&P assets (see Note 2).

As part of our procedures we:

- Reviewed the models relating to the D&P assets. The assumptions to which the models were most sensitive were the commodity prices, discount rate, operating and capital expenditure cash flows and production volumes;
- Reviewed the revenues in the models (see separate Key Audit Matter);
- Compared management's assumptions (including commodity prices, discount rate, production volumes and cash flows) to historical data and external benchmarks noting the assumptions used fell within an acceptable range. We also used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied;
- Tested the historical accuracy of forecasts by comparing the current year actuals to forecasted figures obtained in prior periods; and
- Assessed the carrying value of assets due to the impact of COVID-19 on oil and gas prices.

Key audit matter

Carrying value of decommissioning provisions (see Note 23)

Description of risk

The Group has significant provisions for decommissioning costs in relation to its oil and gas production assets.

The carrying value of the provision is subject to a significant level of estimation which includes the expected economic life of the field, inflation rates, discount rates and future costs to be paid to decommission the oil or gas field.

How the matter was addressed in the audit with respect to that risk

We focused on this area as it involves complex and subjective judgments about the future decommissioning plans of both the Group and of the Operators of fields in which the Group has a non-operating interest.

We challenged the cost estimates and assumptions used within the decommissioning provision (see Note 2) valuation and evaluated the appropriateness of the discount rates, expected economic life and inflation rates applied.

As part of our procedures we:

- Reviewed the obligations relating to decommissioning costs, the estimated costs underlying the provision and the expected economic life of the relevant assets; and
- Compared movements in the provisions to third party evidence, and assessed appropriateness of the third parties' expertise.
- Third party evidence was used to assess the appropriateness of the costs estimated and assumptions used by management.

Key audit matter

Carrying value of the Company's investment in subsidiaries and receivables due from group companies (See Note 15 and Note 19)

Description of risk

The Company has significant balances relating to investments in subsidiaries and receivables due from group companies.

The investments are largely represented by the ownership of Parkmead (E&P) Limited and amounts owed by that company. The carrying value of the investment in and receivables due from that company is underpinned by the future financial viability of that company.

How the matter was addressed in the audit with respect to that risk

We reviewed management's assessment of impairment of investment in subsidiaries and the recoverability of receivables due from group companies. We challenged the assumptions used in the models for assessing impairment.

As part of our procedures we:

- Reviewed the assumptions included in the models. The assumptions to which the models were most sensitive were the commodity prices, discount rate, operating and capital expenditure cash flows and production volumes;
- Reviewed the revenues in the models (see separate Key Audit Matter);
- Compared management's assumptions to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. We also used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied;
- Assessed the historical accuracy of management's budgets and forecasts, and sought appropriate evidence to substantiate production volumes and costs;
- Reviewed management's sensitivity analysis on the key assumptions used in the models; and
- Challenged the recoverability of inter-company balances within the group and assessed for impairment.

Materiality

The materiality for the Group financial statements as a whole was set at £2,497,000. This has been determined with reference to the benchmark of the Group's assets, which we consider to be an appropriate measure for a Group involved in the exploration and development of oil and gas resources. Materiality represents 2.8% of total assets as presented on the face of the Group Statement of Financial Position.

The materiality for the Company financial statements as a whole was set at £1,623,050. This has been determined with reference to the benchmark of the Company's assets, which we consider to be an appropriate measure as the Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 1.8% of total assets as presented on the face of the Company's Statement of Financial Position.

An overview of the scope of our audit

We subjected all but one of the Group's reporting components to audits for group reporting purposes. Pitreadie Farm Limited was subject to desktop review procedures, however we tested the material balances of Property, plant and Equipment to third party valuations and cash and loans to third party confirmations. We performed full audit procedures on 87% revenue (2019: 100%) and 90% of gross assets (2019: 100%).

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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.

Nexia Smith & Williamson

Nicholas Jacques
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London EC2R 6AY
19 November 2020

Group statement of profit or loss

for the year ended 30 June 2020

Continuing operations	Notes	2020 £'000	2019 £'000
Revenue	3	**4,080**	8,269
Cost of sales		**(2,806)**	(2,524)
Gross profit		**1,274**	5,745
Exploration and evaluation expenses	4	**(1,556)**	(171)
Gain on bargain purchase	16	**362**	–
Administrative expenses	4	**(257)**	(436)
Operating (loss)/profit		**(177)**	5,138
Finance income		**199**	209
Finance costs		**(814)**	(546)
(Loss)/profit before taxation		**(792)**	4,801
Taxation		**310**	(2,385)
(Loss)/profit for the period attributable to the equity holders of the Parent		**(482)**	2,416
(Loss)/earnings per share (pence)			
Basic	6	**(0.45)**	2.44
Diluted		**(0.45)**	2.43

Group and company statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Notes	Group		Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
(Loss)/profit for the year		**(482)**	2,416	**528**	251
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Changes in financial assets at fair value through other comprehensive income	17	**–**	651	**–**	651
		–	651	**–**	651
Income tax relating to components of other comprehensive income		**–**	–	**–**	–
Other comprehensive income for the year, net of tax		**–**	651	**–**	651
Total comprehensive (loss)/income for the year attributable to the equity holders of the Parent		**(482)**	3,067	**528**	902

Group and company statement of financial position

as at 30 June 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current assets					
Property, plant and equipment: development & production	13	**11,979**	11,657	**–**	–
Property, plant and equipment: other	13	**9,411**	165	**436**	154
Goodwill	14	**2,174**	2,174	**–**	–
Exploration and evaluation assets	14	**36,089**	34,052	**–**	–
Investment in subsidiaries and joint ventures	15	**–**	–	**27,443**	23,922
Financial assets at fair value through other comprehensive income	17	**–**	–	**–**	–
Interest bearing loans	18	**2,900**	–	**2,900**	–
Deferred tax assets	11	**3**	3	**–**	–
Total non-current assets		**62,556**	48,051	**30,779**	24,076
Current assets					
Trade and other receivables	19	**1,414**	658	**54,639**	51,093
Interest bearing loans	18	**–**	2,900	**–**	2,900
Inventory		**131**	–	**–**	–
Cash and cash equivalents	20	**25,708**	30,666	**6,963**	11,222
Total current assets		**27,253**	34,224	**61,602**	65,215
Total assets		**89,809**	82,275	**92,381**	89,291
Current liabilities					
Trade and other payables	21	**(4,437)**	(4,560)	**(2,506)**	(3,701)
Current tax liabilities		**–**	(1,563)	**–**	–
Total current liabilities		**(4,437)**	(6,123)	**(2,506)**	(3,701)
Non-current liabilities					
Trade and other payables	21	**(1,372)**	(5)	**(190)**	(5)
Loans	22	**(3,600)**	–	**–**	–
Deferred tax liabilities	11	**(1,404)**	(1,284)	**–**	–
Decommissioning provisions	23	**(7,650)**	(6,607)	**–**	–
Total non-current liabilities		**(14,026)**	(7,896)	**(190)**	(5)
Total liabilities		**(18,463)**	(14,019)	**(2,696)**	(3,706)
Net assets		**71,346**	68,256	**89,685**	85,585
Equity attributable to equity holders					
Called up share capital	26	**19,678**	19,533	**19,678**	19,533
Share premium		**87,805**	87,805	**87,805**	87,805
Merger reserve		**3,376**	–	**3,376**	–
Revaluation reserve		**–**	–	**–**	–
Retained deficit		**(39,513)**	(39,082)	**(21,174)**	(21,753)
Total Equity		**71,346**	68,256	**89,685**	85,585

The profit after tax of the Parent Company for the year was £528,000 (2019: 251,000).

The Parkmead Group plc company number: 03914068. The financial statements on pages 34 to 78 were approved by the Board of Directors on 19 November 2020 and signed on its behalf by:

Thomas Cross
Director

Ryan Stroulger
Director

Group statement of changes in equity

for the year ended 30 June 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 30 June 2018	9,533	87,805		(325)	(42,789)	64,224
Profit for the year	–	–	–	–	2,416	2,416
Changes in financial assets at fair value through other comprehensive income	–	–	–	651	–	651
Total comprehensive income for the year	–	–	–	651	2,416	3,067
Transfer revaluation reserve on disposal of financial assets at fair value through other comprehensive income	–	–	–	(326)	326	–
Gains arising on repayment of employee share based loans	–	–	–	–	941	941
Share-based payments	–	–	–	–	24	24
At 30 June 2019	**19,533**	**87,805**	**–**	**–**	**(39,082)**	**68,256**
Loss for the year	–	–	–	–	(482)	(482)
Total comprehensive loss for the year	–	–	–	–	(482)	(482)
Share capital issued	145	–	3,376	–	–	3,521
Share-based payments	–	–	–	–	51	51
At 30 June 2020	**19,678**	**87,805**	**3,376**	**–**	**(39,513)**	**71,346**

Company statement of changes in equity

for the year ended 30 June 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 30 June 2018	19,533	87,805	–	(325)	(23,295)	83,718
Profit for the year	–	–	–	–	251	251
Changes in financial assets at fair value through other comprehensive income	–	–	–	651	–	651
Total comprehensive income for the year	–	–	–	651	251	902
Transfer revaluation reserve on disposal of financial assets at fair value through other comprehensive income	–	–	–	(326)	326	–
Gains arising on repayment of employee share based loans	–	–	–	–	941	941
Share-based payments	–	–	–	–	24	24
At 30 June 2019	**19,533**	**87,805**	**–**	**–**	**(21,753)**	**85,585**
Profit for the year	–	–	–	–	528	528
Total comprehensive income for the year	–	–	–	–	528	528
Share capital issued	145	–	3,376	–	–	3,521
Share-based payments	–	–	–	–	51	51
At 30 June 2020	**19,678**	**87,805**	**3,376**	**–**	**(21,174)**	**89,685**

Group and company statement of cashflows

for the year ended 30 June 2020

	Notes	Group		Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cashflows from operating activities					
Continuing activities	28	**882**	4,733	**(4,153)**	(6,629)
Taxation paid		**(1,883)**	(1,779)	**–**	–
Net cash (used in)/generated by operating activities		**(1,001)**	2,954	**(4,153)**	(6,629)
Cash flow from investing activities					
Interest received		**163**	239	**86**	150
Acquisition of exploration and evaluation assets		**(3,335)**	(3,744)	**–**	–
Proceeds from sale of financial assets at fair value through other comprehensive income		**–**	6,351	**–**	6,351
Acquisition of property, plant and equipment: development and production		**(34)**	(63)	**–**	–
Disposal of property, plant and equipment: development and production		**–**	211	**–**	–
Acquisition of property, plant and equipment: other		**(416)**	(190)	**(8)**	(184)
Net cash from Pitreadie		**24**	–	**–**	–
Net cash (used in)/generated by investing activities		**(3,598)**	2,804	**78**	6,317
Cash flow from financing activities					
Interest paid		**(113)**	(45)	**–**	–
Lease payments		**(410)**	–	**(187)**	–
Proceeds from loans and borrowings		**–**	941	**–**	941
Net cash (used in)/generated by financing activities		**(523)**	896	**(187)**	941
Net (decrease)/increase in cash and cash equivalents		**(5,122)**	6,654	**(4,262)**	629
Cash and cash equivalents at beginning of year		**30,666**	23,804	**11,222**	10,590
Effect of foreign exchange rate differences		**164**	208	**3**	3
Cash and cash equivalents at end of year		**25,708**	30,666	**6,963**	11,222

Notes to the financial statements

1. Corporate information

The consolidated financial statements of The Parkmead Group PLC ("Company") and its subsidiaries (together the "Group") for the year ended 30 June 2020 were authorised for issue by the Board of Directors on 19 November 2020 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and R A Stroulger. The Company is a public limited company incorporated in England & Wales. The Company's shares are publicly traded on AIM of the London Stock Exchange. The registered office is located at 20 Farringdon Street, 8th Floor, London, England, EC4A 4AB.

2. Accounting policies

Basis of preparation of the financial statements

The consolidated and Company financial information presented in these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS Interpretations Committee (IFRIC) interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS 16 Leases is the new standard applicable and mandatory for the year ended 30 June 2020. The new standard did not have a material impact on the statutory accounts for the year ended 30 June 2020. The right of use assets have been disclosed in Note 13 and the lease liabilities have been disclosed in Note 21 and Note 30.

The Company has taken advantage of the exemption permitted under Section 408 of the Companies Act 2006 and does not present its own statement of profit or loss.

The consolidated and Company financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain fair value adjustments required by those accounting policies.

Going concern

The Directors have made an assessment of the Group and Company ability to continue as a going concern. As at 30 June 2020 the Group had £71.3 million of net assets of which £25.7 million is held in cash, of which £6.1 million is held as restricted cash. As at 30 June 2020 the Company had £89.6 million of net assets of which £7 million is held in cash.

As at 30 June 2019 the Group had £68.3 million of net assets of which £30.7 million is held in cash, of which £5.3 million is held as restricted cash. As at 30 June 2019 the Company had £85.6 million of net assets of which £11.2 million is held in cash.

The Group's production in the Netherlands has been uninterrupted by COVID-19 and the Group and Company employees have utilised technology to work remotely. The Group has prepared a cash flow model to 31 December 2021 and is forecast to have significant cash balances at that date, despite the considerable reduction in gas prices, therefore prepared the accounts on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised as a gain on a bargain purchase directly in the statement of profit or loss.

2. **Accounting policies** (continued)

Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Consideration, including deferred consideration, is measured at fair value on the date of acquisition or disposal. Deferred consideration is re-measured, where appropriate, at each year end date to reflect the anticipated amount due.

Joint arrangements

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's interest in joint operations (e.g. exploration and production arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its share of revenue from the sale of output by the joint operation and its expenses (including its share of any expenses incurred jointly).

A complete list of the Group's Joint Arrangements accounted for as joint operations is provided in Note 33.

Revenue recognition

The Group's principal activity is the production of oil and gas and the provision of services to the oil and gas production and processing industry. Revenue from contracts with customers is recognised when contract performance obligations are met.

Oil and Gas exploration and production

The Group and the Company recognise revenue arising from the sale of oil, natural gas, natural gas liquids, liquefied natural gas, petroleum and chemicals products at a point in time when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue arising from the sale of goods is recognised on delivery or when the title has passed, or has deemed to have been passed to the customer, in accordance with the commercial terms of each contract. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Generally, revenues from the production of oil and natural gas properties in which the Group has an interest with joint venture partners are recognised on the basis of the Group's working interest in those properties.

Energy Economics

The Group and the Company recognise revenue as services are provided over time and when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised over time as there is no alternative use and the Group and Company have the right to payment.

Revenues from long-term fixed-price contracts are recognised under the "percentage-of-completion" method, an input method of recognition. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs of the contract. Revenue recognised in excess of invoices raised is included within contract asset. Where amounts have been invoiced in excess of revenue recognised, the excess is included within contract liability.

Oil and gas expenditure – exploration and evaluation assets

Capitalisation

Pre-acquisition costs on oil and gas assets are recognised in the statement of profit or loss when incurred. Costs incurred after rights to explore have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs are capitalised as intangible exploration and evaluation ("E&E") assets. The assessment of what constitutes an individual E&E asset is based on technical criteria but essentially either a single licence area or contiguous licence areas with consistent geological features are designated as individual E&E assets.

2. Accounting policies (continued)

E&E costs are not amortised prior to the conclusion of appraisal activities. Once active exploration is completed the asset is assessed for impairment. If commercial reserves are discovered then the carrying value of the E&E asset is reclassified as a development and production ("D&P") asset, following development sanction, but only after the carrying value is assessed for impairment and where appropriate its carrying value adjusted. If commercial reserves are not discovered or it is not possible to determine technical feasibility or if the legal right to explore expires or if the Company decides not to continue exploration and evaluation activity, then the E&E asset is written off to the statement of profit or loss.

Impairment

The Group's oil and gas assets are analysed into cash generating units ("CGU") for impairment review purposes, with E&E asset impairment testing being performed at a CGU level. The current CGU consists of E&E assets within a broadly similar geographical location. E&E assets are reviewed for impairment in accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources", and when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. When reviewing E&E assets for impairment, the combined carrying value of the grouped CGU is compared with the grouped CGU's recoverable amount. The recoverable amount of a grouped CGU is determined as the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are written off to the statement of profit or loss.

Oil and gas expenditure – development and production assets

Capitalisation

Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment together with E&E assets reclassified in accordance with the above policy, are capitalised as a D&P asset. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset.

Depreciation

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

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

- recoverable reserves; and
- future capital expenditure

Impairment

A review is carried out for any indication that the carrying value of the Group's D&P assets may be impaired. The impairment review of D&P assets is carried out at a Group level on an asset by asset basis, irrespective of any split in the legal ownership of assets between subsidiaries, and involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. The value in use is determined from estimated future net cash flows. Any additional depreciation resulting from the impairment testing is charged to the statement of profit or loss.

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a post-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2020 the rate used was 8% (2019: 8%). The discount rates applied in assessments of impairment are reassessed each year.

See Note 13 for the carrying value of development and production assets.

2. Accounting policies (continued)

Key assumptions used in the value-in-use calculations

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

- Production volumes;
- Commodity prices;
- Variable operating costs;
- Capital expenditure; and
- Discount rates.

Production volumes/recoverable reserves

Annual estimates of oil and gas reserves are generated internally by the Group's geoscience team. The self-certified estimated future production profiles are used in the life of the fields which in turn are used as a basis in the value-in-use calculation.

Commodity prices

The long term assumption for Brent oil and natural gas is based on management estimates having considered published external data, future prices are inflated in accordance with the Company's corporate assumptions. Field specific discounts and prices are used where applicable.

Fixed and variable operating costs

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

Capital expenditure

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

Discount rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a post-tax discount rate of 8% for the current year (2019: 8%).

Sensitivity to changes in assumptions

For certain fields, a reasonably possible change in any of the above assumptions would cause the estimated recoverable value to be lower than the carrying value, resulting in a further impairment loss. The assumptions which would have the greatest impact on the recoverable amounts of the fields are production volumes and commodity prices.

The following down side sensitivities have been prepared on the value in use calculations with the following changes to the base assumptions:

- 1% increase in the discount rate
- 5% reduction in production volumes
- 5% reduction in commodity prices

Individually applied no impairment would be charged against Developed and Production asset or Exploration and Evaluations assets. The value in use calculations would have a reduction in headroom available. If all three sensitivities were applied to the value in use calculations, an impairment of Exploration and Evaluation assets would be require of £1,936,000 as at 30 June 2020.

2. Accounting policies (continued)

The Board recognise the market price of hydrocarbon products is volatile and a significant reduction in global oil prices can have a consequential adverse impact on the revenue and cash flow of the Group. At all times the Board actively manages its committed expenditure, including short-term working capital and cash flow requirements to sustain the Group through periods of reduced hydrocarbon prices.

Oil & gas expenditure – acquisitions and disposals

Commercial transactions involving the acquisition of a D&P asset in exchange for an E&E or D&P asset are accounted for at fair value with the difference between the fair value and cost being recognised in the statement of profit or loss as a gain or loss. When a commercial transaction involves a D&P asset and takes the form of a farm-in or farm-out agreement, the premium expected to be paid/received is treated as part of the consideration.

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

Proceeds from the disposal of an E&E asset, or part of an E&E asset, are deducted from the capitalised costs and the difference recognised in the statement of profit or loss as a gain or loss. Proceeds from the disposal of a D&P asset, or part of a D&P asset, are recognised in the statement of profit or loss, after deducting the related net book value of the asset.

Decommissioning

The Group recognises the discounted cost of decommissioning when the obligation to rectify environmental damage arises. The amount recognised is the present value of the estimated future expenditure determined by local conditions and requirements. A corresponding property, plant and equipment asset of an amount equal to the provision is created unless the associated activity resulted in a profit or loss write-off. This asset is subsequently depreciated as part of the capital cost on a unit of production basis. Any change to the present value of the estimated decommissioning cost is reflected as an adjustment to the provision and the property, plant and equipment asset. The unwinding of the discount on the decommissioning provision is included as an interest expense. Where the Group has an asset with nil carrying value, and subsequently on the basis of new information makes an increase to the discounted cost of decommissioning, then such increase is taken to the statement of profit or loss.

The key areas of estimation regarding decommissioning are:

- expected economic life of field, determined by factors such as
  - field reserves and future production profiles
  - commodity prices
- inflation rate 2.5%;
- discount rate 8%; and
- decommissioning cost estimates (and the basis for these estimates)

See Note 23 in respect of decommissioning obligations.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets at fair value through other comprehensive income, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

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

2. **Accounting policies** (continued)

Segment reporting

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit represents the profit earned before tax by each segment. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of cash and cash equivalents, financial assets at fair value through other comprehensive income and current and deferred tax assets and liabilities. Disclosures of segment reporting have been disclosed in Note 6.

Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which are the Company's functional and presentation currency and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing in the month of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Where consideration is received in advance of revenue being recognised the date of the transaction reflects the date the consideration is received.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the fair value of the security, and other changes in the carrying amount of the security. Translation differences related to changes in fair value are recognised in profit or loss and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income are included in the revaluation reserve in equity.

Taxation

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Pensions

The Company offers to contribute 10% of employees' gross salary into personal pension plans. The cost of providing pension contributions for employees is charged to the statement of profit or loss as accrued.

Share based payments

The Group issues both equity-settled and cash-settled share based payments as an incentive to certain key management and staff.

Equity-settled transactions

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of profit or loss.

Incentives are provided to employees under an unapproved share option scheme and through other discretionary share based awards.

The Group measures the fair value of any share based awards issued by the Group to employees at the date of grant. The fair value at the date of grant is expensed over the vesting period, except where market based conditions make it more appropriate to recognise the costs over the expected life of the options. All share based awards are settled in equity and accordingly the share based payment is credited directly to equity.

Where the share based payment has taken the form of a loan from the Employee Benefit Trust, a charge based on the fair value of the anticipated benefit is determined on a consistent basis with the other share based awards. The charge is recognised in the statement of profit or loss.

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The key inputs into the model include share volatility, expected dividend yield, and risk free rate (Note 27).

Cash-settled transactions

The cost of cash-settled transactions is measured at the current fair value determined at each reporting date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The corresponding liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised as an employee benefit expense in the statement of profit or loss.

Property, plant and equipment (excluding development and production assets)

Property, plant and equipment are stated at historic purchase cost less depreciation and any provision for impairment.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition. Depreciation is provided on all tangible fixed assets on a straight line basis to write each asset down to its estimated residual value over its expected useful life, as follows:

Short leasehold improvements	Shorter of the remaining lease term or 5 years
Fixtures, fittings and computer equipment	3 – 5 years
Land	No depreciation is charged
Right of Use assets	Over the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Transaction costs relating to acquisition of a subsidiary are recognised directly in the statement of profit or loss.

2. Accounting policies (continued)

Impairment of investments in subsidiaries and receivables due from group companies

The Company assesses its investments in subsidiaries for indicators of impairment at each reporting date. Similarly, receivables due from group companies, which are interest free, are assessed under the expected credit losses model. In each case, the most appropriate assessment is for the Company to consider the output from the impairment tests and value-in-use calculations carried out in respect of the Group's E&E assets and D&P assets. The key assumptions used in these value-in-use calculations are production volumes, commodity prices, operating costs, capital expenditure and discount rates. The derived values at the reporting date are considered to be an indicator of the underlying value of the relevant company. These values are compared to the carrying values of the investments in subsidiaries and receivables due from group companies at the reporting date and consideration is given to whether any provision for impairment is required.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. Development costs and contract and customer relations are amortised over the period of expected future sales from the related projects and contracts on a straight line basis.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2. Accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial assets

The Parkmead Group Plc applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Measurement of financial assets

Recognition

Financial assets and liabilities are recognised when The Parkmead Group Plc becomes a party to the terms of the contract.

Classification and measurement

The financial assets are classified on the basis of two criteria:

i) The business model within financial assets are managed, and

ii) Their contractual cash flow characteristics (whether cash flows represent 'solely payments of principal and interest' (SPPI).

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. Accounting policies (continued)

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. Any cash balance held where the use is restricted for a specific purpose or future event will be separately noted as "restricted cash" and details provided to explain the restriction.

Trade receivables

Trade receivables are initially stated at transaction price determined in accordance with IFRS 15 and subsequently adjusted for any provisions for impairment. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of expected loss to occur from default to determine the lifetime expected credit losses. Movements in the provision for expected trade losses are recorded in the statement of profit or loss in administrative expenses.

Inventory

Inventory is held at the lower of cost and net realizable value. Movements in inventory are charged directly to costs of sales in the profit and loss account.

Contract liabilities

A contract liability is the obligation to complete a performance obligation for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group completes a performance obligation to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group completes a performance obligation under the contract.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost.

Leases

IFRS 16 Leases set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessors and lessees. It replaced the previous leases standard IAS 17 Leases and is effective from 1 January 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the previous accounting for operating leases, it impacts the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. Lessees recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There were recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous accounting under IAS 17 i.e. lessors continue to classify leases as finance or operating leases. There are no other new or amended standards or interpretations effective for the first time for periods beginning on or after 1 January 2019 that had a significant impact on the financial statements.

In applying IFRS 16 for the first time the Group and Company has applied the short-term lease practical expedient by not recognising lease liabilities in respect to lease arrangements with a remaining lease term of less than 12 months as at 1 July 2019. The Group and Company has applied the same discount rate to leases with reasonably similar characteristics. The Group and Company has not applied IFRS 16 to contracts that were not previously identified as containing a lease.

The Group adopted the modified retrospective approach to adoption on 1 July 2019, measuring right-of use assets at an amount based on their respective lease liability on adoption, with the cumulative effect of adopting the standard recognised at the date of initial application without restatement of comparative information.

As a lessee, the Group and Company recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate which is between 6-8%.

2. Accounting policies (continued)

The lease liability is subsequently recorded at amortised cost, using the effective interest rate method. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Company does not currently act as a lessor.

Accounting policy before 1 July 2019

Under IAS 17, the determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. A leased asset is depreciated over the shorter of the useful life of the asset or, if applicable, the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Finance costs and debt

Interest-bearing loans and borrowings

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the statement of profit or loss as finance costs over the term of the debt.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the year end date.

Employer's national insurance in the UK is payable on the exercise of certain share options or when benefits in kind are provided to employees. For share options, provision of national insurance is calculated on the expected gain on the share options at the year end date. For other benefits in kind, provision is made when it is probable that a liability will arise.

2. Accounting policies (continued)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The resulting accounting estimates may not equate with the actual results which will only be known in time. Significant accounting judgments and accounting estimates used by the Group are discussed in more detail in the following accounting policies:

Accounting estimates

- Oil and Gas: Intangible Exploration Assets – Impairment (Note 14)
- Oil and Gas: Development and Production Assets – Depreciation and Impairment (Note 13)
- Oil and Gas: Decommissioning Provisions (Note 23)
- Employee Benefits: Share Based Payments (Note 27)
- Investment in subsidiaries: Company's investments in subsidiaries and receivables due from group companies – Impairment (Note 15)

Accounting judgements

- Oil and Gas expenditure – capitalisation (Note 14)

New IFRS accounting standards and interpretations adopted in the year

The following standards, amendments and interpretations are new and effective for the year ended 30 June 2020 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- IFRS 16 Leases effective from 1 January 2019
- Annual improvements to IFRS 2015-2017 cycle effective from 1 January 2019
- Amendments to IAS 28: Long-term interests in associates and joint ventures effective from 1 January 2019
- Amendments to IFRS 9: Prepayment Features with Negative Compensation effective from 1 January 2019
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments effective from 1 January 2019
- Conceptual Framework for Financial Reporting effective from 1 January 2019
- Amendments to IFRS 3: Definition of a Business effective from 1 January 2010
- Amendments to IAS 1 and IAS 8: Definition of Material effective from 1 January 2019

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New IFRS accounting standards and interpretations not yet effective

The IASB and IFRIC have issued the following standards and amendments which are effective for reporting periods beginning after the date of these financial statements.

- Amendments to IFRS 3 Business Combinations effective from 1 January 2020
- IFRS 7 Financial Instruments: Disclosure. Interest rate benchmark reform from 1 January 2020
- IFRS 9 Financial Instruments: Interest rate benchmark reform 1 from 1 January 2020
- IAS 1 Presentation of Financial Statements. Definition of material (1 January 2020), References to Conceptual Framework in IFRS ' - Standards and classification of liabilities as current or non-current (1 January 2022)
- IAS 8 Accounting policies, changes in accounting estimates and errors. Definition of material and References to Conceptual ' - Framework in IFRS Standards (1 January 2020)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement. Interest rate benchmark reform (1 January 2020).

All amendments as noted above are not believed to have a material impact on the financial statements of the Group.

Notes to the financial statements (continued)

3. Revenue

	2020 £'000	2019 £'000
An analysis of the Group's revenue is as follows:		
Revenue recognised at a point in time		
Gas sales	**2,678**	6,937
Condensate sales	**62**	138
Pitreadie	**540**	–
	3,280	7,075
Revenue recognised over time		
Rendering of energy economics services	**800**	1,194
	800	1,194
Total revenue	**4,080**	8,269

4. Operating (loss)/profit

	2020 £'000	2019 £'000
The operating (loss)/profit is stated after charging/(crediting):		
Pre-award exploration expenditure	**258**	149
Loss on disposal of development and production assets	**–**	22
Exploration expenditure written off	**1,298**	–
Depreciation of property, plant and equipment	**508**	217
Share based (credit) (Note 27)	**(1,364)**	(1,062)
Operating lease rentals: other	**–**	297
Cost of inventory recognised as an expense	**231**	–
Foreign exchange gain	**(185)**	(181)

5. Auditor's remuneration

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

	2020 £'000	2019 £'000
	£'000	£'000
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**50**	48
Audit of the Company's subsidiaries	**35**	33
Total audit fees	**85**	81
Audit related services	**4**	4
Total non-audit fees	**4**	4
Total audit and non-audit fees	**89**	85

Audit related services comprise of the review of interim results.

6. Operating segment information

For management purposes, the Group is organised into business units based on their services and has three reportable operating segments as follows:

- The oil and gas exploration and production segment invests in oil and gas exploration and production assets.
- The energy economics segment provides energy sector economics, valuation and benchmarking, advising on energy policies and fiscal matters, undertaking economic evaluations, supply benchmarking services and training.
- The Pitreadie segment involves mixed farming activities as well as renewable energy opportunities.

UK and Netherlands oil and gas is reviewed by the board as one segment but additional information is provided in the strategic report and Chairman's statement.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, income taxes are managed on a Group basis and are not allocated to operating segments.

Year ended 30 June 2020	Oil and Gas Exploration and Production £'000	Energy Economics £'000	Pitreadie £'000	Adjustments and eliminations £'000	Consolidated £'000
Revenue					
External customer	2,740	800	540	–	4,080
Total revenue	2,740	800	540	–	4,080
Results					
Segment (loss)/profit	(656)	169	310	–	(177)
Finance income	150	49	–	–	199
Finance costs	(664)	(37)	(113)	–	(814)
Segment profit	**(1,170)**	**181**	**197**	**–**	**(792)**
Operating assets	**76,373**	**4,327**	**9,109**		**89,809**
Operating liabilities	**(13,296)**	**(589)**	**(4,578)**		**(18,463)**
Other disclosures					
Capital expenditure	**3,834**	**653**	**563**	**–**	**5,050**
Depreciation and amortisation	**1,724**	**112**	**226**	**–**	**2,062**

1) Inter-segment balances are eliminated on consolidation and reflected in the adjustments and eliminations column

2) Capital expenditure consists of additions of property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries

6. Operating segment information (continued)

Year ended 30 June 2019	Oil and Gas Exploration and Production £'000	Energy Economics £'000	Adjustments and eliminations £'000	Consolidated £'000
Revenue				
External customer	7,075	1,194	–	8,269
Total revenue	7,075	1,194	–	8,269
Results				
Operating profit	4,759	379	–	5,138
Finance income	159	50	–	209
Finance costs	(544)	(2)	–	(546)
Segment profit	4,374	427	–	4,801
Operating assets	78,481	3,794	–	82,275
Operating liabilities	(13,781)	(238)	–	(14,019)
Other disclosures				
Capital expenditure	3,990	7	–	3,997
Depreciation and amortisation	214	3	–	217

1) Inter-segment balances are eliminated on consolidation and reflected in the adjustments and eliminations column

2) Capital expenditure consists of additions of property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries

Geographic information
Revenues from external customers

	2020 £'000	2019 £'000
Europe	**3,644**	7,600
North America	**297**	426
Rest of the World	**139**	243
Total revenue per Group statement of profit or loss	**4,080**	8,269

The revenue information is based on the location of the customer. Included in revenues from Europe were sales in the Netherlands of £2,740,000 (2019: £6,937,000) and sales in the United Kingdom of £904,000 (2019: £183,000).

Non-current assets

	2020 £'000	2019 £'000
Europe	**62,553**	48,048
North America	**–**	–
Rest of the World	**–**	–
Total	**62,553**	48,048

Non-current assets for this purpose consist of oil and gas properties, property, plant and equipment, exploration and evaluation assets, goodwill and other intangible assets. Included in non-current assets from Europe were assets held in the Netherlands of £4,918,000 (2019: £4,886,000) and assets held in the United Kingdom of £57,635,000 (2019: £43,162,000).

7. Staff costs

Employee benefits expense:

Group	2020 £'000	2019 £'000
Wages and salaries	**1,605**	1,451
Social security costs	**196**	175
Other pension costs	**136**	127
Staff costs (before share based payments)	**1,937**	1,753
(Credit)/charge for share based payments (Note 27)	**(1,364)**	(1,062)
Total staff costs	**573**	691

Total staff costs include a credit in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £1,364,000 (2019: £1,062,000 credit). The SARs are settled by cash and are therefore revalued with the movement in share price. The valuation was impacted by the decrease in share price between 30 June 2019 and 30 June 2020.

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

	2020 No.	2019 No.
Management and consultants	**10**	10
Technical	**3**	3
Admin, Project & IT support	**9**	10
	22	23

8. Directors' emoluments

Directors remuneration in aggregate comprised:

	2020 £'000	2019 £'000
Aggregate emoluments	**719**	796
Company pension contributions to money purchase schemes	**10**	9
	729	805

During the year one (2019: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £10,000 (2019: £9,000).

No director exercised share appreciation rights in the period (2019: nil). No director exercised share options in the period (2019: nil).

The remuneration package for each of the individual Directors was comprised as follows:

	Salaries and Fees £'000	Benefits in Kind £'000	Pension £'000	Total 2020 £'000	Total 2019 £'000
T P Cross	506	3	–	509	509
R A Stroulger	101	–	10	111	103
C J Percival	68	1	–	69	153
P J Dayer	20	–	–	20	20
D I Rawlinson	17	–	–	17	20
C MacLaren	3	–	–	3	–
Total	715	4	10	729	805

8. Directors' emoluments (continued)

T P Cross participated in the share appreciation rights (SARs) arrangements for senior management, details of which are provided in Note 27. No SARs were exercised in the year.

Details of outstanding SARs held by each director as at 30 June 2020:

	Number of SARs outstanding	Exercise price	Date from which exercisable	Expiry date
T P Cross	901,534	£0.41	21 December 2016	21 December 2025
T P Cross	901,534	£0.41	21 December 2016	21 December 2025
T P Cross	1,065,800	£0.41	21 December 2016	21 December 2025
T P Cross	1,065,800	£0.41	21 December 2016	21 December 2025
T P Cross	1,245,000	£0.41	21 December 2016	21 December 2025
T P Cross	1,245,000	£0.41	21 December 2016	21 December 2025
T P Cross	1,444,700	£0.35	7 December 2018	7 December 2027
T P Cross	1,444,700	£0.35	7 December 2019	7 December 2027

Details of outstanding SARs held by each director as at 30 June 2019:

	Number of SARs outstanding	Exercise price	Date from which exercisable	Expiry date
T P Cross	901,534	£0.41	21 December 2016	21 December 2025
T P Cross	901,534	£0.41	21 December 2016	21 December 2025
T P Cross	1,065,800	£0.41	21 December 2016	21 December 2025
T P Cross	1,065,800	£0.41	21 December 2016	21 December 2025
T P Cross	1,245,000	£0.41	21 December 2016	21 December 2025
T P Cross	1,245,000	£0.41	21 December 2016	21 December 2025
T P Cross	1,444,700	£0.35	7 December 2018	7 December 2027
T P Cross	1,444,700	£0.35	7 December 2019	7 December 2027

Details of outstanding share options held by directors as at 30 June 2020:

	Number of share options outstanding	Exercise price	Date from which exercisable	Expiry date
C Percival	173,333	£0.41	21 December 2018	21 December 2025
C Percival	71,333	£0.41	21 December 2018	21 December 2025
R Stroulger	10,000	£0.41	21 December 2018	21 December 2025
C Percival	75,133	£0.41	21 December 2018	21 December 2025
R Stroulger	66,267	£0.41	21 December 2018	21 December 2025
R Stroulger	233,333	£0.41	21 December 2018	21 December 2025
C Percival	129,400	£0.35	7 December 2020	7 December 2027
R Stroulger	114,200	£0.35	7 December 2020	7 December 2027

Details of outstanding share options held by directors as at 30 June 2019:

	Number of share options outstanding	Exercise price	Date from which exercisable	Expiry date
C Percival	173,333	£0.41	21 December 2018	21 December 2025
C Percival	71,333	£0.41	21 December 2018	21 December 2025
R Stroulger	10,000	£0.41	21 December 2018	21 December 2025
C Percival	75,133	£0.41	21 December 2018	21 December 2025
R Stroulger	66,267	£0.41	21 December 2018	21 December 2025
R Stroulger	233,333	£0.41	21 December 2018	21 December 2025
C Percival	129,400	£0.35	7 December 2020	7 December 2027
R Stroulger	114,200	£0.35	7 December 2020	7 December 2027

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non Executive Directors, details of which are provided in Note 27. The Company reserves the right, at its sole discretion to settle the payment in cash and the DSPs have been accounted for as cash-settled transactions.

9. Finance income

	2020 £'000	2019 £'000
Bank interest receivable	**126**	137
Loan interest received	**73**	72
	199	209

10. Finance costs

	2020 £'000	2019 £'000
Unwinding of discount on decommissioning provision	**579**	501
Interest on late paid tax	**18**	18
Interest paid on leases	**78**	–
Interest payable on loans and borrowings	**139**	27
	814	546

11. Taxation

a) Income tax

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

	2020 £'000	2019 £'000
Current tax:		
Corporation tax	**–**	–
Adjustments in respect of current income tax of previous periods	**(636)**	–
Overseas current taxation	**326**	2,385
Total current income tax	**(310)**	2,385
Deferred tax:		
Origination and reversal of timing differences	**–**	–
Total deferred income tax charge	**–**	–
Income tax (credit) / expense reported in the statement of profit or loss	**(310)**	2,385

Tax has been calculated using an estimated annual effective rate of 40% (2018: 40%) on profit before tax.

11. Taxation (continued)

The difference between the total tax expense shown above and the amount calculated by applying the Group's applicable rate of UK corporation tax to the profit before tax is as follows:

b) Reconciliation of total income tax charge

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before tax	**(792)**	4,801
(Loss)/profit on ordinary activities multiplied by the Group's applicable rate of corporation tax in the UK of 40% (2019: 40%)	**(317)**	1,920
Effects of:		
Expenses not deductible for tax purposes	**25**	5
Profits taxed outside ring-fence	**(190)**	(143)
Deferred tax not recognised	**551**	(1,702)
Group loss relief	**–**	(80)
Income not taxable	**(69)**	–
Prior year adjustment	**(636)**	–
Overseas tax suffered	**326**	2,385
Total tax (credit)/expense for the year	**(310)**	2,385

c) Deferred income taxation

The movement in the deferred tax balances as shown in the Statement of Financial Position is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax asset				
At 1 July	**3**	3	**–**	–
Income statement credit / (charge)	**–**	–	**–**	–
At 30 June	**3**	3	**–**	–
Deferred tax liability				
At 1 July	**1,284**	1,284	**–**	–
Acquisition	**120**	–		
Tax income recognised in the statement of profit or loss	**–**	–	**–**	–
At 30 June	**1,404**	1,284	**–**	–

11. Taxation (continued)

Deferred tax included in the Statement of Financial Position is as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Deferred tax asset				
Accelerated capital allowances	**3**	3	**–**	–
	3	3	**–**	–
Deferred tax liability				
Accelerated capital allowances	**–**	–	**–**	–
Fair value gains	**(1,404)**	(1,284)	**–**	–
	(1,404)	(1,284)	**–**	–
Deferred tax liability, net	**(1,401)**	(1,281)	**–**	–

d) Tax losses

Deferred income tax assets are recognised for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilised.

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses, unclaimed capital allowances, capital losses and unrealised capital losses where there is insufficient evidence that the asset will be recovered. The amount of ring fenced trading losses available are £140 million (2019: £128 million), non-ring fenced trading losses available are £2.1 million (2019: £0.1 million), excess management expenses available are £34.4 million (2019: £31.3 million), capital losses available are £71.4 million (2019: £65.2 million) and unrealised capital losses on financial assets at fair value through other comprehensive income of £3 million (2019: £3 million).

12. (Loss)/profit per share

(Loss)/profit per share attributable to equity holders of the Company arise from continuing and discontinued operations as follows:

	2020	2019
(Loss)/profit per 1.5p ordinary share from continuing operations (pence)		
Basic	**(0.45)p**	2.44p
Diluted	**(0.45)p**	2.43p

The calculations were based on the following information:

	2020 £'000	2019 £'000
(Loss)/profit attributable to ordinary shareholders		
Continuing operations	**(482)**	2,416
Total	**(482)**	2,416
Weighted average number of shares in issue		
Basic weighted average number of shares	**106,282,006**	98,929,160
Dilutive potential ordinary shares		
Share options	**–**	1,791,105

(Loss)/profit per share is calculated by dividing the (loss) / profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss)/profit per share

(Loss)/profit per share requires presentation of diluted (loss) / profit per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. When the group makes a loss the outstanding share options are therefore anti-dilutive and so are not included in dilutive potential ordinary shares.

13. Property, plant and equipment

Group	Development and production £'000	Property, plant and equipment: other £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 July 2019	43,975	2	716	44,693
Acquisitions (Note 16)	–	8,153	–	8,153
Additions	34	1,674	6	1,714
Change in estimate of abandonment asset	464	–	–	464
At 30 June 2020	**44,473**	**9,829**	**722**	**55,024**
Depreciation				
At 1 July 2019	32,318	1	552	32,871
Depreciation charged in the year	176	508	79	763
At 30 June 2020	**32,494**	**509**	**631**	**33,634**
Net book amount				
At 30 June 2020	**11,979**	**9,319**	**92**	**21,390**
At 30 June 2019	11,657	1	164	11,822

Property, plant and equipment: other
Property, plant and equipment other include Land and Buildings of £8,015,000 (2019: £nil).

Right of Use Asset
Group Property, plant and equipment other are right of use assets with a cost of £1,458,000 (2019: £nil) with accumulated depreciation of £381,000 (2019: £nil) with a net book value of £1,077,000 (2019: £nil). The incremental borrowing rate applied to the leases ranges between 6-8%.

Abandonment Asset
The abandonment asset adjustment above reflects the increase in cost estimate in the Athena field.

Asset Impairment - Athena
Where an indicator for impairment has arisen the valuation of the asset is assessed based on the fair value less costs of disposal determined by discounting the post-tax cash flows expected to be generated from oil and gas production net of selling costs taking into account assumptions that market participants would typically use in estimating fair values.

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period in order to achieve the existing carrying value of £7,881,000 (2019: £7,648,000) in respect of the Athena asset. Such redevelopment would require a recovery in oil price and the procurement of significant further financing. The following key assumptions were applied over the expected remaining life of the field:

	Discount Rate	Short term price assumption (Oil) (3 Years)	Long-term price assumption (Oil)
Athena	8%	$35-$54/bbl	$68/bbl

Based on these assumptions the current recoverable amount exceeds the existing carrying value and no impairment is required. The key sensitivities in assessing the recoverable amount are the long-term oil price and the relationship with future production assumed. If these assumptions are not met there would be a further impairment of the asset required. A reduction of 20% in long-term oil price would not result in impairment of the asset.

13. Property, plant and equipment (continued)

Company	Property, plant and equipment: other £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 July 2019	2	688	690
Additions	526	6	532
At 30 June 2020	**528**	**694**	**1,222**
Depreciation			
At 1 July 2019	1	535	536
Depreciation charged in the year	175	75	250
At 30 June 2020	**176**	**610**	**786**
Net book amount			
At 30 June 2020	**352**	**84**	**436**
At 30 June 2019	1	153	154

Right of Use Asset

Company Property, plant and equipment other are right of use assets with a cost of £524,000 (2019: £nil) with accumulated depreciation of £175,000 (2019: £nil) with a net book value of £349,000 (2019: £nil). The incremental borrowing rate applied to the leases is 6%.

The comparable table for 2019 is detailed below:

Group	Development and production £'000	Property, plant and equipment: other £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 July 2018	44,456	2	566	45,024
Additions	63	–	190	253
Disposals	(233)	–	(40)	(273)
Change in estimate of abandonment asset	(311)	–	–	(311)
At 30 June 2019	**43,975**	**2**	**716**	**44,693**
Depreciation				
At 1 July 2018	32,164	1	529	32,694
Depreciation charged in the year	154	–	63	217
Depreciation eliminated on disposal	–	–	(40)	(40)
At 30 June 2019	**32,318**	**1**	**552**	**32,871**
Net book amount				
At 30 June 2019	**11,657**	**1**	**164**	**11,822**
At 30 June 2018	12,292	1	37	12,330

13. Property, plant and equipment (continued)

Abandonment Asset

The abandonment asset adjustment above reflects the decrease in cost estimate for the Athena field.

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period. Such redevelopment would require a recovery in oil price and the procurement of significant further financing. The following key assumptions were applied over the expected remaining life of the field for the year ended 30 June 2019:

	Discount Rate	Short term price assumption (Oil) (3 Years)	Long term price assumption (Oil)
Athena	8%	\$63-\$66/bbl	\$72/bbl

Based on these assumptions the current recoverable amount exceeds the existing carrying value and no impairment is required. The key sensitivities in assessing the recoverable amount are the long-term oil price and the relationship with future production assumed. If these assumptions are not met there would be a further impairment of the asset required. A reduction of 20% in long-term price would not result in impairment of the asset.

Company	Short leasehold property £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 July 2018	2	504	506
Additions	–	184	184
At 30 June 2019	**2**	**688**	**690**
Depreciation			
At 1 July 2018	1	475	476
Depreciation charged in the year	–	60	60
At 30 June 2019	**1**	**535**	**536**
Net book amount			
At 30 June 2019	**1**	**153**	**154**
At 30 June 2018	1	29	30

14. Intangible assets

Group	Exploration and Evaluation assets £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2019	34,052	2,174	36,226
Additions	3,335	–	3,335
Exploration write-off	(1,298)	–	(1,298)
At 30 June 2020	**36,089**	**2,174**	**38,263**
Amortisation and impairment			
At 1 July 2019	–	–	–
At 30 June 2020	**–**	**–**	**–**
Net book amount			
At 30 June 2020	**36,089**	**2,174**	**38,263**
At 30 June 2019	34,052	2,174	36,226

14. Intangible assets (continued)

The comparable table for 2019 is detailed below:

Group	Exploration and Evaluation assets £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2018	30,308	2,174	32,482
Additions	3,744	–	3,744
Exploration write-off	–	–	–
At 30 June 2019	**34,052**	**2,174**	**36,226**
Amortisation and impairment			
At 1 July 2018	–	–	–
Eliminated on disposal	–	–	–
At 30 June 2019	**–**	**–**	**–**
Net book amount			
At 30 June 2019	**34,052**	**2,174**	**36,226**
At 30 June 2018	30,308	2,174	32,482

Other intangibles include development costs and contract and customer relationships.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination identified according to operating segments. The carrying amount of goodwill has been allocated as follows:

	2020 £'000	2019 £'000
Oil and Gas Exploration and Production	**–**	–
Energy Economics	**2,174**	2,174
	2,174	2,174

On 3 November 2009, the Group acquired 100% of the issued share capital of Aupec Limited ("Aupec"), an unlisted company based in Scotland. Aupec is a respected global authority in energy sector economics, valuation and benchmarking and has been providing economic consultancy services to the oil and gas sector for over 30 years. Goodwill on the purchase of Aupec Limited is attributable to the value of the assembled professional team in place acquired with this business as well as the Company's relationships with a number of blue-chip energy companies. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. There are no intangible assets with indefinite lives in either CGU.

The recoverable amount of the Energy Economics CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period, and a discount rate of 8%. Management estimated the discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the market in which the Energy Economics CGU operates.

Cashflows have been extrapolated for a further seven years using a 2% annual growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Energy Economics CGU operates. The main assumption in the cash flow projections is the budgeted revenues. This has been determined using a combination of industry forecasts, long term trend analysis and in-house estimates.

Based on these assumptions, at 30 June 2020 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £908,000. If revenues fell from the assumed level by 18% after incorporating the consequential changes on other variables used to measure the recoverable amount, the recoverable amount of goodwill would be equal to the carrying value.

None of the goodwill is expected to be tax deductible.

15. Investment in subsidiaries and joint ventures

Company	Subsidiary and joint venture undertakings £'000
Cost or valuation	
At 1 July 2019	23,922
Additions (Note 16)	3,521
At 30 June 2020	**27,443**
Amortisation and impairment	
At 1 July 2019	–
At 30 June 2020	**–**
Net book amount	
At 30 June 2020	**27,443**
At 30 June 2019	23,922

The comparable table for 2019 is detailed below:

Company	Subsidiary and joint venture undertakings £'000
Cost or valuation	
At 1 July 2018	23,922
At 30 June 2019	**23,922**
Amortisation and impairment	
At 1 July 2018	–
At 30 June 2019	**–**
Net book amount	
At 30 June 2019	**23,922**
At 30 June 2018	23,922

The interests in Group undertakings of the Company, which are directly held, are listed below:

Name of Undertaking	Class of Holding	Interest in subsidiary/ joint venture	Nature of Business
Registered in Scotland:			
Aupec Limited	Ordinary	100%	Energy advisory and consulting services
Parkmead (E&P) Limited	Ordinary	100%	Oil & Gas Exploration and Production
Pitreadie Farm Limited*	Ordinary	100%	Mixed farming

* From 26 September 2019. Pitreadie Farm Limited will draw up accounts to 30 June going forward to match all other group companies, this will lead to a shortened accounting period for the period ended 30 June 2020.

The registered office of Aupec Limited, Parkmead (E&P) Limited and Pitreadie Farm Limited is located at 4 Queen's Terrace, Aberdeen, AB10 1XL.

The Directors believe that the carrying values of the investments are supported by the subsidiaries underlying value in use.

16. Business combinations

Acquisition of Pitreadie Farm Limited

On 26 September 2019, the Group completed the acquisition of 100% of the share capital of Pitreadie Farm Limited ("Pitreadie") to purchase a company with extensive farmland and sites in Scotland with significant renewable energy potential. This acquisition constituted a related party transaction pursuant to Rule 13 of the AIM Rules for Companies. The valuations presented below are based on current available information. The fair values of the identifiable assets and liabilities of Pitreadie at the acquisition date are shown below:

	£ 000
Non current assets	
Property, plant and equipment: other	8,153
Current assets	
Stock	361
Debtors	103
Prepayments and accrued income	10
Cash	24
Current creditors	
Trade creditors	(37)
Other creditors and accruals	(68)
Lease liabilities	(289)
Non current liabilities	
Bank loan	(3,600)
Accruals and deferred income	(654)
Deferred tax liability	(120)
Net assets	3,883
Non cash consideration	(3,521)
Gain on bargain purchase	**(362)**

The land and buildings, being acquired, were valued at £7,590,000 by CKD Galbraith LLP, a leading independent property consultancy. The Company also held £563,000 of equipment of which £289,000 was leased and recognised under a right of use asset. The primary objective of the transaction was to acquire land with significant renewables potential. Based on this valuation the group has made a bargain purchase gain of £362,000. From the date of acquisition to the 30th of June 2020, Pitreadie has made a loss of £165,000. If the acquisition had taken place on 1 July 2019 the Group would have to record a loss of £65,000 for the additional period.

17. Financial assets at fair value through other comprehensive income

	Group		Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Fair value				
At 1 July	–	5,700	–	5,700
Gain on revaluation	–	651	–	651
Eliminated on disposal	–	(6,351)	–	(6,351)
At 30 June	–	–	–	–

Quoted equity shares

The Group previously held investments in listed equity shares, as at 30 June 2020 no investments are held. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Notes to the financial statements (continued)

17. Financial assets at fair value through other comprehensive income (continued)

Unquoted equity shares

The Group has investments in unquoted equity shares. The fair value of the unquoted equity shares has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. The investments in unquoted equity shares have been fully impaired to £nil.

Disposal of equity investments

On disposal of these equity investments, any related balance within the revaluation reserve is reclassified to retained earnings.

In 2019, the group has sold its shares in Faroe Petroleum Plc as a result of a takeover offer for cash. The shares sold had a fair value of £6,221,000 and the group realised a gain of £196,000 which had already been included in other comprehensive income. This gain has been transferred to retained earnings.

In 2019, the group has sold its shares Webroot Inc as a result of a takeover offer for cash. The shares sold had a fair value of £130,000 and the group realised a gain of £130,000 which had already been included in other comprehensive income. This gain has been transferred to retained earnings.

18. Interest bearing loans

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current assets				
Loans issued	**–**	2,900	**–**	2,900
	–	2,900	**–**	2,900
Non-current assets				
Loans issued	**2,900**	–	**2,900**	–
	2,900	–	**2,900**	–

Loans issued

On 27 July 2017, The Parkmead Group plc entered into a credit facility with Energy Management Associates Limited, whereby Parkmead agreed to lend up to £2,900,000 to Energy Management Associates Limited. The Loan had an initial period of two years, with a fixed interest rate of 2.5 per cent. On 27 July 2019, The Parkmead Group plc entered into a 24-month extension of the interest-bearing loan to Energy Management Associates Limited of £2,900,000. The Loan will continue to bear a fixed interest rate of 2.5 per cent per annum. The Loan has not been discounted on materiality grounds.

Interest charged during the period amounted to £73,000 (2019: £73,000).

There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

Loans and advances at amortised cost

The fair value of loans and advances is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality.

19. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current assets				
Trade receivables	**440**	403	**–**	–
Less: loss allowance	**–**	–	**–**	–
Trade receivables – net	**440**	403	**–**	–
Receivables due from group companies	**–**	–	**54,555**	50,960
Other receivables	**718**	77	**36**	–
Corporation tax recoverable	**123**	–	**–**	–
Prepayments	**133**	178	**48**	133
	1,414	658	**54,639**	51,093

Current assets

Trade receivables

In accordance with IFRS 9, trade and other receivables are recognised and carried at their anticipated realisable value, which implies that a provision for a loss allowance on lifetime expected credit losses of the receivables is recognised. A provision for loss allowance for expected credit losses is performed at each reporting date and is based on a multifactor and holistic analysis depending on several assumptions taken. The Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the assessment of credit risk with regard to customer. The Group's trade and other receivables are all current and not overdue.

Of the trade receivables balance at the end of the year £104,000 (2019: £288,000) was due from the Group's largest customer. There is nine (2019: one) other customer who represents more than 5% of the total balance of trade receivables.

Payment terms apply to amounts owed by the customers for oil and gas sales, typically this is within 30 days. Historically, invoices are normally paid on or around the due date and this is the established operating cycle under IFRS 9, as a result the loss given default is deemed to be a negligible timing difference. The Group has had no historical losses on trade and other receivables during this period. As long as the customer continues to settle invoices on a monthly basis in line with what has been established practice, there are no indications of significant increase in credit risk, and therefore deem there to be an insignificant probability of default.. Therefore, it is not considered necessary to provide for any loss allowance on credit losses.

The carrying amounts of the Group's trade and other receivables (current and non-current) are denominated in the following currencies:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Pound Sterling	**1,004**	254	**54,639**	51,093
Other currencies	**410**	404	**–**	–
	1,414	658	**54,639**	51,093

Receivables due from group companies

The Company considers that the amounts included in receivables due from group companies will prove recoverable. However, the timing of and the ultimate repayment of these amounts will depend primarily on the growth of revenues for the relevant group companies. Currently, the Company expects the amounts to be repaid over a number of years.

20. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Unrestricted cash in bank accounts	**19,644**	25,385	**6,963**	11,222
Restricted cash	**6,064**	5,281	**–**	–
	25,708	30,666	**6,963**	11,222

The restricted cash primarily relates to amounts held in trust as security for future decommissioning liabilities under a standard Decommissioning Security Agreement (DSA) covering the Athena asset being £5,714,000 (2019: £5,281,000).

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

21. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current liabilities				
Trade payables	**806**	619	**257**	409
Amounts owed to group companies	**–**	–	**159**	–
Other taxes and social security costs	**–**	55	**37**	49
Accruals	**3,270**	3,765	**1,879**	3,243
Leases	**361**	–	**174**	–
Contract liabilities	**–**	121	**–**	–
	4,437	4,560	**2,506**	3,701

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Non-current liabilities				
Accruals	**637**	5	**14**	5
Leases	**735**	–	**176**	–
	1,372	5	**190**	5

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2019: 27 days). No interest is charged on the outstanding balance.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Loans

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Non–current liabilities				
Loans	**3,600**	–	**–**	–
	3,600	–	**–**	–

On completion of the Pitreadie acquisition (Note 16) the Group obtained two loans with Bank of Scotland £3,600,000. The loans carry an interest rate of 2.5%. Bank of Scotland hold fixed and floating charges over the land held by Pitreadie Farm Limited. The loans are repayable in full in the first half of 2023.

23. Decommissioning provisions

	Development and production costs £'000	Total £'000
	£'000	£'000
As at 1 July 2019	6,607	6,607
Changes in estimates	464	464
Unwinding of discount	579	579
As at 30 June 2020	**7,650**	**7,650**

The decommissioning provision of £7,650,000 (2019: £6,607,000) relates to the Group's production and development facilities. The decommissioning provision is recorded at the Group's share of the decommissioning cost expected to be incurred and is based on engineering estimates and reports. Changes in estimates have arisen as a result of a reduction in estimated costs of engineering works.

These costs are expected to be incurred at various intervals over the next 16 years. The provision has been estimated using existing technology at current prices, escalated at 2.5% and discounted at 8%. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflationary charges in the service costs of third parties.

The comparable table for 2019 is detailed below:

	Development and production costs £'000	Total £'000
As at 1 July 2018	6,417	6,417
Changes in estimates	(311)	(311)
Unwinding of discount	501	501
As at 30 June 2019	**6,607**	**6,607**

24. Contingent deferred consideration

Under the terms of a sale and purchase agreement between Parkmead (E&P) Limited and Dyas Holdings B.V., Parkmead (E&P) Limited are liable to pay a deferred consideration of €3,000,000 upon on the first commercial sale of oil from the Papekop field development. As the decision to develop this field is yet to be taken by the joint venture partners, it is uncertain whether the deferred consideration will be paid. The fair value, as a result, is deemed to be £nil.

25. Financial instruments and financial risk factors

Financial risk management

The Group actively monitors and manages the financial risks relating to its operations on a continuous basis. The Group and Company's operations expose it to a variety of financial risks that include market price risk, interest rate risk, credit risk, liquidity risk, capital risk and currency risk. The Group and Company's financial instruments comprise equity investments financial assets at fair value through other comprehensive income, cash and cash equivalents, interest bearing loans and various items such as trade receivables and trade payables that arise directly from its operations.

The Group has not entered into any derivative or other hedging instrument.

Cash and treasury credit risks are mitigated through the exclusive use of institutions that carry published "A-1" (Standard & Poor's) or better credit ratings in order to minimise counterparty risk.

Market price risk

The Group and Company was exposed to equity securities price risk arises from investments held by the group and classified in the balance sheet as fair value through other comprehensive income. These investments were held for strategic rather than trading purposes. The Group and Company do not hold any investments at 30 June 2020.

25. Financial instruments and financial risk factors (continued)

Interest rate risk

The Group and Company are exposed to interest rate risk as a result of positive cash balances.

Cash and cash equivalents (which are presented as a single class of asset on the statement of financial position) comprise cash at bank and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value. As detailed in Note 20 some of the cash balance is restricted.

	2020 £'000	2019 £'000
Floating rate financial assets < 1 year	**25,708**	30,666
Total	**25,708**	30,666

At 30 June 2020, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.49% (2019: 0.25%). Cash at bank earns interest at floating rates based on the GBP Base Rate. Interest earned at floating rates represents an insignificant risk of change in rates.

At 30 June 2020, interest bearing loans were earning interest at a fixed interest rate of 2.50% (2019: 2.50%). Interest earned at a fixed interest rate of 2.50% is currently above the GBP Base Rate and represents an insignificant risk of change in rates.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and interest bearing loans.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control. Outstanding customer receivables are regularly monitored. Historically, invoices are normally paid on or around the due date. The Group has had no historical losses on trade and other receivables during this period. As long as the customer continues to settle invoices on a monthly basis in line with what has been established practice, there are no indications of significant increase in credit risk.

At 30 June 2020, the Group had one customer that owed the Group more than £50,000. The requirement for impairment is analysed in respect of trade receivables at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date amounted to £440,000 (2019: £403,000). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions. The Group does not hold collateral as security.

Interest bearing loans credit risk is managed by regularly monitoring the underlying asset value coverage of the loanee. The requirement for impairment is analysed in respect of interest bearing loans at each reporting date. The maximum exposure to credit risk at the reporting date amounted to £2,936,000 (2019: £2,900,000). The Group does not hold collateral as security.

Liquidity risk

The Group and Company actively review their requirements for long-term and short-term debt finance to ensure it has sufficient available funds for operations and planned expansions. The Group and Company monitor their levels of working capital to ensure that they can meet debt repayments as they fall due.

The following table shows the contractual maturities of the financial liabilities, all of which are measured at amortised cost:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables and other liabilities				
6 months or less	**4,437**	4,560	**2,506**	3,701
6-12 months	**–**	–	**–**	–
More than 1 year	**1,372**	5	**190**	5
	5,809	4,565	**2,696**	3,706

25. Financial instruments and financial risk factors (continued)

Capital risk

The Group and Company considers its capital under management to be its free cash and cash equivalents and its interest bearing loans. The Group and Company's overall objective from its investing and trading activities is to increase its net assets per share. In assessing opportunities to invest in the energy sector the Group and Company undertakes financial modelling and technical assessments on proposed investments.

The Group and Company's capital management objectives have not changed in the period under review. The Group's net asset per share was 0.7 pence in 2020 (2019: 0.7 pence).

Currency risk

The Group and Company are exposed to foreign currency risk on trade receivables and cash balances. The currencies giving rise to the risk are United States Dollars and Euros. There are no currency hedging arrangements in place. The value of the Group's financial assets denominated in foreign currencies at 30 June 2020 was £11,332,000 (2019: £13,769,000); Company £175,000 (2019: £30,000). A 10% change in Sterling exchange rate will result in a profit or loss pre-tax recognised in the statement of profit or loss of £1,133,000 (2019: £1,377,000) in the Group; Company £18,000 (2019: £3,000).

The Group is exposed to foreign currency risk on its financial liabilities. The currencies giving rise to the risk are United States Dollars. The value of the Group's financial liabilities denominated in foreign currencies at 30 June 2020 was £nil (2019: £nil). A 10% change in Sterling exchange rate will result in an increase or decrease of £nil (2019: £nil) in the Group.

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2020. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2020		2019	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost	**4,314**	**4,314**	3,558	3,558
Financial liabilities at amortised cost	**(9,409)**	**(9,409)**	(4,565)	(4,565)
	(5,095)	**(5,095)**	(1,007)	(1,007)

Financial assets at amortised cost

The fair value of trade receivables approximates to the carrying amount because of the short maturity of these instruments. The fair value of interest bearing loans reasonably approximates to the carrying amount at the reporting date.

Financial liabilities at amortised cost

The fair value approximates to the carrying amount because the majority are associated with variable rate interest payments that are re-aligned to market rates at intervals of less than one year.

Financial assets at fair value through other comprehensive income

The balances are recorded at fair value and are determined by using published price quotations in an active market or using a valuation technique based on the price of recent investment methodology.

26. Share capital and reserves

	Authorised	
	2020 No.	2019 No.
Ordinary shares of £0.015 each	**296,750,185**	296,750,185
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	665,091,965	665,091,965
	£'000	£'000
Ordinary shares of £0.015 each	**4,451**	4,451
Deferred shares of £0.049 each	**18,049**	18,049
	22,500	22,500

	Allotted, Called Up and Paid Up	
	2020 No.	2019 No.
Ordinary shares of £0.015 each	**108,574,829**	98,929,160
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	476,916,069	467,270,940
	£'000	£'000
Ordinary shares of £0.015 each	**1,629**	1,484
Deferred shares of £0.049 each	**18,049**	18,049
	19,678	19,533

Deferred shares have no voting rights and no rights to distributions and therefore have been excluded from the calculations of Earnings per Share.

Other reserves as previously stated in the Group statement of changes in equity

The revaluation reserve represented the unrealised movement in the value of financial assets at fair value through other comprehensive income.

On disposal of these equity investments, any related balance within the revaluation reserve was reclassified to retained earnings.

9,645,669 ordinary shares were issued on the acquisition of Pitreadie Farm Limited (Note 16). The non cash consideration included £145,000 recorded against share capital, and £3,376,000 against a merger reserve. The merger reserve represents the premium on the issue of the consideration shares and is non distributable. Recorded in line with Section 612 of the Companies Act 2006.

Share options – equity settled

Share options are granted from time to time at the discretion of the remuneration committee. All employees are eligible to receive share options. At 30 June 2020, 13 employees (2019: 13) held share options.

Share options have been awarded under two different schemes:

- Unapproved options
- Unapproved options with vesting conditions

27. Share based payments

Share appreciation rights – cash settled

Certain key management and staff are awarded share appreciation rights (SARs), to be settled in cash. The fair value of the SARs is measured at each reporting date using the Black-Scholes-Merton model.

The carrying amount of the liability relating to the SARs at 30 June 2020 is £1,448,000 (2019: £2,876,000).

Deferred share payments – cash settled

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non-Executive Directors. I Rawlinson and P Dayer each will receive 146,341 shares subject to them fulfilling a three year service commitment. The Company reserves the right, at its sole discretion to settle the payment in cash and the DSPs have been accounted for as cash-settled transactions. The fair value of the DSPs is measured at each reporting date using the closing share price of The Parkmead Group plc.

The carrying amount of the liability relating to the DSPs at 30 June 2020 is £212,000 (2019: £176,000).

(Credit)/expense arising from share based payments

The (credit)/expense recognised for employee services received during the year is shown as follows:

	2020 £'000	2019 £'000
Equity-settled share based payments	**51**	24
Cash-settled share based payments	**(1,364)**	(1,086)
	(1,313)	(1,062)

The SARs are settled by cash and are therefore revalued with the movement in share price. The valuation was impacted by the decrease in share price between 30 June 2019 and 30 June 2020.

There have been no cancellations or modifications to any plans during 2020 or 2019.

Movements in the year

The movement in share option awards during the year ended 30 June 2020 is as follows:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**1,842,228**	**£0.36**	1,722,228	£0.36
Granted	**500,000**	**£0.35**	120,000	£0.35
Exercised	**–**	**–**	–	–
Lapsed	**(133,333)**	**–**	–	–
Forfeited	**(60,000)**	**–**	–	–
Outstanding at 30 June	**2,148,895**	**£0.36**	1,842,228	£0.36
Exercisable at 30 June	**1,044,295**	**£0.36**	1,177,628	£0.21

Notes to the financial statements (continued)

27. Share based payments (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	2020	2019
1 January 2020	£0.19	**–**	133,333
11 October 2020	£0.23	**66,667**	66,667
21 December 2025	£0.41	**977,628**	977,628
7 December 2027	£0.35	**544,600**	544,600
5 November 2028	£0.35	**–**	60,000
1 January 2029	£0.35	**60,000**	60,000
1 December 2029	£0.35	**300,000**	–
1 January 2030	£0.35	**200,000**	–
		2,148,895	1,842,228

The options outstanding at 30 June 2020 had a weighted average remaining contractual life of 6 years (2019: 5 years).

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

	Share price	Exercise price	Volatility	Vesting period	Expected life	Expected dividend yield	Risk free rate	Fair value
October 2010	£0.21	£0.23	68%	3 years	10 years	0%	3.02%	£0.16
December 2015	£0.41	£0.41	42%	3 years	10 years	0%	1.94%	£0.19
December 2017	£0.35	£0.35	48%	3 years	10 years	0%	1.28%	£0.18
November 2019	£0.63	£0.35	54%	3 years	10 years	0%	1.56%	£0.41
January 2020	£0.50	£0.35	45%	3 years	10 years	0%	1.27%	£0.28
December 2019	£0.50	£0.35	46%	3 years	10 years	0%	0.84%	£0.28
January 2020	£0.47	£0.35	51%	3 years	10 years	0%	0.14%	£0.26

Volatility was calculated from an average of the Group's shares monthly volatility from March 2010.

The movement in SARs during the year ended 30 June 2020 is as follows:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**9,314,068**	**£0.39**	9,314,068	£0.39
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Outstanding at 30 June	**9,314,068**	**£0.39**	9,314,068	£0.39
Exercisable at 30 June	**9,314,068**	**£0.39**	7,869,368	£0.39

27. Share based payments (continued)

The fair value of the SARs granted at 30 June 2020 has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

	Number of SARs outstanding	Share price at 30 June 2020	Exercise price	Volatility	Vesting period	Expected life	Expected dividend yield	Risk free rate
December 2015	6,424,668	£0.33	£0.41	43%	1 year	10 years	0%	0.14%
December 2017	1,444,700	£0.33	£0.35	43%	1 year	10 years	0%	0.14%
December 2017	1,444,700	£0.33	£0.35	43%	2 years	10 years	0%	0.14%

The fair value of the SARs granted at 30 June 2019 has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

	Number of SARs outstanding	Share price at 30 June 2019	Exercise price	Volatility	Vesting period	Expected life	Expected dividend yield	Risk free rate
December 2015	6,424,668	£0.53	£0.41	43%	1 year	10 years	0%	0.84%
December 2017	1,444,700	£0.53	£0.35	43%	1 year	10 years	0%	0.84%
December 2017	1,444,700	£0.53	£0.35	43%	2 years	10 years	0%	0.84%

28. Notes to the statement of cashflows

Reconciliation of operating profit/(loss) to net cash flow from continuing operations

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Operating (loss)/profit	**(177)**	5,138	**442**	130
Depreciation	**764**	217	**250**	60
Amortisation and exploration write off	**1,298**	–	**–**	–
Disposal of development and production assets	**–**	22	**–**	–
Gain on bargain purchase	**(362)**	–	**–**	–
Provision for equity settled share based payments	**51**	24	**51**	24
Currency translation adjustments	**(164)**	(208)	**(3)**	(3)
(Increase)/decrease in group companies	**–**	–	**(3,546)**	(5,680)
Movement in inventories	**230**	–	**–**	–
(Increase)/decrease in receivables	**(683)**	636	**–**	(23)
(Decrease)/increase in payables	**(75)**	(1,096)	**(1,347)**	(1,137)
Net cash flow from operations	**882**	4,733	**(4,153)**	(6,629)

29. Reconciliation of liabilities arising from financing activities

The Group and Company have no liabilities from financing activities.

30. Leases

The Group and Company has entered into commercial leases. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of lease charges according to prevailing market conditions.

The Group recognised a right of use asset on 1 July 2019 of £1,098,000, with a corresponding right of use lease liability of £1,098,000. Further leased assets were acquired with Pitreadie and are disclosed in Note 16. IFRS 16 increased the costs recorded in the profit and loss account by £49,000.

The Company recognised a right of use asset on 1 July 2019 of £480,000, with a corresponding right of use lease liability of £480,000. IFRS 16 increased the costs recorded in the profit and loss account by £15,000.

Discounted maturity analysis of IFRS 16 Leases:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Within one year	**361**	–	**174**	–
Within two to five years	**701**	–	**176**	–
More than five years	**34**	–	**–**	–
	1,096	–	**350**	–

Nominal maturity analysis of leases under IAS 17 Leases:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Within one year	**–**	284	**–**	187
Within two to five years	**–**	803	**–**	389
More than five years	**–**	147	**–**	–
	–	1,234	**–**	576

31. Ultimate controlling party and related party transactions

In the opinion of the Directors there is no ultimate controlling party. All other transactions and balances with related parties, which are presented for the Group and the Company, are detailed below.

Transactions with subsidiaries

Transactions with subsidiaries mainly comprise sale and purchase of services in the ordinary course of business at normal commercial terms and in total amounted to £2,622,000 (2019: £1,938,000). The Parkmead Group plc received dividends from subsidiaries of £nil (2019: £nil).

Any balances outstanding at 30 June 2020 and 2019 in respect of the above transactions are shown in Note 19 and Note 21.

Transactions with Directors

In August 2012, the Company entered into a 10 year lease with Tilestamp Limited, a company where T P Cross is a director and a shareholder. In November 2015, the Company entered into an additional 10 year lease with Tilestamp Limited. Invoices paid during the period amounted to £409,000 (2019: £284,000). As at 30 June 2020 a right of use asset for leased buildings was held on the balance sheet of £886,000 (2019: £nil). As at 30 June 2020 a lease liability for buildings was held on the balance sheet of £894,000 (2019: nil).

On 27 July 2017, The Parkmead Group plc entered into a credit facility with Energy Management Associates Limited, whereby Parkmead agreed to lend up to £2,900,000 to Energy Management Associates Limited.

The Loan has a period of two years, with a fixed interest rate of 2.5 per cent. Energy Management Associates Limited is a company where T P Cross is a director and a shareholder.

Further details of the Loan are provided in Note 18.

On 26 September 2019, the Group completed the acquisition of 100% of the share capital of Pitreadie Farm Limited ("Pitreadie") to purchase a company with extensive farmland and sites in Scotland with significant renewable energy potential. L Cross was a Director and majority shareholder in Pitreadie Farm Limited. Further details of the transaction are provided in Note 16.

Key management

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of The Parkmead Group plc. Information regarding their compensation is given below in aggregate for each category specified in IAS 24 Related Party Disclosures:

	2020 £'000	2019 £'000
Short-term employee benefits	**719**	837
Post-employment pension benefits	**10**	15
Share-based payment transactions	**(1,313)**	(1,086)
	(574)	(234)

32. Jointly Controlled Assets

Fields in production or under development as at 30 June 2020:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
Netherlands	Andel Va	Andel Va	Brakel	Vermilion Energy Netherlands BV	15
Netherlands	Andel Va	Andel Va	Wijk en Aalburg	Vermilion Energy Netherlands BV	15
Netherlands	Drenthe IV	Drenthe IV	Grolloo	Vermilion Energy Netherlands BV	15
Netherlands	Drenthe V	Drenthe V	Geesbrug	Vermilion Energy Netherlands BV	15
Netherlands	Drenthe VI	Drenthe VI	Diever West	Vermilion Energy Netherlands BV	7.5
UK	P.1293	14/18b	Athena	Ithaca Energy (UK) Limited	30

Exploration acreage and discoveries as at 30 June 2020:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
Netherlands	Andel Va	Andel Va	Ottoland	Vermilion Energy Netherlands BV	15
Netherlands	Andel Vb	Andel Vb	Kerkwijk	Vermilion Energy Netherlands BV	7.5
Netherlands	Papekop	Papekop	Papekop	Vermilion Energy Netherlands BV	15
UK	P.1242	48/1a, 47/5b	Platypus/Platypus East	Dana Petroleum (E&P) Limited	15
UK	P.2296	205/13	Sanda North/South	Parkmead (E&P) Limited	100
UK	P.218	15/21e	Perth	Parkmead (E&P) Limited	100
UK	P.218	15/21a	Dolphin	Parkmead (E&P) Limited	100
UK	P.588	15/21b, 21c	Perth	Parkmead (E&P) Limited	100
UK	P.2154	14/25a	Perth West	Parkmead (E&P) Limited	100
UK	P.2218	20/3c, 20/4a	Polecat/Marten	Parkmead (E&P) Limited	100
UK	P.2362	14/20f	Lowlander/ Midlander	Parkmead (E&P) Limited	100
UK	P.2400	30/12c, 30/13c, 30/17h, 30/18c	Skerryvore	Parkmead (E&P) Limited	30
UK	P.2402	30/19c	Ruvaal	Parkmead (E&P) Limited	30
UK	P.2435	47/10d, 48/6c	Blackadder/Teviot	Parkmead (E&P) Limited	75
UK	P.2406	205/12	Davaar	Parkmead (E&P) Limited	100

Officers and professional advisors

Directors

T P Cross
R A Stroulger
C J Percival (Resigned 15/11/19)
P J Dayer
D I Rawlinson (Resigned 30/04/20)
C J MacLaren (Appointed 1/05/20)

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